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

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

For the transition period from to

Commission File No. 001-36847

Invitae Corporation

(Exact name of the registrant as specified in its charter)

Delaware	**27-1701898**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1400 16th Street, San Francisco, California 94103

(Address of principal executive offices, Zip Code)

(415) 374-7782

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.0001 par value per share	NVTA	New York Stock Exchange

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 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 ☒

The number of shares of the registrant's common stock outstanding as of November 4, 2022 was 242,895,615.

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PART I — Financial Information

ITEM 1. Condensed Consolidated Financial Statements

INVITAE CORPORATION

Condensed Consolidated Balance Sheets

(in thousands)
(unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 217,029	$ 923,250
Marketable securities	368,936	122,121
Accounts receivable	89,130	66,227
Inventory	29,902	33,516
Prepaid expenses and other current assets	24,679	33,691
Total current assets	729,676	1,178,805
Property and equipment, net	113,878	114,714
Operating lease assets	109,971	121,169
Restricted cash	10,027	10,275
Intangible assets, net	1,041,185	1,187,994
Goodwill	—	2,283,059
Other assets	21,518	23,551
Total assets	$ 2,026,255	$ 4,919,567
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 10,727	$ 21,127
Accrued liabilities	83,116	106,453
Operating lease obligations	14,199	12,359
Finance lease obligations	5,279	4,156
Total current liabilities	113,321	144,095
Operating lease obligations, net of current portion	138,167	124,369
Finance lease obligations, net of current portion	4,848	5,683
Debt	120,097	113,391
Convertible senior notes, net	1,469,108	1,464,138
Deferred tax liability	9,181	51,696
Other long-term liabilities	12,667	37,797
Total liabilities	1,867,389	1,941,169
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock	24	23
Accumulated other comprehensive loss	(898)	(7)
Additional paid-in capital	4,889,064	4,701,230
Accumulated deficit	(4,729,324)	(1,722,848)
Total stockholders' equity	158,866	2,978,398
Total liabilities and stockholders' equity	$ 2,026,255	$ 4,919,567

See accompanying notes to unaudited condensed consolidated financial statements.

INVITAE CORPORATION

Condensed Consolidated Statements of Operations

(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Test revenue	$ 128,839	$ 111,676	$ 381,518	$ 322,448
Other revenue	4,697	2,719	12,331	11,880
Total revenue	133,536	114,395	393,849	334,328
Cost of revenue	116,956	87,741	324,412	252,563
Research and development	87,177	97,511	330,559	284,323
Selling and marketing	49,193	55,501	172,086	163,705
General and administrative	44,939	86,820	149,071	197,640
Asset impairments	6,708	—	2,324,572	—
Change in fair value of contingent consideration	—	(19,866)	(1,850)	(386,836)
Restructuring	118,514	—	118,514	—
Total cost and operating expenses	423,487	307,707	3,417,364	511,395
Loss from operations	(289,951)	(193,312)	(3,023,515)	(177,067)
Other income, net	1,872	3,357	19,637	9,846
Interest expense	(14,145)	(14,069)	(42,149)	(35,869)
Net loss before taxes	(302,224)	(204,024)	(3,046,027)	(203,090)
Income tax benefit	(1,068)	(5,848)	(39,551)	(29,208)
Net loss	$ (301,156)	$ (198,176)	$ (3,006,476)	$ (173,882)
Net loss per share, basic and diluted	$ (1.27)	$ (0.91)	$ (12.91)	$ (0.85)
Shares used in computing net loss per share, basic and diluted	237,974	218,384	232,889	205,587

See accompanying notes to unaudited condensed consolidated financial statements.

INVITAE CORPORATION

Condensed Consolidated Statements of Comprehensive Loss

(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (301,156)	$ (198,176)	$ (3,006,476)	$ (173,882)
Other comprehensive income (loss):				
Unrealized income (loss) on available-for-sale marketable securities, net of tax	436	(13)	(891)	20
Comprehensive loss	$ (300,720)	$ (198,189)	$ (3,007,367)	$ (173,862)

See accompanying notes to unaudited condensed consolidated financial statements.

INVITAE CORPORATION

Condensed Consolidated Statements of Stockholders' Equity

(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Common stock:				
Balance, beginning of period	$ 24	$ 20	$ 23	$ 19
Common stock issued	—	3	1	4
Balance, end of period	24	23	24	23
Accumulated other comprehensive (loss) income:				
Balance, beginning of period	(1,334)	34	(7)	1
Unrealized income (loss) on available-for-sale marketable securities, net of tax	436	(13)	(891)	20
Balance, end of period	(898)	21	(898)	21
Additional paid-in capital:				
Balance, beginning of period	4,815,383	3,973,479	4,701,230	3,337,120
Common stock issued in connection with public offering, net	9,658	—	9,658	434,263
Common stock issued on exercise of stock options, net	33	5,215	630	8,167
Common stock issued pursuant to exercises of warrants	—	—	—	1,242
Common stock issued pursuant to employee stock purchase plan	—	—	5,637	6,400
Common stock and equity awards issued pursuant to acquisitions	3,984	620,001	9,253	783,877
Stock-based compensation expense	60,006	25,702	162,656	128,816
Reclassification of equity component of convertible senior notes	—	—	—	(75,488)
Balance, end of period	4,889,064	4,624,397	4,889,064	4,624,397
Accumulated deficit:				
Balance, beginning of period	(4,428,168)	(1,319,548)	(1,722,848)	(1,360,847)
Cumulative effect of accounting change	—	—	—	17,005
Net loss	(301,156)	(198,176)	(3,006,476)	(173,882)
Balance, end of period	(4,729,324)	(1,517,724)	(4,729,324)	(1,517,724)
Total stockholders' equity	$ 158,866	$ 3,106,717	$ 158,866	$ 3,106,717

See accompanying notes to unaudited condensed consolidated financial statements.

INVITAE CORPORATION

Condensed Consolidated Statements of Cash Flows

(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (3,006,476)	$ (173,882)
Adjustments to reconcile net loss to net cash used in operating activities:		
Asset impairments	2,324,572	—
Losses on asset disposals	48,792	—
Depreciation and amortization	104,726	56,848
Stock-based compensation	164,314	131,768
Amortization of debt discount and issuance costs	11,676	10,352
Remeasurements of liabilities associated with business combinations	(17,516)	(396,015)
Benefit from income taxes	(39,551)	(29,215)
Post-combination expense for acceleration of unvested equity and deferred stock compensation	4,980	7,870
Amortization of premiums and discounts on investment securities	603	5,155
Non-cash lease expense	6,832	1,861
Other	536	320
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(22,903)	(8,900)
Inventory	3,614	1,397
Prepaid expenses and other current assets	9,012	(15,273)
Other assets	2,740	(2,915)
Accounts payable	(6,345)	2,581
Accrued expenses and other long-term liabilities	(540)	24,151
Net cash used in operating activities	(410,934)	(383,897)
Cash flows from investing activities:		
Purchases of marketable securities	(789,622)	(325,957)
Proceeds from maturities of marketable securities	541,313	228,043
Acquisition of businesses, net of cash acquired	—	(239,836)
Purchases of property and equipment	(48,385)	(35,533)
Other	—	(1,300)
Net cash used in investing activities	(296,694)	(374,583)
Cash flows from financing activities:		
Proceeds from public offerings of common stock, net	9,658	434,263
Proceeds from issuance of common stock	6,267	15,810
Proceeds from issuance of convertible senior notes, net	—	1,116,427
Finance lease principal payments	(4,184)	(2,833)
Settlement of acquisition obligations	(10,582)	(4,758)
Net cash provided by financing activities	1,159	1,558,909
Net (decrease) increase in cash, cash equivalents and restricted cash	(706,469)	800,429
Cash, cash equivalents and restricted cash at beginning of period	933,525	131,480
Cash, cash equivalents and restricted cash at end of period	$ 227,056	$ 931,909
Supplemental cash flow information of non-cash investing and financing activities:		
Equipment acquired through finance leases	$ 4,472	$ 7,736
Purchases of property and equipment in accounts payable and accrued liabilities	$ 2,531	$ 12,513
Common stock issued for acquisition of businesses	$ 4,274	$ 782,477
Operating lease assets obtained in exchange for lease obligations, net	$ 4,495	$ 82,138

See accompanying notes to unaudited condensed consolidated financial statements.

INVITAE CORPORATION

Notes to Condensed Consolidated Financial Statements

1. Organization and description of business

Invitae Corporation ("Invitae," “the Company," "we," "us," and "our") was incorporated in the State of Delaware on January 13, 2010, as Locus Development, Inc. and we changed our name to Invitae Corporation in 2012. We offer high-quality, comprehensive, affordable genetic testing across multiple clinical areas, including hereditary cancer, precision oncology, women's health, rare diseases and pharmacogenomics. To augment our offering and realize our mission, we have previously acquired multiple assets and businesses that further expanded our test menu and suite of genome management offerings and accelerated our entry into key genomics markets. Invitae operates in one segment.

Strategic realignment

On July 18, 2022, the Company initiated a strategic realignment of our operations and began implementing cost reduction programs to prioritize its core genetic testing and genome management platforms, which was approved by the board of directors of the Company on July 16, 2022. The Company is in the process of implementing initiatives to streamline its product portfolio to focus on its core testing business and programs that drive near-term reductions in cost of revenue to accelerate the Company’s path to positive operating cash flow while completing its genome management platform. See Note 11, "Restructuring" for additional information regarding our strategic realignment.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results expected for the full fiscal year or any other periods.

2. Summary of significant accounting policies

Principles of consolidation

Our unaudited condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base these estimates on current facts, historical and anticipated results, trends and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. Actual results could differ materially from those judgments, estimates and assumptions. We evaluate our estimates on an ongoing basis.

Prior period reclassifications

We have reclassified certain amounts in prior periods to conform with the current period presentation.

Concentrations of credit risk and other risks and uncertainties

Financial instruments that potentially subject us to a concentration of credit risk consist of cash, cash equivalents, restricted cash, marketable securities and accounts receivable. Our cash and cash equivalents are primarily held by financial institutions in the United States. Such deposits may exceed federally insured limits.

Cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets are reconciled to the amounts reported in the condensed consolidated statements of cash flows as follows (in thousands):

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 217,029	$ 921,634
Restricted cash	10,027	10,275
Total cash, cash equivalents and restricted cash	$ 227,056	$ 931,909

Restricted cash serves as the security deposits for the Company's leases.

Fair value of financial instruments

Our financial instruments consist principally of cash and cash equivalents, marketable securities, accounts payable, accrued liabilities, finance leases and liabilities associated with business combinations. The carrying amounts of certain of these financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued and other current liabilities approximate their current fair value due to the relatively short-term nature of these accounts. Based on borrowing rates available to us, the carrying value of our finance leases approximates their fair values. Liabilities associated with business combinations are recorded at their estimated fair value.

Restructuring resulting from strategic realignment

As a result of implementing our strategic realignment, we incurred restructuring charges comprised of employee separation costs, losses on asset disposals, and other costs. Employee separation costs are comprised of severance, other termination benefit costs, and stock-based compensation expense for the acceleration of stock awards related to workforce reductions. We recognize costs and liabilities associated with exit and disposal activities in accordance with Accounting Standards Codification ("ASC") 420, *Exit and Disposal Cost Obligations,* and other costs and liabilities associated with postemployment nonretirement benefits in accordance with ASC 712, *Postemployment Nonretirement Benefits*. Liabilities are based on the estimate of fair value in the period the liabilities are incurred, with subsequent changes to the liability recognized as adjustments in the period of change. We recognize losses on asset disposals in accordance with ASC 360, *Impairment or Disposal of Long-Lived Assets*. Restructuring charges are recognized as an operating expense within the condensed consolidated statements of operations and related liabilities are recorded within accrued liabilities in the condensed consolidated balance sheets.

Recent accounting pronouncements

We evaluate all Accounting Standards Updates (“ASUs”) issued by the Financial Accounting Standards Board ("FASB") for consideration of their applicability. ASUs not included in the disclosures in this report were assessed and determined to be either not applicable or are not expected to have a material impact in our condensed consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In October 2021, the FASB issued ASU 2021-08, *Business Combinations ("Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The amendments of this ASU require entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, *Revenue from Contracts with Customers*. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and should be applied prospectively to all business combinations occurring after the date of adoption. Early adoption is permitted.

We are currently evaluating the impact this guidance will have in our condensed consolidated financial statements and the timing of adoption.

Recently adopted accounting pronouncements

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. This new standard is effective for our interim and annual periods beginning January 1, 2022, with early adoption permitted. We elected to adopt the amendments on a modified retrospective basis effective January 1, 2021, which required a cumulative-effect adjustment to retained earnings. The cumulative-effect adjustment resulted in a decrease in accumulated deficit of $17.0 million related to the reversal of the equity component and associated issuance costs as well as adjustment of the related amortization costs of our convertible senior notes due 2024. Reporting periods beginning on or after January 1, 2021 are presented under this new guidance while prior periods have not been adjusted and continue to be reported in accordance with our historic accounting under U.S. GAAP. See Note 8, "Commitments and contingencies" for additional information about our convertible senior notes.

3. Revenue, accounts receivable and deferred revenue

Test revenue is generated from sales of diagnostic tests and precision oncology products to four groups of customers: biopharmaceutical partners, patients who pay directly, patients' insurance carriers, and other business-to-business customers (e.g., hospitals, clinics, medical centers). Test revenue is generated in two ways: through a centralized lab and decentralized through the shipment of reactions to biopharmaceutical partners and other business-to-business customers. We refer to the set of reagents needed to perform a next-generation sequencing test as a "reaction." Amounts billed and collected, and the timing of collections, vary based on the type of payer. Other revenue consists principally of revenue recognized under contracts for biopharmaceutical development services and other collaboration and genome network agreements and is accounted for under the provisions provided in ASC 606.

Our revenue as disaggregated by payer category and revenue subtype is as follows (in thousands):

	Three Months Ended September 30, 2022				
	Patient				
	Insurance	Direct	Biopharma partner	Other business-to-business	Total
Test revenue:					
Centralized	$ 80,484	$ 8,759	$ 15,455	$ 12,431	$ 117,129
Decentralized	—	—	2,070	9,640	11,710
Total test revenue	80,484	8,759	17,525	22,071	128,839
Other revenue	—	—	3,202	1,495	4,697
Total revenue	$ 80,484	$ 8,759	$ 20,727	$ 23,566	$ 133,536

	Three Months Ended September 30, 2021				
	Patient				
	Insurance	Direct	Biopharma partner	Other business-to-business	Total
Test revenue:					
Centralized	$ 69,009	$ 10,999	$ 10,390	$ 12,591	$ 102,989
Decentralized	—	—	374	8,313	8,687
Total test revenue	69,009	10,999	10,764	20,904	111,676
Other revenue	—	—	1,774	945	2,719
Total revenue	$ 69,009	$ 10,999	$ 12,538	$ 21,849	$ 114,395

	Nine Months Ended September 30, 2022				
	Patient				
	Insurance	Direct	Biopharma partner	Other business-to-business	Total
Test revenue:					
Centralized	$ 233,354	$ 31,336	$ 45,465	$ 38,737	$ 348,892
Decentralized	—	—	4,806	27,820	32,626
Total test revenue	233,354	31,336	50,271	66,557	381,518
Other revenue	—	—	8,395	3,936	12,331
Total revenue	$ 233,354	$ 31,336	$ 58,666	$ 70,493	$ 393,849

	Nine Months Ended September 30, 2021				
	Patient				
	Insurance	Direct	Biopharma partner	Other business-to-business	Total
Test revenue:					
Centralized	$ 201,154	$ 30,471	$ 29,650	$ 34,939	$ 296,214
Decentralized	—	—	1,011	25,223	26,234
Total test revenue	201,154	30,471	30,661	60,162	322,448
Other revenue	—	—	8,394	3,486	11,880
Total revenue	$ 201,154	$ 30,471	$ 39,055	$ 63,648	$ 334,328

We recognize revenue related to billings based on estimates of the amount that will ultimately be realized. Cash collections for certain tests delivered may differ from rates originally estimated. In subsequent periods, we update our estimate of the amounts recognized for previously delivered tests which resulted in the following increases to revenue and decreases to our net loss from operations and basic and diluted net loss per share (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 1.1	$ 4.0	$ 3.5	$ 12.0
Loss from operations	$ (1.1)	$ (4.0)	$ (3.5)	$ (12.0)
Net loss per share, basic and diluted	$ 0.00	$ (0.02)	$ (0.02)	$ (0.06)

Impact of COVID-19

We expect the COVID-19 pandemic may continue to impact our business. We have reviewed and adjusted, when necessary, for the impact of COVID-19 on our estimates related to revenue recognition and expected credit losses.

Accounts receivable

The majority of our accounts receivable represents amounts billed to biopharmaceutical partners and other business-to-business customers for test and other revenue recognized, and estimated amounts to be collected from third-party insurance payers for genetic testing revenue recognized. Also included are amounts due under the terms of collaboration and genome network agreements for diagnostic testing and data aggregation reporting services provided and proprietary platform access rights transferred.

We also record unbilled revenue for revenue recognized but yet to be billed for services provided to biopharmaceutical companies related to companion diagnostic development. This contract receivable was $5.1 million and $4.3 million as of September 30, 2022 and December 31, 2021, respectively, and was included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

Deferred revenue

We record a contract liability when cash payments are received or due in advance of our performance related to one or more performance obligations. The deferred revenue balance primarily consists of advanced billings for biopharmaceutical development services, including billings at the initiation of performance-based milestones, and recognized as revenue in the applicable future period when the revenue is earned. Also included

are prepayments related to our consumer direct channel. During the three and nine months ended September 30, 2022, we recognized revenue of $3.3 million and $4.5 million, respectively, from deferred revenue recorded in prior periods. The current contract liability was $5.7 million and $9.4 million as of September 30, 2022 and December 31, 2021, respectively, and was included in accrued liabilities in the condensed consolidated balance sheets. The long-term contract liability was $0.1 million and $0.7 million as of September 30, 2022 and December 31, 2021, respectively, and was included in other long-term liabilities in the condensed consolidated balance sheets.

Performance obligations

Test and other revenue are generally recognized upon completion of our performance obligation when the customer obtains control of the promised good or service, typically a test report or upon shipment of our precision oncology products or other contractually defined milestone(s). The Company has applied the practical expedient in relation to information about our remaining performance obligations, as we have a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. Most remaining performance obligations are primarily related to Personalized Cancer Monitoring ("PCM") services included in test revenue in our condensed consolidated statement of operations and are generally satisfied over one to six months.

4. Business combinations

ArcherDX

In October 2020, we acquired ArcherDX, Inc. ("ArcherDX"), a genomics analysis company democratizing precision oncology. Under the terms of the agreement, we acquired ArcherDX for upfront consideration consisting of 30.0 million shares of our common stock and $325.0 million in cash, plus up to an additional 27.0 million shares of our common stock payable in connection with the achievement of certain milestones. During the three months ended March 31, 2021, Invitae and the sellers of ArcherDX reached an agreement to reduce the purchase price by $1.2 million based on the final acquired net working capital. This adjustment was recorded during the three months ended March 31, 2021 and reduced the contingent consideration liability and goodwill by approximately $1.2 million.

We were required to pay contingent consideration based on achievement of post-closing development and revenue milestones. The material factors that may impact the fair value of the contingent consideration, and therefore the liability, are (i) the estimated number of shares to be issued, (ii) the volatility of our common stock, (iii) the probabilities of achievement of milestones within the timeframes prescribed in the acquisition agreement and (iv) discount rates, all of which are Level 3 inputs not supported by market activity with the exception of the volatility of our common stock. Significant changes in any of these inputs may result in a significant change in fair value, which is estimated at each reporting date. Of the five milestones, one milestone was achieved in November 2020, which resulted in the issuance of 5.0 million shares of our common stock and a cash payment of $1.9 million, and three milestones were achieved or deemed to be achieved during the three months ended June 30, 2021, which resulted in the issuance of 13.8 million shares of our common stock and a cash payment of $3.3 million in July 2021. The remaining milestone is based upon receiving U.S. Food and Drug Administration ("FDA") clearance or approval of a therapy selection in vitro diagnostic ("IVD") product, which per the terms of the acquisition agreement, must be completed by March 31, 2022, subject to certain extensions (the "ArcherDX Final Milestone"). With respect to the ArcherDX Final Milestone, the liability was reduced to nil as of June 30, 2021 from $262.5 million as of March 31, 2021 and $287.7 million as of December 31, 2020, with the offsetting change recorded as changes in fair value of contingent consideration in our condensed consolidated statements of operations. The removal of the liability balance and the associated change in fair value of contingent consideration was a result of our reassessment of the steps necessary to achieve clearance or approval based on FDA feedback received principally in the three months ended June 30, 2021. In April 2022, an agreement was entered into with the previous ArcherDX stockholders to extend the date for achievement of the ArcherDX Final Milestone to March 31, 2023. We currently do not believe that this milestone will be achieved within this timeframe. As such, no liability was recorded as of September 30, 2022.

In connection with the acquisition, we granted awards of common stock to new employees who joined Invitae in connection with our acquisition of ArcherDX that vested upon the achievement of the contingent consideration milestones discussed above and were subject to the employees' continued service with us, unless terminated without cause in which case vesting was only dependent on milestone achievement. As the number of shares that were expected to be issued are fixed, the awards are equity-classified. During the nine months ended September 30, 2022, we recorded stock-based compensation expense of nil related to the ArcherDX milestones. During the nine months ended September 30, 2021, we recorded a net $41.8 million in stock-based compensation expense related to the ArcherDX milestones, which includes $38.5 million related to milestones achieved in prior

periods, $33.0 million due to an accounting modification of certain awards whereby the employee's continued substantive services were no longer required, offset by a reversal of $29.7 million recognized in prior periods related to the determination that the ArcherDX Final Milestone would not be achieved within the specified timeframe prescribed in the acquisition agreement.

One Codex

In February 2021, we acquired 100% of the interest of Reference Genomics d/b/a One Codex ("One Codex"), a company developing and commercializing products and services relating to microbiome sequencing, analysis and reporting, for upfront consideration consisting of $17.3 million in cash and 1.4 million shares of our common stock, of which approximately 0.2 million shares were subject to a hold-back to satisfy indemnification obligations that may have arisen following the closing. These shares subject to a hold-back were issued to a third-party at the closing date to hold in escrow until the escrow period is complete, and as such were classified as equity. In February 2022, the amounts held back to satisfy indemnification obligations were released in full to the former stockholders.

Disposition

In September 2022, we sold 100% of our interest in One Codex and certain related assets for an immaterial amount of cash proceeds, as part of our strategic realignment plan. The disposition of One Codex was considered to be an asset sale as substantially all of the fair value was concentrated in the developed technology and certain customer relationships. The carrying value of assets sold include developed technology of $19.4 million and customer relationships of $0.4 million. The sale resulted in a loss of approximately $19.8 million during the three and nine months ended September 30, 2022, and is included in restructuring expense in our condensed consolidated statement of operations. See Note 5, "Goodwill and intangible assets" and Note 11, "Restructuring" for additional information.

Concurrently, Invitae and the buyer entered into an agreement whereby we have the option to access the technology sold for at least one year in the form of a software-as-a-service ("SaaS") subscription.

Genosity

In April 2021, we acquired 100% of the fully diluted equity of Genosity Inc. ("Genosity"), a company providing genomic laboratory services, for approximately $196.0 million, consisting of approximately $120.0 million in cash and 1.9 million shares of our common stock. In connection with this transaction, we granted restricted stock units ("RSUs") having a value of up to $5.0 million to certain continuing employees and recognized $0.4 million and $1.3 million in stock-based compensation expense for the three and nine months ended September 30, 2022, respectively. We recognized $0.3 million and $0.5 million in stock-based compensation expense for the three and nine months ended September 30, 2021, respectively.

Pursuant to the terms of the acquisition, we agreed to provide additional shares in the event that our common stock share price decreased after the acquisition, but prior to filing a resale registration statement. At the time of the acquisition, we estimated this provision to be $7.0 million. On filing the resale registration statement during the period ended June 30, 2021, the fair value was $3.2 million and the difference of $3.8 million was recorded in general and administrative expense.

Ciitizen

In September 2021, we acquired 100% of the equity of Ciitizen Corporation ("Ciitizen"), a patient-centric health technology company, for approximately $308.3 million, consisting of approximately $87.4 million in cash and 6.3 million shares of our common stock, of which approximately $10.4 million in cash and 0.8 million shares are subject to a hold-back to satisfy indemnification obligations that may arise following the closing. As of September 30, 2022, the value of the stock payable liability was $0.5 million with the $9.6 million fair value change for the nine months ended September 30, 2022 recorded as income in other income, net. In September 2022, the amounts held back to satisfy indemnification obligations were partially released to the former stockholders. The remaining amounts held back to satisfy indemnification obligations are expected to be released in September 2023. In connection with this transaction, we granted RSUs having a value of up to $246.9 million to certain continuing employees. During the three and nine months ended September 30, 2022, we recorded stock-based compensation expense of $22.2 million and $72.2 million, respectively, primarily in research and development expense. Additionally, we recorded $23.7 million of stock-based compensation expense for both the three and nine months ended September 30, 2022 in restructuring expense related to the acceleration of RSUs for employees who were terminated as part of our strategic realignment. See Note 10, "Stock incentive plans" for additional information.

During the three and nine months ended September 30, 2021, we recorded stock-based compensation expense of $1.6 million.

5. Goodwill and intangible assets

Goodwill

The changes in the carrying amounts of goodwill were as follows (in thousands):

Balance as of December 31, 2021	$ 2,283,059
Impairment	(2,283,059)
Balance as of September 30, 2022	$ —

Intangible assets

The following table presents details of our acquired intangible assets as of September 30, 2022 (in thousands):

	September 30, 2022				
	Cost	Accumulated Amortization	Asset Disposals	Net	Weighted-Average Useful Life (In Years)
Customer relationships	$ 41,515	$ (16,543)	$ (359)	$ 24,613	10.8
Developed technology	1,174,506	(156,068)	(19,426)	999,012	10.8
Non-compete agreement	286	(286)	—	—	0.0
Trade name	21,085	(3,525)	—	17,560	12.0
Patent assets and licenses	495	(156)	(339)	—	0.0
Right to develop new technology	19,359	(2,474)	(16,885)	—	0.0
	$ 1,257,246	$ (179,052)	$ (37,009)	$ 1,041,185	10.8

The following table presents details of our acquired intangible assets as of December 31, 2021 (in thousands):

	December 31, 2021			
	Cost	Accumulated Amortization	Net	Weighted-Average Useful Life (In Years)
Customer relationships	$ 41,515	$ (13,096)	$ 28,419	10.8
Developed technology	662,106	(81,902)	580,204	10.2
Non-compete agreement	286	(286)	—	0.0
Trade name	21,085	(2,207)	18,878	12.0
Patent assets and licenses	495	(136)	359	15.0
Right to develop new technology	19,359	(1,613)	17,746	15.0
In-process research and development	542,388	—	542,388	n/a
	$ 1,287,234	$ (99,240)	$ 1,187,994	10.4

Acquisition-related intangibles included in the above tables are generally finite-lived, other than in-process research and development, which has an indefinite life, and are carried at cost less accumulated amortization. Customer relationships related to our 2017 business combinations are being amortized on an accelerated basis in proportion to estimated cash flows. All other finite-lived acquisition-related intangibles are being amortized on a straight-line basis over their estimated lives, which approximates the pattern in which the economic benefits of the intangible assets are expected to be realized. During the nine months ended September 30, 2022, the Company launched the ArcherDX STRATAFIDE and PCM products resulting in the reclassification of $512.4 million of the related in-process research and development (IPR&D) intangibles to developed technology intangibles, which are finite-lived and amortizable. Amortization expense was $29.6 million and $15.6 million for the three months ended September 30, 2022 and 2021, respectively, and $79.8 million and $41.2 million for the nine months ended September 30, 2022 and 2021, respectively. Amortization expense is recorded in cost of revenue, research and development, and selling and marketing expense.

As part of the ArcherDX acquisition in October 2020, we acquired intangible assets including core developed technology and the right to develop new technology related to an existing agreement between ArcherDX and a vendor. The core developed technology has several applications, which we intend to continue to leverage in other areas of the business, including PCM. In conjunction with the strategic realignment plan, management decided to exit the IVD product offering in August 2022. During the three and nine months ended September 30, 2022, we wrote-off the remaining carrying value of the right to develop new technology intangible asset of $16.9 million, which is included in restructuring expense in the condensed consolidated statements of operations. See Note 11, "Restructuring" for additional information.

In conjunction with the strategic realignment plan, management also decided to exit the in-vitro fertilization ("IVF") product offering. As a result, we wrote-off a patent licensing agreement intangible asset with a carrying value of $0.3 million included in restructuring expense in the condensed consolidated statements of operations. See Note 11, "Restructuring" for additional information.

See Note 4, "Business combinations" for additional information on the sale of our interest in One Codex and the related disposition of developed technology and customer relationships during the three and nine months ended September 30, 2022.

The following table summarizes our estimated future amortization expense of intangible assets with finite lives as of September 30, 2022 (in thousands):

2022 (remainder of year)	$	28,636
2023		114,440
2024		114,162
2025		112,408
2026		112,374
Thereafter		559,165
Total estimated future amortization expense	$	1,041,185

In December 2021, we acquired 100% of the equity interest of Stratify Genomics Inc., a cancer risk stratification company, for $29.0 million consisting of 1.0 million shares of common stock, $4.2 million in assumed liabilities, and $8.0 million in cash. We accounted for this transaction as an asset acquisition, as substantially all of the fair value is concentrated in the developed technology acquired. As goodwill is not recorded under an asset acquisition, an $8.7 million deferred tax liability arising from book/tax basis differences increased the value of the assets acquired above the purchase price. As a result, the fair value of the developed technology is $37.5 million, which will be amortized over eight years to cost of revenue. The remaining purchase price of $0.2 million is the fair value of cash and cash equivalents.

In July 2021, we acquired 100% of the equity interest of Medneon LLC, a digital health artificial intelligence company, for $34.1 million consisting of 0.4 million shares of common stock, $4.9 million in assumed liabilities, and $12.9 million in cash. We accounted for this transaction as an asset acquisition, as substantially all of the fair value is concentrated in the developed technology acquired. The fair value of the developed technology is $33.9 million, which will be amortized over eight years to cost of revenue. The remaining purchase price of $0.2 million is the fair value of cash and cash equivalents.

Impairment assessment

Goodwill and indefinite-lived intangible assets are assessed for impairment on an annual basis and whenever events and circumstances indicate that these assets may be impaired. We evaluate the fair value of long-lived assets, which include property and equipment and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts of the asset may not be fully recoverable. In testing for goodwill impairment, we have the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If we elect to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that the carrying value exceeds its fair value, we perform a quantitative goodwill impairment test to compare to the fair value of our reporting unit to its carrying value, including goodwill. If the carrying value, including goodwill, exceeds the reporting unit’s fair value, we will recognize an impairment loss for the amount by which the carrying amount exceeds the reporting unit’s fair value. Factors that may indicate potential impairment and trigger an impairment test include, but are not limited to, current economic, market and geopolitical conditions, including a significant, sustained decline in our stock price and market capitalization compared to the net book value, an adverse change in legal factors,

business climate or operational performance of the business, or significant changes in the ability of a particular asset (or group of assets) to generate positive cash flows for our strategic business objectives.

During the three months ended June 30, 2022, as a result of the significant, sustained decline in our stock price and related market capitalization and lower than expected financial performance, we performed an impairment assessment of goodwill, IPR&D intangible assets, and long-lived assets, including definite-lived intangibles.

For our goodwill, we measured the fair value of the reporting unit utilizing the discounted cash flow method under the income approach. This approach relies on significant unobservable inputs including, but not limited to, management's forecasts of projected revenue associated with future cash flows, discount rates, and control premium. Based on this analysis, we recognized a non-cash, pre-tax goodwill impairment charge of $2.3 billion during the three months ended June 30, 2022, which was included in asset impairments in the condensed consolidated statements of operations. The goodwill was fully impaired as of June 30, 2022.

We also identified indicators of impairment related to the IPR&D intangible asset initially recognized as part of the acquisition of Singular Bio, Inc. ("Singular Bio") that it was more likely than not that the asset is impaired. The Company identified conditions during the period ended June 30, 2022 such as alternative technologies and uncertainties around the desired outcome of our in-development asset and other economic factors that raised issues with the realizability of our asset. As a result of our evaluation, we recognized a non-cash, pre-tax impairment charge of $30.0 million during the three months ended June 30, 2022 related to the IPR&D intangible asset. The indefinite-lived intangible asset was fully impaired as of June 30, 2022. Additionally, we recognized an impairment loss of $4.8 million during the three months ended June 30, 2022 related to specific equipment that is no longer being utilized on this project and has no alternative future use. The impairment charges are recorded in asset impairments in the condensed consolidated statements of operations.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the total estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

A recoverability test was performed for the long-lived assets, including definite-lived intangibles, using the undiscounted cash flows approach, which included significant unobservable inputs including management's forecasts of projected revenue associated with future cash flows, and residual value. The cash flow estimates reflected the Company’s assumptions about its use of the long-lived assets and eventual disposition of the asset group. We determined that our long-lived assets held and used, including intangible assets that are subject to amortization, did not have identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and of other asset groups, because the assets are highly interrelated and interdependent. Therefore, the Company evaluated its long-lived assets for impairment on an entity-wide level. The long-lived assets passed the recoverability test as of June 30, 2022. As a result of the strategic realignment, we evaluated the recoverability of long-lived assets for impairment. We concluded that the fair value of long-lived assets was in excess of their carrying value at September 30, 2022 and no impairment was recorded except for operating lease impairments, which are discussed in the "Leases" section of Note 8 "Commitments and contingencies." We also recorded losses on disposal of assets pursuant to the strategic realignment, which are discussed in Note 11, "Restructuring."

6. Balance sheet components

Inventory

Inventory consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials	$ 29,481	$ 27,178
Work in progress	421	5,342
Finished goods	—	996
Total inventory	$ 29,902	$ 33,516

As part of the Company's strategic realignment, management decided to exit certain product offerings. During the three and nine months ended September 30, 2022, the Company wrote-off the remaining inventory related to these product offerings of $12.6 million to cost of revenue in the condensed consolidated statements of operations.

Property and equipment, net

Property and equipment consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Leasehold improvements	$ 76,988	$ 31,159
Laboratory equipment	68,633	61,317
Computer equipment	16,411	15,452
Furniture and fixtures	1,734	2,130
Construction-in-progress	21,892	52,039
Other	3,313	925
Total property and equipment, gross	188,971	163,022
Accumulated depreciation and amortization	(75,093)	(48,308)
Total property and equipment, net	$ 113,878	$ 114,714

Depreciation expense was $9.7 million and $5.1 million for the three months ended September 30, 2022 and 2021, respectively, and $21.1 million and $13.2 million for the nine months ended September 30, 2022 and 2021, respectively. Depreciation expense for the three and nine months ended September 30, 2022 includes accelerated depreciation of $3.4 million from a change in the estimated useful lives of property and equipment related to the exit of certain product offerings.

Due to the Company's decision to exit certain business lines, consolidate lab and office space, and reduce our international footprint as part of our strategic realignment, we recognized a loss on disposal of property and equipment of $11.8 million, which is included in restructuring expense in our condensed consolidated statement of operations during the three and nine months ended September 30, 2022. See Note 11, "Restructuring" for additional information.

See Note 5, "Goodwill and intangible assets" for additional information on the impairment assessment including long-lived assets and the related impairment loss recognized during the three months ended June 30, 2022.

Accrued liabilities

Accrued liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued compensation and related expenses	$ 36,654	$ 35,877
Accrued expenses	20,167	32,136
Compensation and other liabilities associated with business combinations	6,829	11,622
Deferred revenue	5,663	9,431
Accrued interest	583	6,646
Other accrued liabilities	13,220	10,741
Total accrued liabilities	$ 83,116	$ 106,453

Other long-term liabilities

Other long-term liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Compensation and other liabilities associated with business combinations, non-current	1,010	27,919
Deferred revenue, non-current	62	663
Other	11,595	9,215
Total other long-term liabilities	$ 12,667	$ 37,797

7. Fair value measurements

Financial assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The authoritative guidance establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity.

The three-level hierarchy for the inputs to valuation techniques is summarized as follows:

Level 1—Observable inputs such as quoted prices (unadjusted) for identical instruments in active markets.

Level 2—Observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations whose significant inputs are observable.

Level 3—Unobservable inputs that reflect the reporting entity's own assumptions.

The following tables set forth the fair value of our financial instruments that were measured at fair value on a recurring basis (in thousands):

	September 30, 2022						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:							
Money market funds	$ 184,898	$ —	$ —	$ 184,898	$ 184,898	$ —	$ —
U.S. Treasury notes	364,887	1	(895)	363,993	363,993	—	—
U.S. government agency securities	4,947	—	(4)	4,943	—	4,943	—
Total financial assets	$ 554,732	$ 1	$ (899)	$ 553,834	$ 548,891	$ 4,943	$ —
Financial liabilities:							
Stock payable liability				$ 985	$ —	$ —	$ 985
Total financial liabilities				$ 985	$ —	$ —	$ 985

	September 30, 2022
Reported as:	
Cash equivalents	$ 174,871
Restricted cash	10,027
Marketable securities	368,936
Total cash equivalents, restricted cash, and marketable securities	$ 553,834
Other long-term liabilities	$ 985

	December 31, 2021						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:							
Money market funds	$ 913,990	$ —	$ —	$ 913,990	$ 913,990	$ —	$ —
U.S. Treasury notes	111,187	—	(6)	111,181	111,181	—	—
U.S. government agency securities	10,941	—	(1)	10,940	—	10,940	—
Total financial assets	$ 1,036,118	$ —	$ (7)	$ 1,036,111	$ 1,025,171	$ 10,940	$ —
Financial liabilities:							
Stock payable liability				$ 20,925	$ —	$ —	$ 20,925
Contingent consideration				1,875	—	—	1,875
Total financial liabilities				$ 22,800	$ —	$ —	$ 22,800

	December 31, 2021
Reported as:	
Cash equivalents	$ 903,715
Restricted cash	10,275
Marketable securities	122,121
Total cash equivalents, restricted cash, and marketable securities	$ 1,036,111
Other long-term liabilities	$ 22,800

There were no transfers between Level 1, Level 2 and Level 3 during the periods presented. Our debt securities of U.S. government agencies are classified as Level 2 as they are valued based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs obtained from various third-party data providers, including but not limited to benchmark yields, interest rate curves, reported trades, broker/dealer quotes and reference data. At September 30, 2022, the remaining contractual maturities of available-for-sale securities ranged from one to six months.

The total fair value of investments with unrealized losses at September 30, 2022 was $355.7 million. None of the available-for-sale securities held as of September 30, 2022 have been in an unrealized loss position for more than one year. 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, because the change in market value of those securities has resulted from fluctuations in market interest rates since the time of purchase, rather than a deterioration of the credit worthiness of the issuers. For marketable securities in an unrealized loss position, we assess our intent to sell, or whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. We intend to hold our marketable securities to maturity and it is unlikely that they would be sold before their cost bases are recovered. The cost of securities sold is based on the specific identification method.

Stock payable liabilities relate to certain indemnification hold-backs resulting from business combinations that are settled in shares of our common stock. We elected to account for these liabilities using the fair value option due to the inherent nature of the liabilities and the changes in value of the underlying shares that will ultimately be issued to settle the liabilities. The estimated fair value of these liabilities is classified as Level 3 and determined based upon the number of shares that are issuable to the sellers and the quoted closing price of our common stock as of the reporting date. The number of shares that will ultimately be issued is subject to adjustment for indemnified claims that existed as of the closing date for each acquisition. Changes in the number of shares issued and share price can significantly affect the estimated fair value of the liabilities. The change in fair value related to stock payable liabilities recorded to other income, net was expense of $0.5 million and income of $3.4 million during the three months ended September 30, 2022 and 2021, respectively, and income of $15.7 million and $9.2 million during the nine months ended September 30, 2022 and 2021, respectively.

8. Commitments and contingencies

Leases

The Company has entered into various non-cancellable operating lease agreements for office and laboratory space domestically and internationally. The Company's current leases have remaining terms ranging from approximately 1 to 13 years, some of which include options to extend the leases. The renewal options were not included in the calculation of the operating lease assets and the operating lease liabilities as they are not reasonably certain of being exercised. The security deposits for our operating leases are included in restricted cash in our condensed consolidated balance sheets.

In 2015, we entered into a non-cancelable operating lease agreement for our headquarters and main production facility in San Francisco, California, which commenced in 2016 with an initial lease term extending through 2026. In 2020, we entered into a non-cancelable operating lease agreement for additional office and laboratory space in San Francisco, California, which commenced in 2021 and has an initial lease term extending through 2031. In 2021, we entered into a non-cancelable operating lease agreement for a new laboratory and production facility in Morrisville, North Carolina, which commenced in the same year with an initial lease term extending through 2035.

We have entered into various finance lease agreements to obtain laboratory equipment. The terms of our finance leases are generally three years and are typically secured by the underlying equipment. The portion of the future payments designated as principal repayment and related interest was classified as a finance lease obligation in our condensed consolidated balance sheets. Finance lease assets are recorded within other assets in our condensed consolidated balance sheets.

As part of the strategic realignment plan, we began cost reduction initiatives including lab and office space consolidation and a reduction in our international footprint. Under this plan, we decided to cease use of certain leased premises and actively began looking to sublease certain facilities, including the related leasehold improvements. We determined that the changes in the intended use of these locations represented an indicator of impairment and performed a test of recoverability. For operating leases where the carrying values of right-of-use assets were lower than the undiscounted cash flows expected through sublease, we impaired the right-of-use assets to their fair value. The fair value was determined by utilizing the discounted cash flow method under the income approach. The key inputs to this valuation were expected sublease rental income ranging from $0.1 million to $2.8 million and discount rates ranging from 5.00% to 8.50%. During the three and nine months ended September 30, 2022, we recognized an impairment charge of $4.4 million related to the right-of-use assets and $2.3 million for the related leasehold improvements, which are included in asset impairments in our condensed consolidated statement of operations.

Debt financing

In October 2020, we entered into a credit agreement with a financial institution under which we borrowed $135.0 million (the "2020 Term Loan") concurrent with the closing of the ArcherDX acquisition. The 2020 Term Loan is secured by a first priority lien on all of our and our subsidiaries' assets, and is guaranteed by us and our subsidiaries. The 2020 Term Loan bears interest at an annual rate equal to three-month LIBOR, subject to a 2.00% LIBOR floor, plus a margin of 8.75%. If three-month LIBOR can no longer be determined or if the applicable governmental authority ceases to supervise or sanction such rates, then we will endeavor to agree with the administrative agent, an alternate rate of interest that gives due consideration to the then prevailing market convention for determining interest for comparable loans in the United States, provided that until such alternative rate of interest is agreed, the 2020 Term Loan shall bear interest at the *Wall Street Journal* Prime Rate. The three-month LIBOR is expected to be available and representative through June 30, 2023. The 2020 Term Loan will mature on (i) June 1, 2024, if at such time our 2024 Notes (defined below) are outstanding and are due to mature on September 1, 2024 (provided that if, prior to such date, the maturity date of at least 80% of the 2024 Notes is extended to a date that is prior to September 1, 2025, the maturity date for the 2020 Term Loan will be automatically extended to a date that is 90 days prior to such 2024 Notes maturity date as extended), or (ii) otherwise, on June 1, 2025. The full amount of the 2020 Term Loan is due upon maturity. If the 2020 Term Loan is prepaid (whether such prepayment is optional or mandatory), we must pay a prepayment fee of 6% if the prepayment occurs prior to the third anniversary of the closing date or 4% if the prepayment occurs after the third anniversary of the closing date and we must also pay a make-whole fee if the prepayment occurs prior to the second anniversary of the closing date.

The credit agreement contains customary events of default and covenants, including among others, covenants limiting our ability to incur debt, incur liens, undergo a change in control, merge with or acquire other

entities, make investments, pay dividends or other distributions to holders of our equity securities, repurchase stock, and dispose of assets, in each case subject to certain customary exceptions. In addition, the credit agreement contains financial covenants that require us to maintain a minimum cash balance and minimum quarterly revenue levels.

Debt discounts, including debt issuance costs, related to the 2020 Term Loan of $32.8 million were recorded as a direct deduction from the debt liability and are being amortized to interest expense over the term of the 2020 Term Loan. Interest expense related to our debt financings, excluding the impact of our convertible senior notes (defined below), was $6.0 million and $5.9 million for the three months ended September 30, 2022 and 2021, respectively, and $17.8 million and $17.7 million for the nine months ended September 30, 2022 and 2021, respectively.

Convertible senior notes

Convertible senior notes due 2024

In September 2019, we issued, at par value, $350.0 million aggregate principal amount of 2.00% convertible senior notes due 2024 (the "2024 Notes") in a private offering. The 2024 Notes are our senior unsecured obligations and will mature on September 1, 2024, unless earlier converted, redeemed or repurchased. The 2024 Notes bear cash interest at a rate of 2.0% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2020.

Upon conversion, the 2024 Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate for the 2024 Notes is 33.6293 shares of our common stock per $1,000 principal amount of the 2024 Notes (equivalent to an initial conversion price of approximately $29.74 per share of common stock).

If we undergo a fundamental change (as defined in the indenture governing the 2024 Notes), the holders of the 2024 Notes may require us to repurchase all or any portion of their 2024 Notes for cash at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased plus accrued and unpaid interest to, but excluding, the redemption date.

The 2024 Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding March 1, 2024, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2019 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2024 Notes on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price per $1,000 principal amount of 2024 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; (3) if we call any or all of the 2024 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after March 1, 2024 until the close of business on the business day immediately preceding the maturity date, holders may convert their 2024 Notes at any time, regardless of the foregoing circumstances. Since issuance, these notes were convertible at the option of the holders during the quarters beginning on January 1, 2021 and April 1, 2021 due to the sale price of our common stock during the quarters ended December 31, 2020 and March 31, 2021, respectively. The notes were not convertible during the nine months ended September 30, 2022 and there have been no significant conversions in the periods in which they were convertible.

We may redeem for cash all or any portion of the 2024 Notes, at our option, on or after September 6, 2022 and on or before the 30th scheduled trading day immediately before the maturity date if the last reported sale price of the common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Convertible senior notes due 2028

In April 2021, we issued, at 99% of par value, $1,150.0 million aggregate principal amount of 1.5% convertible senior notes due 2028 (the "2028 Notes") in a private offering. The 2028 Notes are our senior unsecured obligations and will mature on April 1, 2028, unless earlier converted, redeemed or repurchased. The 2028 Notes bear cash interest at a rate of 1.5% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021. Upon conversion, the 2028 Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

The 2028 Notes will be convertible at the option of the holder at any time until the second scheduled trading day prior to the maturity date, including in connection with a redemption by us. The 2028 Notes will be convertible into shares of our common stock based on an initial conversion rate of 23.1589 shares of common stock per $1,000 principal amount of the 2028 Notes (which is equal to an initial conversion price of $43.18 per share), in each case subject to customary anti-dilution and other adjustments as a result of certain extraordinary transactions. None of the 2028 Notes have been converted to date.

We may not redeem the 2028 Notes prior to April 6, 2025. On or after April 6, 2025, the 2028 Notes will be redeemable by us in the event that the closing sale price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide the redemption notice at a redemption price of 100% of the principal amount of such 2028 Notes, plus accrued and unpaid interest to, but excluding, the redemption date.

With certain exceptions, upon a change of control of the Company or the failure of our common stock to be listed on certain stock exchanges, the holders of the 2028 Notes may require that we repurchase all or part of the principal amount of the Notes at a repurchase price of 100% of the principal amount of the 2028 Notes to be repurchased, plus unpaid interest to, but excluding, the maturity date.

Summary of convertible senior notes

We adopted the provisions of ASU 2020-06 on January 1, 2021. See Note 2, "Summary of significant accounting policies" for additional information. Our 2024 Notes and 2028 Notes (collectively, our "Convertible Senior Notes") consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Outstanding principal	$ 1,499,996	$ 1,499,996
Unamortized debt discount and issuance costs	(30,888)	(35,858)
Net carrying amount, liability component	$ 1,469,108	$ 1,464,138

As of September 30, 2022, the fair value of the 2024 Notes and 2028 Notes was $274.8 million and $556.3 million, respectively. The estimated fair value of the 2024 Notes and 2028 Notes, which use Level 2 fair value inputs, was determined based on the estimated or actual bid prices in an over-the-counter market and/or market conditions including the price and volatility of our common stock and comparable company information. We recognized $7.7 million of interest expense related to our convertible senior notes during both the three months ended September 30, 2022 and 2021, and $23.1 million and $17.2 million of interest expense related to our convertible senior notes during the nine months ended September 30, 2022 and 2021, respectively. Of the interest expense recognized, $1.7 million and $1.6 million during the three months ended September 30, 2022 and 2021, respectively, and $5.0 million and $3.6 million during the nine months ended September 30, 2022 and 2021, respectively, was related to amortization of issuance costs and the remainder was related to contractual interest incurred.

Other commitments

In the normal course of business, we enter into various purchase commitments primarily related to service agreements and laboratory supplies. At September 30, 2022, our total future payments under noncancelable unconditional purchase commitments having a remaining term of over one year were $49.4 million.

Guarantees and indemnification

As permitted under Delaware law and in accordance with our bylaws, we indemnify our directors and officers for certain events or occurrences while the officer or director is or was serving in such capacity. The maximum amount of potential future indemnification is unlimited; however, we maintain director and officer liability insurance.

This insurance allows the transfer of the risk associated with our exposure and may enable us to recover a portion of any future amounts paid. We believe the fair value of these indemnification agreements is minimal. Accordingly, we did not record any liabilities associated with these indemnification agreements at September 30, 2022 or December 31, 2021.

Contingencies

We are and may from time to time be involved in various legal proceedings and claims arising in the ordinary course of 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, even if we ultimately prevail. If an investigation results in a proceeding against us, an adverse outcome could include us being required to pay treble damages, and incur attorneys' fees, civil or criminal penalties and other adverse actions that could materially and adversely affect our business, financial condition and results of operations. While we believe any such claims are unsubstantiated, and we believe we are in compliance with applicable laws and regulations applicable to our business, the resolution of any such claims could be material.

We were not a party to any material legal proceedings at September 30, 2022, or at the date of this report except for matters listed below. We cannot currently predict the outcome of these actions.

Natera, Inc.

On January 27, 2020, Natera filed a lawsuit against ArcherDX (a subsidiary of Invitae effective October 2, 2020) in the United States District Court for the District of Delaware, alleging that ArcherDX's products using Anchored Multiplex PCR ("AMP") chemistry, and the manufacture, use, sale, and offer for sale of such products, infringe U.S. Patent No. 10,538,814. On March 25, 2020, ArcherDX filed an answer denying Natera's allegations and asserting certain affirmative defenses and counterclaims, including that U.S. Patent No. 10,538,814 is invalid and not infringed. On April 15, 2020, Natera filed an answer denying ArcherDX's counterclaims and filed an amended complaint alleging that ArcherDX's products using AMP chemistry, including STRATAFIDE, PCM, LiquidPlex, ArcherMET, FusionPlex, and VariantPlex, and the manufacture, use, sale, and offer for sale of such products, infringe U.S. Patent No. 10,538,814, U.S. Patent No. 10,557,172, U.S. Patent No. 10,590,482, and U.S. Patent No. 10,597,708, each of which are held by Natera. Natera seeks, among other things, damages and other monetary relief, costs and attorneys' fees, and an order enjoining ArcherDX from further infringement of such patents. On May 13, 2020, ArcherDX filed an answer to Natera's amended complaint denying Natera's allegations and asserting certain affirmative defenses and counterclaims, including that the asserted patents are invalid and not infringed. On June 3, 2020, Natera filed an answer denying ArcherDX's counterclaims. On June 4, 2020, ArcherDX filed a motion seeking dismissal of Natera's infringement claims against STRATAFIDE, PCM, and ArcherMET, and for a judgment that U.S. Patent No. 10,538,814, U.S. Patent No. 10,557,172, and U.S. Patent No. 10,590,482 are invalid. On August 6, 2020, Natera filed another complaint against ArcherDX in the United States District Court for the District of Delaware alleging that ArcherDX's products using AMP chemistry, including STRATAFIDE, PCM, LiquidPlex, ArcherMET, and VariantPlex, and the manufacture, use, sale, and offer for sale of such products, infringe U.S. Patent No. 10,731,220. Natera seeks, among other things, damages and other monetary relief, costs and attorneys' fees, and an order enjoining ArcherDX from further infringement of the patent. On October 13, 2020, the court issued an order denying ArcherDX's motion for dismissal of Natera's infringement claims against STRATAFIDE, PCM, and ArcherMET, and declined to enter judgment that U.S. Patent No. 10,538,814, U.S. Patent No. 10,557,172, and U.S. Patent No. 10,590,482 are invalid. On January 12, 2021, the court issued an order granting Natera leave to amend its complaint to add Invitae as a co-defendant and plead allegations that ArcherDX and Invitae induce end-users to infringe the patents-in-suit. Natera filed its second amended complaint ("Second Amended Complaint") on the same day, with service completed on January 15, 2021. ArcherDX and Invitae filed answers to the Second Amended Complaint on January 26, 2021 and February 5, 2021, respectively, denying Natera's allegations and restating certain affirmative defenses and counterclaims of non-infringement and invalidity. The litigations have now been consolidated for all purposes. A claim construction order was issued on June 28, 2021. On October 27, 2021, Natera filed its third amended complaint ("Third Amended Complaint") to add a Certificate of Correction to U.S. Patent No. 10,590,482. On November 3, 2021, ArcherDX filed its answer and counterclaims to Natera's Third Amended Complaint, adding an inequitable conduct defense and declaratory judgment counterclaims. Discovery concluded in December 2021. On January 21, 2022, Natera, ArcherDX and Invitae moved for summary judgment, wherein Natera seeks a determination on certain legal and equitable defenses and ArcherDX and Invitae seek a determination of non-infringement and invalidity of the asserted patents. A hearing on the parties' pending motions for summary judgement is scheduled for January 24, 2023, and trial is set for May 8, 2023.

In addition, on October 6, 2020, Natera filed a complaint against Genosity in the United States District Court for the District of Delaware, alleging that Genosity's use of its AsTra products, and the manufacture, use, sale, and offer for sale of such products, infringes U.S. Patent No. 10,731,220. Natera's complaint further alleges that Genosity's accused products use ArcherDX's ctDNA and region-specific primers. Genosity filed an answer to the complaint on February 15, 2021, denying Natera's allegations and setting forth affirmative defenses and counterclaims of non-infringement, invalidity and unenforceability due to inequitable conduct. On March 8, 2021, Natera filed a motion to dismiss and strike certain affirmative defenses and counterclaims brought by Genosity relating to inequitable conduct. The court denied that motion on March 14, 2022. The court granted an order granting the parties' stipulated request to stay the case on April 1, 2022.

QIAGEN Sciences

On July 10, 2018, ArcherDX and the General Hospital Corporation d/b/a Massachusetts General Hospital, which we refer to as MGH, filed a lawsuit in the United States District Court for the District of Delaware against QIAGEN Sciences, LLC, QIAGEN LLC, QIAGEN Beverly, Inc., QIAGEN Gaithersburg, Inc., QIAGEN GmbH and QIAGEN N.V., which is collectively referred to herein as QIAGEN, and a named QIAGEN executive who was a former member of ArcherDX's board of directors, alleging several causes of action, including infringement of the '810 Patent, trade secret misappropriation, breach of fiduciary duty, false advertising, tortious interference and deceptive trade practices. The '810 Patent relates to methods for preparing a nucleic acid for sequencing and aspects of ArcherDX's AMP technology. On October 30, 2019, with the permission of the Court, ArcherDX amended ArcherDX's complaint to add a claim for infringement of the '597 Patent. The '597 Patent relates to methods of preparing and analyzing nucleic acids, such as by enriching target sequences prior to sequencing, and aspects of ArcherDX's AMP technology. The QIAGEN products that ArcherDX alleges infringe the '810 Patent and the '597 Patent include, but are not limited to, QIAseq Targeted DNA Panels, QIAseq Targeted RNAscan Panels, QIAseq Index Kits and QIAseq Immune Repertoire RNA Library Kits. ArcherDX is seeking, among other things, damages for ArcherDX's lost profits due to QIAGEN's infringement and a permanent injunction enjoining QIAGEN from marketing and selling the infringing products and from using ArcherDX's trade secrets. On December 5, 2019, QIAGEN and the named QIAGEN executive submitted their answer denying the allegations in ArcherDX's complaint and asserting affirmative defenses that, among other things, the '810 Patent and '597 Patent are not infringed by QIAGEN's products, that both patents are invalid, and that the complaint fails to state any claim for which relief may be granted. On March 1, 2021, each of ArcherDX and QIAGEN moved for summary judgment on issues relating to infringement and validity of ArcherDX's patents, breach of fiduciary duty and trade secret misappropriation. On June 18, 2021, ArcherDX informed the court that it would not assert the following claims to streamline the issues for trial: trade secret misappropriation, false advertising, deceptive trade practices, and tortious interference. The court denied QIAGEN's motion for summary judgment on trade secret misappropriation as moot on June 21, 2021, denied QIAGEN's motion for summary judgment on breach of fiduciary duty on July 26, 2021, and granted QIAGEN's motion for summary judgment of no literal infringement of the '810 Patent on August 21, 2021. Trial proceeded on August 23 through August 27, 2021, resulting in a unanimous jury verdict, which found that: (i) all asserted claims of the '810 and '597 Patents are valid, (ii) QIAGEN willfully infringed the asserted claims of the '810 patent (under the doctrine of equivalents) and the '597 patent (literal infringement), and (iii) ArcherDX and MGH are entitled to recover approximately $4.7 million in damages. On September 30, 2022, the court issued an order denying QIAGEN's post-trial motion for a new trial or altered verdict, granting ArcherDX's post-trial motion for ongoing royalty at a rate of 7% along with supplemental damages and interest, and denying ArcherDX's motion for an injunction with leave to renew after an evidentiary hearing. No date has been set for the hearing on ArcherDX's request for an injunction.

9. Stockholders' equity

Shares outstanding

Shares of convertible preferred and common stock were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Convertible preferred stock:				
Shares outstanding, beginning of period	—	125	—	125
Conversion into common stock	—	(125)	—	(125)
Shares outstanding, end of period	—	—	—	—
Common stock:				
Shares outstanding, beginning of period	234,767	203,018	228,116	185,886
Common stock issued in connection with public offering	2,429	—	2,429	8,932
Common stock issued on exercise of stock options, net	17	1,361	150	1,940
Common stock issued pursuant to vesting of RSUs	4,645	718	9,401	4,101
Common stock issued pursuant to exercises of warrants	—	—	—	208
Common stock issued pursuant to employee stock purchase plan	—	—	1,535	271
Common stock issued pursuant to acquisitions	972	21,005	1,199	24,764
Common stock issued upon conversion of preferred stock	—	125	—	125
Shares outstanding, end of period	242,830	226,227	242,830	226,227

Common Stock

As of September 30, 2022, we had 600 million shares of common stock authorized with a par value of $0.0001. The number of authorized shares increased from 400 million to 600 million during the nine months ended September 30, 2022.

Convertible preferred stock

In August 2017, in a private placement to certain accredited investors, we issued shares of our Series A convertible preferred stock which are convertible into common stock on a one-for-one basis, subject to adjustment for events such as stock splits, combinations and the like. The Series A convertible preferred stock is a non-voting common stock equivalent with a par value of $0.0001 and has the right to receive dividends first or simultaneously with payment of dividends on common stock. In the event of any liquidation or dissolution of the Company, the Series A preferred stock is entitled to receive $0.001 per share prior to the payment of any amount to any holders of capital stock ranking junior to the Series A preferred stock and thereafter shall participate pari passu with the holders of our common stock (on an as-if-converted-to-common-stock basis). During the year ended December 31, 2021, 124,913 shares of Series A convertible preferred stock were converted into 124,913 shares of common stock. As of September 30, 2022, there were no shares of Series A convertible preferred stock outstanding.

Sales Agreement

In May 2021, we entered into a sales agreement (the "2021 Sales Agreement") with Cowen and Company, LLC (“Cowen”) under which we may offer and sell from time to time at our sole discretion shares of our common stock through Cowen as our sales agent, in an aggregate amount not to exceed $400.0 million. Per the terms of the agreement, Cowen will receive a commission of up to 3% of the gross proceeds of the sales price of all shares sold through it as sales agent under the 2021 Sales Agreement.

During the three and nine months ended September 30, 2022, we sold a total of 2.4 million shares of common stock under the 2021 Sales Agreement at an average price of $3.99 per share, for gross proceeds of $10.0 million and net proceeds of $9.7 million.

Public offering

In January 2021, we sold, in an underwritten public offering, an aggregate of 8.9 million shares of our common stock at a price of $51.50 per share, for gross proceeds of $460.0 million and net proceeds of approximately $434.3 million after deducting underwriting discounts and commissions and offering expenses.

10. Stock incentive plans

Stock incentive plans

In 2010, we adopted the 2010 Incentive Plan (the “2010 Plan”). The 2010 Plan provides for the granting of stock-based awards to employees, directors and consultants under terms and provisions established by our board of directors. Under the terms of the 2010 Plan, options may be granted at an exercise price not less than the fair market value of our common stock. For employees holding more than 10% of the voting rights of all classes of stock, the exercise prices for incentive and nonstatutory stock options must be at least 110% of fair market value of our common stock on the grant date, as determined by our board of directors. The terms of options granted under the 2010 Plan may not exceed ten years.

In January 2015, we adopted the 2015 Stock Incentive Plan (the “2015 Plan”), which became effective upon the closing of our initial public offering. Shares outstanding under the 2010 Plan were transferred to the 2015 Plan upon effectiveness of the 2015 Plan. The 2015 Plan provides for automatic annual increases in shares available for grant, beginning on January 1, 2016 through January 1, 2025. In addition, shares subject to awards under the 2010 Plan that are forfeited or terminated will be added to the 2015 Plan. The 2015 Plan provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards, stock units, stock appreciation rights and other forms of equity compensation, all of which may be granted to employees, including officers, non-employee directors and consultants. Additionally, the 2015 Plan provides for the grant of cash-based awards.

Options granted generally vest over a period of four years. Typically, the vesting schedule for options granted to newly hired employees provides that 1/4 of the award vests upon the first anniversary of the employee’s date of hire, with the remainder of the award vesting monthly thereafter at a rate of 1/48 of the total shares subject to the option. All other options typically vest in equal monthly installments over the four-year vesting schedule. Upon the acquisition of ArcherDX in October 2020, any option that was outstanding was converted into a fully vested option to purchase a share of our common stock, which resulted in the issuance of options to purchase 3.7 million shares of our common stock.

RSUs generally vest ratably in annual installments over a period of three years, commencing on the first anniversary of the grant date, with certain awards that include a portion that vests immediately upon grant. The vesting schedule for the 2022 grants approved in April 2022 provides that the awards vest ratably in quarterly installments over a period of two years, with certain awards that include a portion that vests immediately upon grant. We have also granted certain awards in connection with our management incentive plan that vest over a period of two years. In June 2019, we granted time-based RSUs in connection with the acquisition of Singular Bio, which vest in three equal installments over a period of 18 months and performance-based RSUs ("PRSUs") that vest based on the achievement of performance conditions. In December 2020, we granted RSUs in connection with an asset acquisition which vest in two equal installments in December 2021 and December 2022, subject to the employees' continued service with us.

Activity under the 2010 Plan and the 2015 Plan is set forth below (in thousands, except per share data and years):

	Shares Available For Grant	Stock Options Outstanding	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balances at December 31, 2021	10,242	3,034	$ 11.98	5.5	$ 16,431
Additional shares reserved	9,125	—			
Options granted	(1,121)	1,121	3.03		
Options cancelled	290	(290)	14.80		
Options exercised	—	(150)	4.21		
RSUs and PRSUs granted	(11,452)	—			
RSUs and PRSUs cancelled	4,160	—			
Balances at September 30, 2022	11,244	3,715	$ 9.37	4.8	$ 43
Options exercisable at September 30, 2022		2,497	$ 11.21	2.5	$ 43
Options vested and expected to vest at September 30, 2022		3,532	$ 9.69	4.6	$ 43

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock options and the fair value of our common stock for stock options that were in-the-money.

The following table summarizes RSU, including PRSU, activity (in thousands, except per share data):

	Number of Shares	Weighted- Average Grant Date Fair Value Per Share
Balance at December 31, 2021	16,247	$ 26.21
RSUs granted	11,452	$ 5.63
RSUs vested	(9,401)	$ 21.86
RSUs cancelled	(4,160)	$ 16.92
Balance at September 30, 2022	14,138	$ 15.17

Stock-based compensation

The following table summarizes stock-based compensation expense included in the condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 1,203	$ 2,010	$ 5,702	$ 9,668
Research and development	24,301	12,104	94,661	58,441
Selling and marketing	2,625	2,457	10,498	12,797
General and administrative	7,477	8,875	28,646	50,876
Restructuring	24,807	—	24,807	—
Total stock-based compensation expense	$ 60,413	$ 25,446	$ 164,314	$ 131,782

Stock-based compensation expense included in restructuring expense was related to the accelerated vesting of RSUs held by certain employees whose employment was terminated as part of the strategic realignment. Pursuant to the terms and conditions of the Ciitizen transaction, employees were deemed vested in any unvested RSUs at the time of their termination. See Note 11, "Restructuring" for additional information.

11. Restructuring

On July 18, 2022, we began implementing a strategic realignment of our operations to reduce operating costs and drive future growth aligned with our core genetic testing and genome management platforms. The realignment plan includes a reduction in workforce, lab and office space consolidation, portfolio optimization, decrease in other operating expenses, as well as a reduced international footprint. Under this strategic realignment, we reduced our workforce by approximately 1,000 employees with a majority of these employees separating from the Company by September 30, 2022 and the remaining affected employees transitioning over varying periods of time up to 12 months. Employees who were impacted by the restructuring were eligible to receive severance benefits contingent upon an impacted employee's execution (and non-revocation, where applicable) of a separation agreement, which included a general release of claims against us.

Employee severance and benefits are comprised of severance, other termination benefit costs, and stock-based compensation expense for the acceleration of RSUs related to workforce reductions. See Note 10, "Stock incentive plans" for additional information about the accelerated vesting of RSUs. Losses on asset disposals include losses on disposals of property and equipment, leasehold improvements, and other asset write-downs associated with exiting lines of business, consolidating lab and office space, and reducing our international footprint. See Note 5, "Goodwill and intangible assets" for additional information about the write-off of intangible assets and Note 6, "Balance sheet components" for additional information about losses on disposal of property and equipment. Other restructuring costs include the write-off of prepaid assets related to the exit of certain product offerings, legal and professional fees, and contract exit costs.

The Company recognized restructuring expenses of approximately $118.5 million during the three and nine months ended September 30, 2022. We expect to incur additional employee severance and benefits expenses up to $12 million, and additional other restructuring costs primarily related to third party costs up to $5 million. This reflects the best estimate of the Company, which may be revised in subsequent periods as the strategic realignment plan progresses.

The following table summarizes the expenses related to our strategic realignment recognized in restructuring expense in our condensed consolidated statement of operations (in thousands):

	Three and Nine Months Ended September 30, 2022
Employee severance and benefits	$ 57,903
Losses on asset disposals	48,792
Other restructuring costs	11,819
Total restructuring	$ 118,514

The following table summarizes the changes in liabilities associated with our strategic realignment initiatives, including restructuring expenses incurred and cash payments as of September 30, 2022 (in thousands):

	Employee severance and benefits	Other restructuring costs	Total
Beginning balance	$ —	$ —	$ —
Accruals	33,095	5,185	38,280
Payments	(26,440)	(2,642)	(29,082)
Balance at September 30, 2022	$ 6,655	$ 2,543	$ 9,198

The restructuring liabilities are included in accrued liabilities in the condensed consolidated balance sheets. We expect that substantially all of the remaining accrued restructuring liabilities will be paid in cash over the next 12 months. The charges recognized in the roll forward of our accrued restructuring liabilities do not include items charged directly to expense for losses on asset disposals, accelerated vesting of RSUs, and other periodic exit costs, as those items are not reflected in our restructuring liabilities in our condensed consolidated balance sheets.

12. Income taxes

During the three and nine ended September 30, 2022, we recorded an income tax benefit of $1.1 million and $39.6 million, respectively. The income tax benefit for the three months ended September 30, 2022 is primarily related to a $1.4 million release of federal and state valuation allowances as a result of various restructuring related asset write-downs and Internal Revenue Code Section 174 research and experimental expense capitalization's impact on our deferred taxes. The income tax benefit for the nine months ended September 30, 2022 is primarily related to a $34.6 million release of federal and state valuation allowances as a result of the reclassification of ArcherDX's STRATAFIDE and PCM in-process research and development intangibles from indefinite-lived intangibles to developed technology, which enabled the associated deferred tax liability to serve as a source of income to support the realization of existing finite-lived deferred tax assets for which a valuation allowance had previously been established.

As of September 30, 2022, we maintained $49.1 million of unrecognized tax benefits, of which $4.3 million, if recognized, would affect the Company's effective tax rate. The remainder has been recorded as a reduction to the Company's deferred tax assets and, if recognized, would not have an impact on the effective tax rate due to existing valuation allowance against such deferred tax assets. It is possible that the Company's unrecognized tax benefits could change within the next twelve months due to activities of tax authorities, including possible settlement of audits, should any arise, or through normal expiration of statutes of limitations.

The Company's policy is to include penalties and interest expense related to income taxes as a component of tax expense. As of September 30, 2022, there were no accrued interest and penalties related to the unrecognized tax benefits.

Effective for tax years beginning on or after January 1, 2022, pursuant to the Tax Cuts and Jobs Act of 2017, companies are required to capitalize and amortize Internal Revenue Code Section 174 research and experimental expenses paid or incurred over five years for research and development performed in the United States and 15 years for research and development performed outside of the United States. As a result of the Internal Revenue Code Section 174 research and experimental expense capitalization, the Company recognized a deferred tax asset for the future tax benefit of the amortization deductions with offsetting increase in the valuation allowance on deferred tax assets.

The Inflation Reduction Act of 2022 ("IRA") was signed into law on August 16, 2022. The bill was meant to address the high inflation rate in the U.S. through various climate, energy, healthcare and other incentives. These

incentives are meant to be paid for by the tax provisions included in the IRA, such as a new 15 percent corporate minimum tax, a 1 percent new excise tax on stock buybacks, additional IRS funding to improve taxpayer compliance and others. At this time, none of the IRA tax provisions are expected to have a material impact to the Company's tax provision. The Company will continue to monitor for updates to the Company's business along with guidance issued with respect to the IRA to determine whether any adjustments are needed to the Company's tax provision in future periods.

13. Net loss per share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (301,156)	$ (198,176)	$ (3,006,476)	$ (173,882)
Shares used in computing net loss per share, basic and diluted	237,974	218,384	232,889	205,587
Net loss per share, basic and diluted	$ (1.27)	$ (0.91)	$ (12.91)	$ (0.85)

The following common stock equivalents have been excluded from diluted net loss per share because their inclusion would be anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Shares of common stock subject to outstanding options	3,621	3,884	3,174	4,371
Shares of common stock subject to outstanding warrants	—	—	—	36
Shares of common stock subject to outstanding RSUs and PRSUs	18,660	8,769	18,587	7,730
Shares of common stock pursuant to ESPP	1,600	368	2,292	304
Shares of common stock underlying Series A convertible preferred stock	—	125	—	125
Shares of common stock subject to convertible senior notes conversion	38,403	38,403	38,403	38,403
Total shares of common stock equivalents	62,284	51,549	62,456	50,969

14. Geographic information

Revenue by country is determined based on the billing address of the customer and is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
United States	$ 117,316	$ 100,957	$ 345,721	$ 293,868
United Kingdom	3,004	263	7,872	3,598
Canada	2,099	1,942	6,567	5,391
Germany	1,544	1,707	5,338	6,216
Rest of world	9,573	9,526	28,351	25,255
Total revenue	$ 133,536	$ 114,395	$ 393,849	$ 334,328

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

The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes and other financial information included in Part I, Item 1. of this Form 10-Q, and together with our audited consolidated financial statements and the related notes and other information included in our Annual Report on Form 10-K for the year ended December 31, 2021. Historic results are not necessarily indicative of future results.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this report other than statements of historical fact, including statements identified by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions, are forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- our views regarding the future of genetic testing and its role in mainstream medical practice;
- the impact of the COVID-19 pandemic on our business and the actions we have taken or may take in response thereto;
- our mission and strategy for our business, products and technology;
- the implementation of our business model and the success of our strategic realignment efforts;
- the expected costs and benefits of our strategic realignment, and our ability to achieve positive operating cash flow;
- the expected benefits from and our ability to integrate our acquisitions;
- our ability to obtain regulatory approvals for our tests;
- the rate and degree of market acceptance of our tests and genetic testing generally;
- our ability to scale our infrastructure and operations in a cost-effective manner;
- our expectations regarding our platform and future offerings;
- the timing and results of studies with respect to our tests;
- developments and expectations relating to our competitors and our industry;
- our competitive strengths;
- the degree to which individuals will share genetic information generally, as well as share any related potential economic opportunities with us;
- our commercial plans;
- our ability to obtain and maintain adequate reimbursement for our tests;
- regulatory, political and other developments in the United States and foreign countries;
- our ability to attract and retain key scientific, sales, engineering or management personnel;
- our expectations regarding our ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- the effects of litigation or investigations on our business;
- our ability to obtain funding for our operations and to service and repay our debt;
- our future financial performance;
- our beliefs regarding our future growth and the drivers of such growth;
- our expectations regarding environmental, social and governance matters;
- the impact of accounting pronouncements and our critical accounting policies, judgments, estimates and assumptions on our financial results;
- our expectations regarding our future revenue, cost of revenue, operating expenses and capital expenditures, and our future capital requirements;
- the impact of macroeconomic conditions, including inflation and recession, on our business; and
- the impact of tax laws on our business.

Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expected. These risks and uncertainties include, but are not limited to, those risks discussed in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Any forward-looking statements in this report speak

only as of the date of this report. We expressly disclaim any obligation or undertaking to update any forward-looking statements.

In this report, all references to “Invitae,” “we,” “us,” “our,” or “the Company” mean Invitae Corporation.

Invitae and the Invitae logo are trademarks of Invitae Corporation. AMP™, LiquidPlex™, VariantPlex® and FusionPlex®, are the property of ArcherDX, LLC, a wholly-owned subsidiary of Invitae Corporation. We also refer to trademarks of other companies and organizations in this report.

Summary of risk factors

Our business is subject to numerous risks and uncertainties that could affect our ability to successfully implement our business strategy and affect our financial results. You should carefully consider all of the information in this Quarterly Report and, in particular, the following principal risks and all of the other specific factors described in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q before deciding whether to invest in our company.

- We expect to continue incurring significant losses, and we may not successfully execute our plan to achieve or sustain profitability.
- We have a large amount of debt, servicing our debt requires a significant amount of cash, we may not have sufficient cash flow from our business to service our debt, and we may need to refinance all or a significant portion of our debt.
- Our inability to raise additional capital on acceptable terms in the future may limit our ability to develop and commercialize new tests and expand our operations.
- Our strategic realignment and the associated headcount reduction have and are expected to significantly change our business, result in significant expense, may not result in anticipated savings, and will disrupt our business.
- We rely on highly skilled personnel in a broad array of disciplines and, if we are unable to hire, retain or motivate these individuals, or maintain our corporate culture, we may not be able to maintain the quality of our services or grow effectively.
- We have acquired and may continue to acquire businesses or assets, form joint ventures or make investments in other companies or technologies that could harm our operating results, dilute our stockholders’ ownership, or cause us to incur debt or significant expense.
- We need to scale our infrastructure in advance of demand for our tests and other products and services, and our failure to generate sufficient demand for our products and services would have a negative impact on our business and our ability to attain profitability.
- We face risks related to health epidemics, including the ongoing COVID-19 pandemic, and macroeconomic conditions, which could have a material adverse effect on our business and results of operations.
- If third-party payers, including managed care organizations, private health insurers and government health plans, do not provide adequate reimbursement for our tests or we are unable to comply with their requirements for reimbursement, our commercial success could be negatively affected.
- We face intense competition, which is likely to intensify further as existing competitors devote additional resources to, and new participants enter, the markets in which we operate. If we cannot compete successfully, we may be unable to increase our revenue or achieve and sustain profitability.
- The market for patient data software is competitive, and our business will be adversely affected if we are unable to successfully compete.
- Security breaches, privacy issues, loss of data and other incidents could compromise sensitive or personal information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.
- If we are not able to continue to generate substantial demand of our tests, our commercial success will be negatively affected.
- Our success will depend on our ability to use rapidly changing genetic data to interpret test results accurately and consistently, and our failure to do so would have an adverse effect on our operating results and business, harm our reputation and could result in substantial liabilities that exceed our resources.

- Impairment in the value of our goodwill or other intangible assets has and may in the future have a material adverse effect on our operating results and financial condition.
- If the FDA regulates the tests we currently offer as LDTs as medical devices, we could incur substantial costs and our business, financial condition and results of operations could be adversely affected.
- One of our competitors has alleged that our Anchored Multiplex PCR, or AMP, chemistry and products using AMP are infringing on its intellectual property, and we may be required to redesign the technology, obtain a license, cease using the AMP chemistry altogether and/or pay significant damages, among other consequences, any of which would have a material adverse effect on our business as well as our financial condition and results of operations.

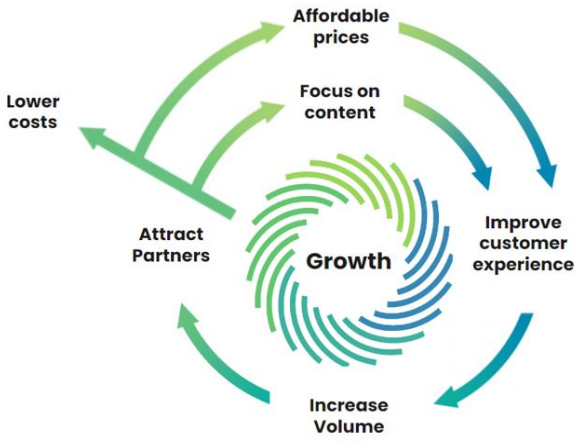
Mission and strategy

Invitae's mission is to bring comprehensive genetic information into mainstream medical practice to improve the quality of healthcare for billions of people. Our goal is to aggregate a majority of the world's genetic information into a comprehensive network that enables sharing of data among network participants to improve healthcare and clinical outcomes.

We were founded on four core principles:

- Patients should own and control their own genetic information;
- Healthcare professionals are fundamental in ordering and interpreting genetic information;
- Driving down the price of genetic information will increase its clinical and personal utility; and
- Genetic information is more valuable when shared.

Our strategy for long-term growth centers on five key drivers of our business, which we believe work in conjunction to create a flywheel effect extending our leadership position in the new market we are building:



- **Refocusing our content offering.** We continue to prioritize our core genome sequencing platform and streamline our product portfolio to focus on core testing opportunities among hereditary cancer, precision oncology, women's health, rare disease and pharmacogenomics, ultimately leading to affordable and ongoing access to the molecular information that enables personalized medicine. Sharpening our focus on our content offering is a core and central contribution to an improved user experience and the potential for better health outcomes.
- **Creating a unique user experience.** We are committed to continue our expansion and integration of key digital health-based technologies and services in order to create a differentiated model in genetic health. A state-of-the-art interactive platform will enhance our service offering, leverage the uniquely empowering characteristics of online sharing of genetic information and, we believe, enable a superior economic offering to clients. We intend to continue to expend efforts developing and implementing technology-driven improvements to our customers' experience. We believe that an enhanced user

experience and the resulting benefits to our brand and reputation will help draw customers to us over and above our direct efforts to do so.

- **Increasing volume.** We intend to increase our brand equity and visibility through a commitment to precision testing results, excellent service and a variety of marketing and promotional techniques, including scientific publications and presentations, sales, marketing, public relations, social media and web technology vehicles. Our ability to increase billable volume will depend in part on our success achieving broad reimbursement coverage and laboratory service contracts for our tests from third-party payers and agreements with institutions and partners.
- **Attracting partners.** As we add more customers to our platform, we believe our business becomes particularly attractive to potential partners that can help the patients in our network further benefit from their genetic information or that provide us access to new customers who may wish to join our network. We believe the cumulative effect of the increased billable volume brought by these strategic components will allow us to lower the cost of our service and expand patient access globally.
- **Achieving scale.** Our goal is to provide customers with a broad menu of genetic content at a reasonable price and rapid turn-around times in order to grow billable volume and, in turn, achieve greater economies of scale. As our customers and our business benefit from further cost savings, we expect that those cost savings will further improve the customer experience, allowing us to reap the cumulative benefits from all of the efforts outlined above.

Business overview

We are focused on making comprehensive, high-quality genetic information more accessible and instrumental to the healthcare ecosystem and stakeholders, including patients, providers and physicians, payers, pharmaceutical partners and more. Our comprehensive and convenient physical and digital platform of risk assessment and the resulting data that is actionable and guided is designed to power healthcare decisions across our stakeholders, importantly providing patients a lifetime partner in Invitae to best guide and manage their personal and familial health decisions. We offer genetic testing across multiple clinical areas, including hereditary cancer, precision oncology, women's health, rare diseases and pharmacogenomics. Medical genetics is central to health outcomes and we are bringing it to the mainstream by lowering the costs and removing barriers to adoption, which is driven by our user-friendly and comprehensive Invitae Digital Health Platform. Ultimately, the utility of the accumulated data will compound, enabling improved individual and population health and advancing the benefits of molecular medicine around the globe.

For the years ended December 31, 2021, 2020 and 2019, our revenue was $460.4 million, $279.6 million, and $216.8 million, respectively, and we incurred net losses of $379.0 million, $602.2 million, and $242.0 million, respectively. For the nine months ended September 30, 2022 and 2021, our revenue was $393.8 million and $334.3 million, respectively, and we recognized net losses of $3.0 billion and $173.9 million, respectively. At September 30, 2022, our accumulated deficit was $4.7 billion.

In 2021, 2020 and 2019, we generated 1,169,000, 659,000 and 469,000 billable units, respectively. In the nine months ended September 30, 2022, we generated 990,000 billable units compared to 842,000 billable units in the same period in 2021. We calculate volume using billable units, which are billable events that include individual test reports released and individual reactions shipped. We refer to the set of reagents needed to perform a next generation sequencing ("NGS") test as a "reaction." Approximately 55% of the billable volume generated in the first nine months of 2022 were billable to patients, biopharmaceutical partners and other business-to-business customers (e.g., hospitals, clinics, medical centers), and the remainder were billable to government and private insurance payers. Many of the gene tests on our assays are reimbursable by health insurance companies. However, when we do not have reimbursement policies or contracts with private insurers, our claims for reimbursement may be denied upon submission, and we must appeal the claims. The appeals process is time consuming and expensive, and may not result in payment. Even if we are successful in achieving reimbursement, we may be paid at lower rates than if we were under contract with the third-party payer. When there is not a contracted rate for reimbursement, there is typically a greater payment requirement from the patient that may result in further delay in payment for these tests.

We believe that the keys to long-term profitable growth will be to align our cost structure with our streamlined product portfolio and implement operational discipline, increase billable volume, achieve broad reimbursement coverage for our tests from third-party payers and increase the amount we receive from other types of payers, advance digital health solutions and data services, provide affordable pricing for genetic analysis and interpretation, reduce the costs associated with performing our genetic tests, optimize the amount of genetic content we offer and

is used by providers across the range of healthcare platforms, consistently improve the client experience, drive physician and patient utilization of our platform for ordering and delivery of results, and increase the number of strategic partners working with us to add value for our clients. We also believe that providing a unique genetic testing platform that is agnostic to stage of life or disease category will deliver unique benefits to customers, payers and other institutions that are seeking to make genetic information a standard element of healthcare decisions in the future. The accumulation of genetic and patient information will ultimately enable the healthcare ecosystem and stakeholders, including patients, providers and physicians, payers, pharmaceutical partners and more to achieve improved outcomes.

On July 18, 2022, we initiated a strategic realignment of our operations and began implementing cost reduction programs in order to accelerate our path to positive operating cash flow. We are in the process of implementing initiatives to eliminate non-core operations while realigning and sharpening our focus on the portfolio of businesses that we believe can generate sustainable margins and deliver returns to fuel future investment. In the testing business, we are shifting operational and commercial efforts to accelerate positive cash flow by maintaining robust support of the higher-margin, higher-growth testing opportunities among hereditary cancer, precision oncology, women's health, rare disease and pharmacogenomics. We also plan to continue our expansion and integration of key digital health-based technologies and services in order to create a differentiated model in genetic health. Longer-term, we remain committed to our genomic management business. We believe that we hold significant growth potential and intend to continue to prioritize the tools, partnerships and applications that support the development of genome management as the catalyst for the future of healthcare.

The realignment plan includes a reduction in workforce of approximately 1,000 positions, lab and office space consolidation, portfolio optimization, decrease in other operating expenses, as well as a reduced international footprint. Our strategic realignment is anticipated to result in approximately $326 million in annualized cash savings, which is expected to be fully realized by 2023. We currently expect that the realignment plan will be completed within the next 12 months and estimate we will incur costs up to $170 million for associated employee severance and benefits, losses on asset disposals, and other restructuring costs related to the realignment plan. This reflects the best estimate of the Company, which may be revised in subsequent periods as the strategic realignment plan progresses.

Concurrently, we also announced that Kenneth D. Knight, formerly our Chief Operating Officer since 2020, was appointed as our Chief Executive Officer, replacing Dr. Sean E. George. Dr. George, who co-founded our company and served as our Chief Executive Officer since 2017, will support our company through a transition period as a consultant and continue to serve as a member of the board of directors until December 31, 2022. Additionally, Randy Scott, Ph.D., Invitae's co-founder, former CEO from 2012 to 2017, and former executive chairman from 2017 to 2019, returned to the Company as chairman of the board.

We expect to incur operating losses for the near term as we implement the strategic realignment of our operations. If we are unable to achieve these objectives and successfully manage our costs, we may not be able to achieve positive operating cash flow in the near term or at all.

Russia and Ukraine Conflict

During the first quarter of 2022, Russia commenced a military invasion of Ukraine, and the ensuing conflict has created disruption in the region and around the world. We have suspended operations in Russia, which has not had and is not expected to have a material impact on our operating results. We serve customers globally across a broad geographic base. Neither Russia nor Ukraine has comprised or is expected to comprise a material portion of our total revenue, net loss, or net assets. We continue to closely monitor the ongoing conflict and related sanctions, which could impact our financial results in the future. Other impacts due to this evolving situation are currently unknown and could potentially subject our business to adverse consequences should the situation escalate beyond its current scope. See Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q for additional information about the conflict between Russia and Ukraine and its potential effect on our business and results of operations.

Impact of COVID-19

We expect the COVID-19 pandemic may continue to impact our business. We have reviewed and adjusted, when necessary, for the impact of COVID-19 on our estimates related to revenue recognition and expected credit losses.

In response to the pandemic, we have implemented measures to protect the health of all of our employees during this time with additional measures in place to better protect our on-site lab production and support teams.

Our production facilities currently remain fully operational. Substantially all of the Company's offices have re-opened in a hybrid working model, subject to operating restrictions which adhere to healthcare guidelines to protect public health and the health and safety of employees. While we have not experienced significant disruption in our supply chain, we have experienced supply delays and higher logistics costs as a result of the COVID-19 pandemic and have also had to obtain supplies from new suppliers.

As a result of government-imposed restrictions, many announced healthcare guidelines resulted in a shift of regular physician visits and healthcare delivery activities to remote/telehealth formats. This was particularly important for patients who, despite the fall-out from COVID-19, continued to be diagnosed with critical diseases, like cancer, and for women who are pregnant or are trying to conceive. We believe our investments in new access platforms and technologies has and will continue to position us well to provide a range of testing to clinicians and patients using a "clinical care from afar" model. An example is our rollout in April 2020 of our Gia telehealth platform, which expands access to remote interaction between patients and clinicians as well as direct ordering of genetic tests.

Although many government-imposed restrictions have been reduced or eliminated, the future impact of the COVID-19 pandemic continues to be highly uncertain. Given the unknown duration and extent of COVID-19's impact on our business, and the healthcare system in general, we continue to monitor evolving market conditions and have pivoted our focus and investments on the commercial execution of workflows that support remote ordering, online support and telehealth.

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law as a stimulus bill intended to bolster the economy, among other things, and provide assistance to qualifying businesses and individuals. The CARES Act included an infusion of funds into the healthcare system and in January 2021 we received $2.3 million as part of this initiative. This payment was recognized as other income, net in our condensed consolidated statement of operations in the period received.

Adverse macroeconomic conditions

Adverse macroeconomic developments, including inflation, slowing growth, rising interest rates, or recession, may adversely affect our business and financial condition. These developments have caused, and could in the future cause, disruptions and volatility in global financial markets and increased rates of default and bankruptcy, and negatively affect business and consumer spending. Adverse economic conditions may also increase the costs of operating our business, including vendor, supplier and workforce expenses. Management continues to evaluate the impact of macroeconomic events, including inflation, on our business and our future plans and intends to take appropriate measures to help alleviate their impact, but there can be no assurance that these efforts will be successful.

Factors affecting our performance

Number of billable units

Our centralized test revenue is tied to the number of tests which we bill third-party payers, biopharmaceutical partners, other business-to-business customers (e.g., hospitals, clinics, medical centers), or patients. Our decentralized product revenue is based upon the number of individual reactions we ship biopharmaceutical partners and other business-to-business customers. We refer to the set of reagents needed to perform an NGS test as a "reaction," and we refer to billable events that include individual test reports released and individual reactions shipped as billable units. We typically bill for our services following delivery of the billable report derived from testing samples and interpreting the results. For units manufactured for use by customers in distributed facilities, we typically bill customers upon shipment of those units. Test orders are placed under signed requisitions or contractual agreements, as we often enter into contracts with biopharmaceutical partners, other business-to-business customers and insurance companies. We incur the expenses associated with a unit in the period in which the unit is processed regardless of when payment is received with respect to that unit. We believe the number of billable units in any period is an important indicator of the growth in our testing business, and with time, this will translate into the number of customers accessing our platform.

Number and size of research and commercial partnerships

Pharma development service revenue, which we recognize within other revenue in our condensed consolidated statements of operations, is generated primarily from services provided to biopharmaceutical companies and other partners and is related to companion diagnostic development, clinical research, and clinical trial services across the research, development and commercialization phases of collaborations. The result of these

relationships may include the development of new targeted companion diagnostics, which underscore and expand the need for genetic testing and in some cases may lead to intellectual property and/or revenue sharing opportunities with third-party partners.

In addition to research partnerships, we also seek to grow the number of biopharmaceutical partners and other business-to-business customers for whom we provide testing technologies, analysis, supplies and expertise to institutions that provide independent testing services to customers in their respective regions.

Success obtaining and maintaining reimbursement

Our ability to increase volume and revenue will depend in part on our success achieving broad reimbursement coverage and laboratory service contracts for our tests from third-party payers and agreements with institutions and partners. Reimbursement may depend on a number of factors, including a payer's determination that a test is appropriate, medically necessary and cost-effective, as well as whether we are in contract, where we get paid more consistently and at higher rates. Because each payer makes its own decision as to whether to establish a policy or enter into a contract to reimburse for our testing services and specific tests, seeking these approvals is a time-consuming and costly process. In addition, clinicians and patients may decide not to order our tests if the cost of the test is not covered by insurance. Because we require an ordering physician to requisition a test, our revenue growth also depends on our ability to successfully promote the adoption of our testing services and expand our base of ordering clinicians. We believe that establishing coverage and obtaining contracts from third-party payers is an important factor in gaining adoption by ordering clinicians. Our arrangements for laboratory services with payers cover approximately 331 million lives, comprised of Medicare, all national commercial health plans, and Medicaid in most states, including California (Medi-Cal), our home state.

Ability to lower the costs associated with performing our tests

Reducing the costs associated with performing our genetic tests is both a focus and a strategic objective of ours. Over the long term, we will need to reduce the cost of raw materials by improving the output efficiency of our assays and laboratory processes, modifying our platform-agnostic assays and laboratory processes to use materials and technologies that provide equal or greater quality at lower cost, improve how we manage our materials, port some tests onto a next generation sequencing platform and negotiate favorable terms for our materials purchases. We also intend to continue to design and implement hardware and software tools that are designed to reduce personnel-related costs for both laboratory and clinical operations/medical interpretation by increasing personnel efficiency and thus lowering labor costs per test.

Ability to optimize our genetic content in meeting market needs and create new pathways to test

We intend to continue to reduce the average cost per test, optimize our test menus and content, and offer the tests at affordable prices in order to meet customer and patient needs. In addition, we have and intend to continue to identify new ways to connect our testing services and information to patients. These include direct patient outreach and ordering capacity, the use of automated assistants for physician customers to improve the ease of ordering and processing genetic tests and programs designed to reach underserved patient populations with genetic testing. We also continue to collaborate with strategic partners and identity new market and channel opportunities.

Realignment of our business and timing of expenses

As part of the strategic business realignment of our operations announced in July 2022, we initiated a comprehensive plan focused on supporting business lines and geographies that we believe can generate sustainable margins, provide the best return to fuel future investment and accelerate the company's path to positive cash flow. We believe the plan further helps ensure we remain at the forefront of innovation and advancements in genomics by allocating resources towards our core genetic testing and genome management platforms that have the potential to improve healthcare outcomes.

We have conducted an assessment of our product portfolio as well as the associated research and development and commercial spending. Our new plan shifts the focus to programs relevant to the core testing business to drive near-term cost of revenue reductions. We have also performed an extensive review of internal and external costs and how those expenses align with the new business structure. Additional savings are expected to be generated through the ongoing digitization of workflows, elimination of duplication and streamlined processes across the core platforms and rationalization of technology and external services.

As we refocus our operations on our core genomic testing platform, we also plan to continue to invest in our genetic testing and information management business to drive long-term profitable growth. We deploy state-of-the-art technologies in our genetic testing services, and we intend to continue to scale our infrastructure, including our testing capacity and capabilities as well as our information systems. We also expect to incur software development costs as we seek to further digitize and automate our laboratory processes and our genetic interpretation and report sign-out procedures, scale our customer service capabilities to improve our customers' experience, and expand the functionality of our website. We will continue to incur costs related to marketing and branding as we spread our initiatives beyond our current customer base and focus on providing access to customers through our website. In addition, we will incur ongoing expenses as a result of operating as a public company. The expenses we incur may vary significantly by quarter as we focus on different aspects of our business.

How we recognize revenue

We generally recognize revenue on an accrual basis, which is when a customer obtains control of the promised goods or services, typically a test report, or upon shipment of our precision oncology products. Accrual amounts recognized are based on estimates of the consideration that we expect to receive, and such estimates are adjusted and subsequently recorded until fully settled. Changes to such estimates may increase or decrease revenue recognized in future periods. Revenue from our tests may not be equal to billed amounts due to a number of factors, including differences in reimbursement rates, the amounts of patient payments, the existence of secondary payers and claim denials. Some test orders are placed under signed requisitions or contractual agreements, and we often enter into contracts with biopharmaceutical partners, other business-to-business customers and insurance companies that include pricing provisions under which such tests are billed.

Pharma development service revenue is generated primarily from custom assay design services, sample processing activities and consultative inputs, which is separate from revenue generated by any related or unrelated product component. Revenue is recognized as samples are processed or scope of work is completed based on contracted agreements with those biopharmaceutical customer companies.

Under these collaborations, we also generate revenue from achievement of milestones, provision of on-going support, and related pass-through costs and fees. We generally have distinct performance obligations for development milestones related to our development of a companion diagnostic device. We use a cost plus a margin approach to estimate the standalone value of our companion diagnostic development service performance obligations. Revenue is recognized over time using input or output methods based on our assessments of performance completed to date toward each milestone.

Financial overview

Revenue

We primarily generate revenue from testing services and sales of distributed precision oncology products. Customers are typically billed upon delivery of test results or shipment of products. We also generate revenue from development agreements, access to data, data analytics and other related services provided for biopharmaceutical partners and other parties. Our ability to increase our revenue will depend on our ability to increase our market penetration, obtain contracted reimbursement coverage from third-party payers, and grow our relationships with biopharmaceutical customers.

Cost of revenue

Cost of revenue reflects the aggregate costs incurred in delivering our products and services and includes expenses for materials and supplies, personnel-related costs, freight, costs for lab services, genetic interpretation and clinical trial support, equipment and infrastructure expenses and allocated overhead including rent, information technology, equipment depreciation, amortization of acquired intangibles, and utilities. We expect cost of revenue to generally increase in line with the increase in billable volume, however, we expect a future increase in amortization of acquired intangible assets that is not dependent on billed volume. We anticipate our cost per unit for existing tests will generally decrease over time due to the efficiencies we expect to gain as volume increases and from automation and other cost reductions. These reductions in cost per unit will likely be offset by new offerings, which often have a higher costs per unit during the introductory phases before we are able to gain efficiencies. The cost per unit may fluctuate significantly from quarter to quarter.

Operating expenses

Our operating expenses are classified into three categories related to our operational activities: research and development, selling and marketing, and general and administrative. For each category, the largest component is generally personnel-related costs, which include salaries, employee benefit costs, bonuses, commissions, as applicable, and stock-based compensation expense. Operating expense categories also include asset impairments, change in fair value of contingent consideration, and restructuring, which are discussed further below.

Research and development

Research and development expenses represent costs incurred to develop our technology and future offerings. These costs are principally for process development associated with our efforts to expand the number of genes we can evaluate, our efforts to lower the costs per unit and our development of new products to expand our platform. We have and may continue to partner with other companies to develop new technologies and capabilities we expect to invest capital and incur significant operating costs to support these development efforts. In addition, we incur process development costs to further develop the software we use to operate our laboratories, analyze generated data, process customer orders, validate clinical activities, enable ease of customer ordering, deliver reports and automate our business processes. These costs consist of personnel-related costs, laboratory supplies and equipment expenses, consulting costs, amortization of acquired intangible assets, and allocated overhead including rent, information technology, equipment depreciation and utilities.

We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses to decrease as a percentage of revenue as we streamline our product portfolio, shift investments, including exiting certain business lines and commercial geographies, and reduce labor costs through a reduction in workforce. We expect to make investments to reduce costs and streamline our technology to provide patients access to testing aligned to scale with our long-term profitable growth targets.

Selling and marketing

Selling and marketing expenses consist of personnel-related costs, including commissions, client service expenses, advertising and marketing expenses, educational and promotional expenses, market research and analysis, and allocated overhead including rent, information technology, equipment depreciation, amortization of acquired intangibles, and utilities. We expect our selling and marketing expenses to decrease as a percentage of revenue as a result of a reduction in workforce, targeted sales force expansion and lower marketing spending as we implement a more efficient sales and marketing approach to support our core genetic testing platform.

General and administrative

General and administrative expenses include executive, finance and accounting, billing and collections, legal and human resources functions as well as other administrative costs. These expenses include personnel-related costs; audit, accounting and legal expenses; consulting costs; allocated overhead including rent, information technology, equipment depreciation, and utilities; costs incurred in relation to our co-development agreements; and post-combination expenses incurred in relation to companies we acquire. We expect our general and administrative expenses to decrease as a percentage of revenue as a result of our cost reduction plan including a reduction in workforce, consolidation of underutilized facilities, digitization of workflows, elimination of duplication and streamlined processes, and rationalization of technology and external services spending.

Asset impairments

Asset impairments includes the impairment loss recognized on goodwill, the IPR&D indefinite-lived intangible asset initially recognized as part of the acquisition of Singular Bio and specific equipment that is no longer being utilized on this project and has no alternative future use. Goodwill and indefinite-lived intangible assets are assessed for impairment on an annual basis and whenever events and circumstances indicate that these assets may be impaired. We compare the fair value of our reporting unit to its carrying value, including goodwill. If the carrying value, including goodwill, exceeds the reporting unit's fair value, we will recognize an impairment loss for the amount by which the carrying amount exceeds the reporting unit's fair value. Asset impairments also includes the impairment of right-of-use assets and related leasehold improvements associated with our decision to cease use of certain facilities as part of our strategic realignment to consolidate lab and office space and reduce our international footprint.

Change in fair value of contingent consideration

Changes in fair value of contingent consideration are adjustments related to contingent consideration related to business combinations. We expect these expenses to fluctuate significantly period to period due to fair value adjustments that are dependent on many factors, including the value of our common stock and our assessment of the probability of meeting certain acquisition-related milestones within the terms of the respective acquisition agreements, including certain prescribed deadlines for achievement.

With respect to the ArcherDX Final Milestone, the liability was reduced to nil as of June 30, 2021, with the offsetting change recorded as changes in fair value of contingent consideration in our condensed consolidated statements of operations. The removal of the liability balance and the associated change in fair value of contingent consideration was a result of our reassessment of the steps necessary to achieve clearance or approval based on FDA feedback received principally in the three months ended June 30, 2021. In April 2022, an agreement was entered into with previous ArcherDX stockholders to extend the date of achievement of the ArcherDX Final Milestone to March 31, 2023. We currently do not believe that this milestone will be achieved within this timeframe. As such, no liability was recorded as of September 30, 2022.

Restructuring

Restructuring includes employee separation costs, losses on asset disposals and other costs. Employee separation costs are comprised of severance, other termination benefit costs, and stock-based compensation expense for the acceleration of RSUs related to workforce reductions. Employee separation costs include one-time termination benefits that are recognized as a liability at estimated fair value, at the time of communication to employees, unless future service is required, in which case the costs are recognized ratably over the future service period. Ongoing termination benefits are recognized as a liability at estimated fair value when the amount of such benefits are probable and reasonably estimable. Losses on asset disposals include losses on disposals of property and equipment, leasehold improvements, and other asset write-downs associated with exiting lines of business, consolidating lab and office space, and reducing our international footprint. Other restructuring costs include the write-off of prepaid assets related to the exit of certain product offerings, legal and professional fees, and contract exit costs.

Other income, net

Other income, net, primarily consists of adjustments to the fair value of our stock payable liabilities arising from business combinations, and we expect it to fluctuate significantly from period to period due to the volatility of our common stock. Other income, net also includes income generated from our cash equivalents and marketable securities and amounts received under the CARES Act.

Interest expense

Interest expense is primarily attributable to interest incurred related to our debt and finance leases. See Note 8, “Commitments and contingencies” in Notes to Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for additional information.

Income tax benefit

Since we generally establish a full valuation allowance against our deferred tax assets, our income tax benefit primarily consists of changes in our deferred tax realization assessments as a result of taxable temporary differences assumed in connection with our acquisitions and changes in the expected timing of the reversal of taxable temporary differences.

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 U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. We evaluate our estimates on an ongoing basis. Our estimates are based on current facts, our historical experience and on various other factors that we believe are reasonable 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 and any such differences may be material. We believe that our accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

The following updates our discussion of impairment testing as of June 30, 2022, and should be read in conjunction with our critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. Except as presented below, there have been no material changes from the critical accounting policies and estimates described in our Annual Report on Form 10-K. See Note 2, "Summary of significant accounting policies" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for information regarding recent accounting pronouncements.

Goodwill and indefinite-lived intangibles

In accordance with ASC 350, *Intangibles - Goodwill and Other* we do not amortize goodwill or other intangible assets with indefinite lives, including IPR&D, but rather test them for impairment. ASC 350 requires us to perform an impairment review of our goodwill and indefinite-lived intangible balances at least annually, which we do in the fourth quarter of each year for our single consolidated reporting unit, and whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable.

Factors that may indicate potential impairment and trigger an interim impairment test include, but are not limited to, current economic, market and geopolitical conditions, including a significant, sustained decline in our stock price and market capitalization compared to the net book value, an adverse change in legal factors, business climate or operational performance of the business, or significant changes in the ability of a particular asset (or group of assets) to generate positive cash flows for our strategic business objectives. During the three months ended June 30, 2022, as a result of significant, sustained decline in our stock price and related market capitalization and lower than expected financial performance, we performed an impairment assessment of goodwill, IPR&D intangibles, and long-lived assets, including definite-lived intangibles.

During the three months ended June 30, 2022, the Company completed a quantitative impairment test for goodwill. In performing the goodwill impairment test, we estimated the fair value of the reporting unit by utilizing the discounted cash flow method under the income approach. The determination of the fair value of the reporting unit requires significant estimates and assumptions, including significant unobservable inputs. The key inputs to this valuation approach include, but were not limited to, management's forecast of projected revenues associated with future cash flows, discount rates, and control premiums.

When performing our income approach for the reporting unit, we incorporate the use of projected financial information and a discount rate that is developed using market participant-based assumptions. The cash flow projections are based on an 11 year financial forecast developed by management that includes projections of billable units, revenue by test type and mix, rate changes, capital spending trends, investments in working capital to support future revenue and projected cash flow sources and needs, among others. The selected discount rate then considers the risk and nature of the reporting unit's cash flows and rates of return market participants would require to invest capital in the reporting unit.

Based on this analysis, we recognized a goodwill impairment charge of $2.3 billion during the three months ended June 30, 2022, which was included in asset impairments in the condensed consolidated statements of operations. The goodwill was fully impaired as of June 30, 2022. We also identified indicators of impairment related to the IPR&D intangible asset initially recognized as part of the acquisition of Singular Bio that is more likely than not that the asset is impaired. The Company identified conditions during the period ended June 30, 2022 such as alternative technologies and uncertainties around the desired outcome of our in-development asset and other economic factors that raised issues with the realizability of our asset. As a result of our evaluation, we also recognized a non-cash, pre-tax impairment loss of $30.0 million during the three months ended June 30, 2022. The indefinite-lived intangible asset was fully impaired as of June 30, 2022. Additionally, we recognized an impairment loss of $4.8 million during the three months ended June 30, 2022 related to specific equipment that is also no longer being utilized on this project and has no alternative future use. The impairment is recorded in asset impairments in the condensed consolidated statements of operations. During the three months ended September 30, 2022, we did not record any further impairments of intangible assets.

Impairment assessment of long-lived assets

A recoverability test was performed for the long-lived assets, including definite-lived intangibles, using the undiscounted cash flows approach, which included significant unobservable inputs including management's forecasts of projected revenue associated with future cash flows and residual value. The cash flow estimates

reflected the Company's assumptions about its use of the long-lived assets and eventual disposition of the asset group. We determined that our long-lived assets held and used, including intangible assets that are subject to amortization, did not have identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and of other asset groups, because the assets are highly interrelated and interdependent. Therefore, the Company evaluated its long-lived assets for impairment on an entity-wide level. The long-lived assets passed the recoverability test as of June 30, 2022. As a result of the strategic realignment, we evaluated the recoverability of the carrying amount of long-lived assets for impairment. We concluded that the fair value of long-lived assets was in excess of their carrying value at September 30, 2022 and no impairment was recorded except for operating lease impairments, which are discussed in the "Leases" section of Note 8 "Commitments and contingencies" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q. We also recorded losses on disposal of assets pursuant to the strategic realignment, which are discussed in Note 11, "Restructuring" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

Results of operations

Three Months Ended September 30, 2022 and 2021

The following sets forth our condensed consolidated statements of operations data for each of the periods indicated (in thousands, except percentage changes). Our historical results are not necessarily indicative of our results of operations to be expected for any future period.

	Three Months Ended September 30,		Dollar Change	% Change
	2022	2021		
Revenue:				
Test revenue	$ 128,839	$ 111,676	$ 17,163	15%
Other revenue	4,697	2,719	1,978	73%
Total revenue	133,536	114,395	19,141	17%
Cost of revenue	116,956	87,741	29,215	33%
Research and development	87,177	97,511	(10,334)	(11)%
Selling and marketing	49,193	55,501	(6,308)	(11)%
General and administrative	44,939	86,820	(41,881)	(48)%
Asset impairments	6,708	—	6,708	100%
Change in fair value of contingent consideration	—	(19,866)	19,866	100%
Restructuring	118,514	—	118,514	100%
Total cost and operating expenses	423,487	307,707	115,780	38%
Loss from operations	(289,951)	(193,312)	(96,639)	(50)%
Other income, net	1,872	3,357	(1,485)	(44)%
Interest expense	(14,145)	(14,069)	(76)	(1)%
Net loss before taxes	(302,224)	(204,024)	(98,200)	(48)%
Income tax benefit	(1,068)	(5,848)	4,780	82%
Net loss	$ (301,156)	$ (198,176)	$ (102,980)	(52)%

NM - Not Meaningful

Revenue

The increase in total revenue of $19.1 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to an increase in billable volume due to growth in our business and higher average revenue per billable unit. Billable volume increased to approximately 324,000 in the three months ended September 30, 2022 compared to 296,000 in the same period of 2021, an increase of 9 percent. Average revenue per billable unit was $398 per unit in the three months ended September 30, 2022 compared to $377 per unit in the comparable prior period primarily due to changes in payer and product mix.

Cost of revenue

The increase in the cost of revenue of $29.2 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to an increase in billable volume and a higher cost per

billable unit. Cost per unit was $361 in the three months ended September 30, 2022 compared to $296 for the same period in 2021. The cost per unit increased primarily due to the write down of inventory and prepaid items of $16.4 million related to the exit of certain product offerings, and amortization of acquired intangible assets of $14.3 million. These increases were partially offset by a decrease in lab materials of $2.5 million.

Research and development

The decrease in research and development expense of $10.3 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a decreases in outside labor of $6.2 million, lab-related expenses for supplies and materials of $6.1 million and other expenses of $1.3 million. These decreases were partially offset by higher depreciation and amortization of $3.3 million due to accelerated depreciation for lab equipment related to the exit of certain product offerings.

Selling and marketing

The decrease in selling and marketing expense of $6.3 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a decrease in marketing costs of $4.9 million due to lower spending on brand initiatives, and a decrease in information technology costs and other corporate expenses of $1.4 million.

General and administrative

The decrease in general and administrative expense of $41.9 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a decrease in acquisition-related stock-based compensation expense of $31.7 million, a decrease in legal fees of $6.1 million for litigation-related expenses included in the prior period, a decrease in professional and outside services of $4.8 million, and a decrease in personnel-related expenses of $4.0 million due to lower headcount as a result of the reduction in workforce. These decreases were offset by increases in other corporate expenses of $4.7 million.

Asset impairments

Under our strategic realignment plan, we decided to cease use of certain facilities and actively began looking to sublease the locations, including the related leasehold improvements. During the three months ended September 30, 2022, we recognized an impairment charge of $4.4 million related to right-of-use assets and $2.3 million for the related leasehold improvements.

Change in fair value of contingent consideration

The change in fair value of contingent consideration decreased $19.9 million for the three months ended September 30, 2022 compared to the same period in 2021. The prior year period includes fair value adjustments to reduce our contingent consideration liability primarily related to our acquisition of ArcherDX and the remaining development milestones resulting from a decrease in the value of our common stock and the removal of our contingent consideration liability relating to the outstanding milestone for FDA clearance or approval of a therapy selection IVD. The prior year adjustments to decrease our contingent consideration were due to our determination that this milestone will not be achieved in the timeframe prescribed in the acquisition agreement.

Restructuring

In July 2022, we began implementing a strategic realignment of our operations to reduce operating costs and drive future growth aligned with our core genetic testing and genome management platforms. The realignment plan includes a reduction in workforce, lab and office space consolidation, portfolio optimization, decrease in other operating expenses, as well as a reduced international footprint. Under this strategic realignment, we reduced our workforce by approximately 1,000 employees.

During the three months ended September 30, 2022, we incurred restructuring expenses of $118.5 million. Restructuring expense was comprised of $57.9 million in employee severance and benefits, $48.8 million in losses on asset disposals, and $11.8 million in other restructuring expenses. We did not have similar expenses for the three months ended September 30, 2021.

Other income, net

The decrease in other income, net of $1.5 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a decrease in fair value adjustments of $3.9 million related to our

stock payable liabilities. In September 2022, the amounts held back to satisfy indemnification obligations for an acquisition were partially released to the former stockholders. This was partially offset by an increase in interest income of $2.4 million associated with marketable securities investments in the current year.

Interest expense

The increase in interest expense of $0.1 million for the three months ended September 30, 2022 compared to the same period in 2021 was due to increased debt outstanding as compared to the prior year period.

Income tax benefit

The decrease in income tax benefit of $4.8 million for the three months ended September 30, 2022 compared to the same period in 2021 was primarily due to a $6.0 million reduction in the valuation allowance on our legacy deferred tax assets primarily as a result of net deferred tax liabilities of $6.9 million assumed in connection with an acquisition in September 2021. There was no similar income tax benefit in the current period for the three months ended September 30, 2022.

Nine Months Ended September 30, 2022 and 2021

The following sets forth our condensed consolidated statements of operations data for each of the periods indicated (in thousands, except percentage changes). Our historical results are not necessarily indicative of our results of operations to be expected for any future period.

	Nine Months Ended September 30,		Dollar Change	% Change
	2022	2021		
Revenue:				
Test revenue	$ 381,518	$ 322,448	$ 59,070	18%
Other revenue	12,331	11,880	451	4%
Total revenue	393,849	334,328	59,521	18%
Cost of revenue	324,412	252,563	71,849	28%
Research and development	330,559	284,323	46,236	16%
Selling and marketing	172,086	163,705	8,381	5%
General and administrative	149,071	197,640	(48,569)	(25)%
Asset impairments	2,324,572	—	2,324,572	100%
Change in fair value of contingent consideration	(1,850)	(386,836)	384,986	100%
Restructuring	118,514	—	118,514	100%
Total cost and operating expenses	3,417,364	511,395	2,905,969	NM
Loss from operations	(3,023,515)	(177,067)	(2,846,448)	NM
Other income, net	19,637	9,846	9,791	99%
Interest expense	(42,149)	(35,869)	(6,280)	(18)%
Net loss before taxes	(3,046,027)	(203,090)	(2,842,937)	NM
Income tax benefit	(39,551)	(29,208)	(10,343)	(35)%
Net loss	$ (3,006,476)	$ (173,882)	$ (2,832,594)	NM

NM - Not Meaningful

Revenue

The increase in total revenue of $59.5 million for the nine months ended September 30, 2022 compared to the same period in 2021 was due primarily to increased billable volume and slightly higher average revenue per billable unit. Billable volume increased to 990,000 in the nine months ended September 30, 2022 compared to 842,000 in the same period of 2021, an increase of 18 percent, due to growth in the business. Average revenue per billable unit increased to $385 per unit in the nine months ended September 30, 2022 compared to $383 per unit in the comparable prior period primarily due to changes in payer and product mix.

Cost of revenue

The increase in the cost of revenue of $71.8 million for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to increased billable volume and higher cost per billable unit. Cost per billable unit was $328 in the nine months ended September 30, 2022 compared to $300 for the same period in 2021. The increase in cost per unit in the nine months ended September 30, 2022 was primarily attributable to an increase in amortization of acquired intangible assets of $39.0 million, an increase in write downs of inventory and prepaid items of $19.6 million related to the exit of certain product offerings, an increase in shipping costs of $6.5 million, higher sales and use taxes of $4.0 million due to an increase in inventory purchases, and an increase in other costs of $2.7 million, as well as changes in product mix.

Research and development

The increase in research and development expense of $46.2 million for the nine months ended September 30, 2022 compared to the same period in 2021 principally consisted of the following elements: personnel-related costs increased $57.6 million primarily driven by acquisition-related stock-based compensation expenses related to an acquisition in September 2021; professional fees increased $7.6 million due to higher contract labor; depreciation and amortization increased $3.3 million due to accelerated depreciation for lab equipment related to the exit of certain product offerings; and other expenses increased $1.3 million. These increases were partially offset by decreases in lab-related expenses of $23.6 million primarily due lower costs related to external development projects and lab supplies and services.

Selling and marketing

The increase in selling and marketing expense of $8.4 million for the nine months ended September 30, 2022 compared to the same period in 2021 principally consisted of the following elements: personnel-related costs increased by $12.7 million; travel-related expenses increased $3.0 million resulting from more in-person travel due to reduced COVID-19 restrictions; and information technology costs increased $1.3 million due to higher spending on software licenses. These increases were offset by decreases in brand initiatives and advertising costs of $6.2 million and professional and other expenses of $2.4 million.

General and administrative

The decrease in general and administrative expense of $48.6 million for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to decreases in acquisition-related stock-based compensation expense of $35.5 million, personnel-related costs of $15.2 million due to lower stock-based compensation partially offset by higher employee-related costs, and a decrease in legal fees of $9.3 million for litigation-related expenses included in the prior period. These decreases were offset by increases in other corporate expenses of $5.6 million, facilities-related expenses of $4.3 million due to lease expenses and higher security and building support costs, and information technology costs increased $1.5 million due to higher spending on software licenses.

Asset impairments

Under our strategic realignment plan, we decided to cease use of certain facilities and actively began looking to sublease the locations, including the related leasehold improvements. During the three and nine months ended September 30, 2022, we recognized an impairment charge of $4.4 million related to right-of-use assets and $2.3 million for the related leasehold improvements.

We completed an interim impairment test for goodwill and the IPR&D indefinite-lived intangible asset as of June 30, 2022, and as a result recorded a non-cash impairment charge of $2.3 billion. Additionally, we recognized an impairment loss of $4.8 million related to specific equipment that is no longer being utilized on this project. See Critical accounting policies and estimates above and Note 5, “Goodwill and intangible assets” in Notes to the Condensed Consolidated Financial Statements in "Part 1, Item 1. Condensed Consolidated Financial Statements" of this Quarterly Report on Form 10-Q for further information.

Change in fair value of contingent consideration

The change in fair value of contingent consideration represented income of $1.9 million and $386.8 million for the nine months ended September 30, 2022 and 2021, respectively. The prior year period includes fair value adjustments to reduce our contingent consideration liability primarily related to our acquisition of ArcherDX and the remaining development milestones resulting from a decrease in the value of our common stock and the removal of

our contingent consideration liability relating to the outstanding milestone for FDA clearance or approval of a therapy selection IVD. The prior year adjustments to decrease our contingent consideration were due to our determination that this milestone will not be achieved in the timeframe prescribed in the acquisition agreement.

Restructuring

During the nine months ended September 30, 2022, we incurred restructuring expenses of $118.5 million. Restructuring expense was comprised of $57.9 million in employee severance and benefits, $48.8 million in losses on asset disposals, and $11.8 million in other restructuring expenses. We did not have similar expenses for the nine months ended September 30, 2021.

Other income, net

The increase in other income, net of $9.8 million for the nine months ended September 30, 2022 compared to the same period in 2021 was primarily due to increases in fair value adjustments of $6.5 million related to our stock payable liabilities due to the decrease in the price of our common stock as well as higher interest income associated with marketable securities investments in the current year.

Interest expense

The increase in interest expense of $6.3 million for the nine months ended September 30, 2022 compared to the same period in 2021 was due to increased debt outstanding as compared to the prior year period.

Income tax benefit

The increase in income tax benefit of $10.3 million for the nine months ended September 30, 2022 was primarily due to a $34.6 million release of federal and state valuation allowances as a result of the reclassification of ArcherDX's STRATAFIDE and PCM in-process research and development intangibles from indefinite-lived intangibles to developed technology, which enabled the associated deferred tax liability to serve as a source of income to existing finite-lived deferred tax assets for which a valuation allowance had previously been established. There was no similar income tax benefit in the prior year period. The income tax benefit of $29.2 million for the nine months ended September 30, 2021 was primarily due to a reduction in the valuation allowance on our legacy deferred tax assets as a result of net deferred tax liabilities assumed in connection with acquisitions in 2021.

Liquidity and capital resources

Liquidity and capital expenditures

We have generally incurred net losses since our inception. For the nine months ended September 30, 2022 and 2021, we had net losses of $3.0 billion and $173.9 million, respectively, and we expect to incur additional losses in the future. At September 30, 2022, we had an accumulated deficit of $4.7 billion. While our revenue has increased over time, we may never achieve revenue sufficient to offset our expenses.

Since inception, our operations have been financed primarily by fees collected from our customers, net proceeds from sales of our capital stock as well as borrowing from debt facilities and the issuance of convertible senior notes.

In January 2021, we issued, in an underwritten public offering, an aggregate of 8.9 million shares of our common stock at a price of $51.50 per share, for gross proceeds of $460.0 million and net proceeds of $434.3 million.

In September 2019, we issued $350.0 million of aggregate principal amount of convertible senior notes due 2024, which bear cash interest at a rate of 2.0% per year. Also in September 2019, we used the funds received through the issuance of our convertible senior notes due 2024 to settle our Note Purchase Agreement we entered into in November 2018. In April 2021, we issued $1,150.0 million of aggregate principal amount of convertible senior notes due 2028, which bear cash interest at a rate of 1.5% per year. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt, including paying off the principal when due, and make necessary capital expenditures. Holders of our convertible senior notes have the right to require us to repurchase all or any portion of their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle

such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments, which could adversely affect our liquidity. However, we only have limited ability to make those cash payments under our credit agreement and, even if the credit agreement limitations are no longer in effect, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered or notes being converted.

In October 2020, in connection with our acquisition of ArcherDX, we entered into a credit facility to borrow $135.0 million which closed concurrently with the merger. The terms of this credit facility restrict our ability to incur certain indebtedness, pay dividends, make acquisitions and take other actions.

At September 30, 2022 and December 31, 2021, we had $596.0 million and $1.1 billion, respectively, of cash, cash equivalents, restricted cash and marketable securities.

Our primary use of cash is to fund our operations. Cash used to fund operating expenses is affected by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We have incurred substantial losses since inception, and we expect to continue to incur losses in the near future. We believe our existing cash, cash equivalents and marketable securities as of September 30, 2022 and fees collected from the sale of our products and services will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

We may need or choose to raise additional funding to finance operations and service debt obligations prior to achieving profitability or should we make additional acquisitions. We regularly consider fundraising opportunities and expect to determine the timing, nature and size of future financings based upon various factors, including market conditions, debt maturities and our operating plans. We may in the future elect to finance operations by selling equity or debt securities or borrowing money. If we issue equity securities, dilution to stockholders may result. Any equity securities issued may also provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by issuing additional debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of our common stock. In addition, the terms of additional debt securities or borrowings could impose significant restrictions on our operations. If additional funding is required, there can be no assurance that additional funds will be available to us on acceptable terms on a timely basis, if at all. If we are unable to obtain additional funding when needed, we may need to curtail planned activities to reduce costs. Doing so will likely have an unfavorable effect on our ability to execute on our business plan and have an adverse effect on our business, results of operations and future prospects.

On July 18, 2022, we initiated a strategic realignment of our operations and began implementing cost reduction programs in order to accelerate our path to positive operating cash flow. We are in the process of implementing initiatives to eliminate non-core operations while realigning and sharpening our focus on the portfolio of businesses that we believe can generate sustainable margins and deliver returns to fuel future investment. In the testing business, we are shifting operational and commercial efforts to accelerate positive cash flow by maintaining robust support of the higher-margin, higher-growth testing opportunities among hereditary cancer, precision oncology, women's health, rare disease and pharmacogenomics. The realignment plan also includes a shift in investments as we exit certain business lines and commercial geographies, portfolio optimization, reduction in workforce, lab and office space consolidation, decrease in other operating expenses including lower sales and marketing spending as we implement a more efficient go-to market strategy, and optimize and reassess external spending on professional services and technology. We anticipate the cost savings associated with the realignment plan will extend our cash runway. We expect to incur total restructuring expenses up to $170 million over the next 12 months. This reflects the best estimate of the Company, which may be revised in subsequent periods as the strategic realignment plan progresses.

The following table summarizes our cash flows (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Net cash used in operating activities	$ (410,934)	$ (383,897)
Net cash used in investing activities	(296,694)	(374,583)
Net cash provided by financing activities	1,159	1,558,909
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (706,469)	$ 800,429

Cash flows from operating activities

For the nine months ended September 30, 2022, cash used in operating activities of $410.9 million principally resulted from our net loss of $3.0 billion, a $39.6 million income tax benefit, and non-cash charges for remeasurements of liabilities in connection with business combinations of $17.5 million. These were partially offset by non-cash charges of $2.3 billion for asset impairments, $164.3 million for stock-based compensation, $104.7 million for depreciation and amortization, $48.8 million related to losses on asset disposals, $11.7 million for amortization of debt discount and issuance costs related to our outstanding debt, $6.8 million of non-cash lease expense, and $5.0 million of post-combination share-based compensation expense. The net effect on cash for changes in net operating assets was a decrease of cash of $14.4 million.

For the nine months ended September 30, 2021, cash used in operating activities of $383.9 million principally resulted from our net loss of $173.9 million, non-cash charges of remeasurements of liabilities in connection with business combinations of $396.0 million, primarily relating to development milestones and a $29.2 million income tax benefit primarily generated from acquisitions. These were partially offset by non-cash charges of $131.8 million for stock-based compensation, $56.8 million for depreciation and amortization, $10.4 million for amortization of debt discount and issuance costs related to our outstanding debt and $7.9 million of post-combination expense primarily comprised of holdback cash consideration and the acceleration of unvested equity from acquisitions. The net effect on cash of changes in net operating assets was an increase of cash of $1.0 million.

Cash flows from investing activities

For the nine months ended September 30, 2022, cash used in investing activities of $296.7 million was primarily due to net purchases and maturities of marketable securities of $248.3 million and cash used for purchases of property and equipment of $48.4 million.

For the nine months ended September 30, 2021, cash used in investing activities of $374.6 million was due primarily to net cash used to acquire three companies of $239.8 million, net purchases of marketable securities of $97.9 million and cash used for purchases of property and equipment of $35.5 million.

Cash flows from financing activities

For the nine months ended September 30, 2022, cash provided by financing activities of $1.2 million primarily consisted of cash received from net proceeds from the sale of common stock of $9.7 million and issuances of common stock of $6.3 million. These were partially offset by cash to settle acquisition obligations of $10.6 million and finance lease principal payments of $4.2 million.

For the nine months ended September 30, 2021, cash provided by financing activities of $1.6 billion primarily consisted of net proceeds from the issuance of our 2028 Notes of $1.1 billion and the sale of common stock of $434.3 million as well as cash received from issuances of common stock of $15.8 million.

Contractual obligations

The following table summarizes our contractual obligations, including interest, as of September 30, 2022 (in thousands):

Contractual obligations:	Remainder of 2022	2023 and 2024	2025 and 2026	2027 and beyond	Total
Operating leases	$ 5,205	$ 52,450	$ 33,789	$ 114,993	$ 206,437
Finance leases	1,570	8,939	495	—	11,004
Convertible senior notes	—	349,996	—	1,150,000	1,499,996
2020 Term Loan	—	135,000	—	—	135,000
Purchase commitments	10,022	36,785	2,594	—	49,401
Total	$ 16,797	$ 583,170	$ 36,878	$ 1,264,993	$ 1,901,838

See Note 8, "Commitments and contingencies" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for additional details regarding our leases, convertible senior notes, 2020 Term Loan and purchase commitments.

Off-balance sheet arrangements

We have not entered into any off-balance sheet arrangements.

Recent accounting pronouncements

See “Recent accounting pronouncements” in Note 2, “Summary of significant accounting policies” in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q for a discussion of recently adopted accounting pronouncements and accounting pronouncements not yet adopted, and their expected effect on our financial position and results of operations.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rates. Our cash, cash equivalents, restricted cash and marketable securities totaled $596.0 million at September 30, 2022, and consisted primarily of bank deposits, money market funds, U.S. treasury notes, and U.S. government agency securities. Such interest-bearing instruments carry a degree of risk; however, because our investments are primarily high-quality credit instruments with short-term durations with high-quality institutions, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. At September 30, 2022, a hypothetical 1.0% (100 basis points) increase or decrease in interest rates would not have resulted in a material change in the fair value of our cash equivalents and marketable securities. Fluctuations in the value of our cash equivalents and marketable securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in other comprehensive (loss) income and are realized if we sell the underlying securities prior to maturity.

Our 2020 Term Loan bears interest at an annual rate equal to three-month LIBOR, subject to a 2.00% LIBOR floor, plus a margin of 8.75% and is therefore sensitive to changes in interest rates. If three-month LIBOR can no longer be determined or if the applicable governmental authority ceases to supervise or sanction such rates, then we shall endeavor to agree with the administrative agent, an alternate rate of interest that gives due consideration to the then prevailing market convention for determining interest for comparable loans in the United States; provided that until such alternative rate of interest is agreed, the 2020 Term Loan shall bear interest at the *Wall Street Journal* Prime Rate. We currently do not use interest rate derivative instruments to manage our exposure to interest rate fluctuations.

Although our convertible senior notes are based on a fixed rate, changes in interest rates could impact their fair market value. As of September 30, 2022, the fair market value of the convertible senior notes due 2024 and due 2028 was $274.8 million and $556.3 million respectively. For additional information about the convertible senior notes, see Note 8, “Commitments and contingencies” in Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q.

ITEM 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, or Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer) have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in internal control over financial reporting

During the quarterly period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting 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.

For discussion of legal matters as of September 30, 2022, see Note 8, "Commitments and contingencies" in Notes to Condensed Consolidated Financial Statements in Part I, Item 1. of this Quarterly Report on Form 10-Q, which is incorporated to this item by reference.

ITEM 1A. Risk Factors

Risks related to our business and strategy

We expect to continue incurring significant losses, and we may not successfully execute our plan to achieve or sustain profitability.

We have incurred substantial losses since our inception. For the nine months ended September 30, 2022 and 2021, we had net losses of $3.0 billion and $173.9 million, respectively. For the years ended December 31, 2021, 2020 and 2019, our net losses were $379.0 million, $602.2 million and $242.0 million, respectively. At September 30, 2022, our accumulated deficit was $4.7 billion. We expect to continue to incur significant losses as we invest in our business. We incurred research and development expenses of $330.6 million and $284.3 million for the nine months ended September 30, 2022 and 2021, respectively, and selling and marketing expenses of $172.1 million and $163.7 million for the nine months ended September 30, 2022 and 2021, respectively. We incurred research and development expenses of $416.1 million, $240.6 million and $141.5 million in 2021, 2020 and 2019, respectively, and selling and marketing expenses of $225.9 million, $168.3 million and $122.2 million in 2021, 2020 and 2019, respectively. We have also experienced and may continue to experience decreases in test volume due to the impact of COVID-19. Additionally, since 2021, widespread inflationary pressures were experienced across global economies, resulting in higher costs for our raw materials, non-material costs, labor and other business costs, and significant increases in the future could adversely affect our results of operations. In addition, as a result of the integration of acquired businesses, we may be subject to unforeseen or additional expenditures, costs or liabilities, including costs and potential liabilities associated with litigation. Our prior losses and expected future losses have had and may continue to have an adverse effect on our stockholders' equity, working capital and stock price. Our failure to achieve and sustain profitability in the future would negatively affect our business, financial condition, results of operations and cash flows, and could cause the market price of our common stock to decline.

We began operations in January 2010 and commercially launched our initial assay in late November 2013. Our prospects must be considered in light of the risks and difficulties frequently encountered by companies in a similar stage of development, particularly companies in new and rapidly evolving markets such as ours. These risks include an evolving and unpredictable business model and the management of growth. To address these risks, we must, among other things, increase our customer base; continue to implement and successfully execute our business and marketing strategy; successfully enter into other strategic collaborations or relationships; obtain access to capital on acceptable terms and effectively utilize that capital; identify, attract, hire, retain, motivate and successfully integrate employees; continue to expand, automate and upgrade our laboratory, technology and data systems; obtain, maintain and expand coverage and reimbursement by healthcare payers; obtain and maintain sufficient payment by partners, institutions and individuals; provide rapid test turnaround times with accurate results at low prices; provide superior customer service; and respond to competitive developments. We cannot assure you that we will be successful in addressing these risks, and the failure to do so could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our inability to raise additional capital on acceptable terms in the future may limit our ability to develop and commercialize new tests and expand our operations.

We expect we will need to raise additional capital to finance operations prior to achieving profitability, or should we make additional acquisitions. We may seek to raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements. Additional funding may not be available to us on acceptable terms, or at all. In addition, the terms of our credit agreement restrict our ability to incur certain indebtedness and issue certain equity securities. If we raise funds by issuing equity securities, dilution to our stockholders would result. Any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of our common stock. The terms of debt securities issued or borrowings, if available, could impose significant restrictions on our operations.

The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire companies or acquire or license intellectual property rights, and other operating restrictions that could adversely affect our ability to conduct our business. In addition, the issuance of additional equity securities by us, or the possibility of such issuance, may cause the market price of our common stock to decline. In the event we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms. These agreements may require that we relinquish or license to a third party on unfavorable terms our rights to tests we otherwise would seek to develop or commercialize ourselves, or reserve certain opportunities for future potential arrangements when we might be able to achieve more favorable terms. If we are not able to secure additional funding when needed, we may have to delay, reduce the scope of or eliminate one or more research and development programs, selling and marketing initiatives, or potential acquisitions. In addition, we may have to work with a partner on one or more aspects of our tests or market development programs, which could lower the economic value of those tests or programs to our company.

Our strategic realignment and the associated headcount reduction have and are expected to significantly change our business, result in significant expense, may not result in anticipated savings, and will disrupt our business.

On July 18, 2022, we announced plans to strategically realign our operations and implement cost reduction programs to prioritize our core genome sequencing and genome management platforms. This plan involves a significant reduction in our workforce as well as other steps to streamline our operations, including exiting our distributed products business and significantly decreasing our global footprint outside of the United States to less than a dozen countries or territories. Management currently expects that the realignment plan will be completed within the next 12 month and estimates we will incur costs up to $170 million for associated employee severance and benefits, losses on asset disposals, and other restructuring costs including the write-off of prepaid assets related to the exit of certain product offerings, professional service fees and contract exit costs. Actual costs may be higher than we expect. We may not realize, in full or in part, the anticipated benefits, savings and improvements in our cost structure from our realignment efforts due to unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings from the restructuring, our operating results and financial condition would be adversely affected. For example, our divestiture activities may divert management's attention from our core business operations, result in significant write-offs and other charges, and have an adverse effect on existing relationships with partners, customers, patients and third-party payers. We have also terminated early, changed the scope of, or may not be able to perform under certain contracts as a result of our realignment efforts, and we could incur significant liability if we do not successfully negotiate wind-down provisions or new terms. For example, we have informed certain contractual counterparties that we will not be able to perform under our companion diagnostic development agreements. Any of these or other events could adversely affect our financial condition and results of operations. In addition, we may not be able to retain qualified personnel, which may negatively affect our infrastructure and operations or result in a loss of employees and reduced productivity among remaining employees. For example, our turnaround times in returning test results increased recently. Further, the realignment may yield unintended consequences, such as attrition beyond our intended workforce reduction, reduced employee morale, loss of customers or partners, and other adverse effects on our business.

If our management is unable to successfully manage this transition and realignment activities, our expenses may be more than expected and may vary significant from period to period and we may be unable to implement our business strategy. As a result, our future financial performance, operations, and prospects would be negatively affected.

We rely on highly skilled personnel in a broad array of disciplines and, if we are unable to hire, retain or motivate these individuals, or maintain our corporate culture, we may not be able to maintain the quality of our services or grow effectively.

Our performance, including our research and development programs and laboratory operations, largely depend on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization, including software developers, geneticists, biostatisticians, certified laboratory scientists and other scientific and technical personnel to process and interpret our genetic tests. In addition, we may need to continue to expand our sales force with qualified and experienced personnel. In July 2022, we announced plans to strategically realign our operations and implement cost reduction programs that will reduce our workforce by over 1,000 employees. This reduction in workforce will result in the loss of institutional knowledge and expertise and the

reallocation of and combination of certain roles and responsibilities across the organization, all of which could adversely affect our operations. Further, the realignment may yield unintended consequences, such as attrition beyond our intended workforce reduction and reduced employee morale. Competition in our industry for qualified employees is intense, and we may not be able to attract or retain qualified personnel in the future due to the competition for qualified personnel among life science and technology businesses as well as universities and public and private research institutions, particularly in the San Francisco Bay Area. In addition, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees. If the value of our common stock declines significantly, as it has in the recent past, and remains depressed, or if we do not have enough shares authorized to grant equity awards to new and existing employees, we may not be able to recruit and retain qualified employees. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that could adversely affect our ability to scale our business and support our research and development efforts and our clinical laboratory. We believe that our corporate culture fosters innovation, creativity and teamwork. However, as our organization grows and evolves, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. This could negatively impact our ability to retain and attract employees and our future success.

We have acquired and may continue to acquire businesses or assets, form joint ventures or make investments in other companies or technologies that could harm our operating results, dilute our stockholders' ownership, or cause us to incur debt or significant expense.

As part of our business strategy, we have pursued and expect to continue to evaluate acquisitions of complementary businesses or assets, as well as technology licensing arrangements. We also may pursue strategic alliances that leverage our core technology and industry experience to expand our offerings or distribution, or make investments in other companies. Since 2017, we have acquired numerous companies, including companies in family health genetic information services, the patient data collection and platform industry, the non-invasive prenatal screen offering industry, the genetic information industry and the use of artificial intelligence in such industry, the pharmacogenetic testing industry, the oncology industry and the infectious disease industry.

With respect to our acquired businesses and any acquisitions we may make in the future, we may not be able to integrate these businesses successfully into our existing business, and we could assume unknown or contingent liabilities. Any acquisitions by us also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could harm our operating results. Furthermore, as we experienced in the past, the loss of customers, payers, partners, suppliers or key management following the completion of any acquisitions by us could harm our business. Changes in services, sources of revenue, and branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers, resulting in an adverse impact on our financial results, financial condition and stock price. Integration of an acquired company or business also may require management's time and resources that otherwise would be available for ongoing development of our existing business. We may also need to divert cash from other uses to fund these integration activities and these new businesses. Ultimately, we may not realize the anticipated benefits of any acquisition, technology license, strategic alliance, joint venture or investment, or these benefits may take longer to realize than we expected.

In connection with certain of our completed acquisitions, we have agreed to pay cash and/or stock consideration that is contingent upon the achievement of specified objectives, such as development objectives, regulatory submissions, regulatory approvals and revenue related to certain products. As of the date of the applicable acquisition, we record a contingent liability representing the estimated fair value of the contingent consideration we expect to pay. On a quarterly basis, we reassess these obligations and, in the event our estimate of the fair value of the contingent consideration changes, we record increases or decreases in the fair value as an adjustment to operating expense, which could have a material impact on our results of operations.

To finance any acquisitions or investments, we may raise additional funds, which could adversely affect our existing stockholders and our business. If the price of our common stock is low or volatile, we may not be able to acquire other companies for stock. In addition, our stockholders may experience substantial dilution as a result of additional securities we may issue for acquisitions. Open market sales of substantial amounts of our common stock issued to stockholders of companies we acquire could also depress our stock price. Additional funds may not be available on terms that are favorable to us, or at all.

We need to scale our infrastructure in advance of demand for our tests and other products and services, and our failure to generate sufficient demand for our products and services would have a negative impact on our business and our ability to attain profitability.

Our success depends in large part on our ability to extend our market position, to develop new products and services, to provide customers with high-quality test reports quickly and at a lower price than our competitors, and to achieve sufficient test volume to realize economies of scale. In order to execute our business model, we intend to continue to invest heavily in order to significantly scale our infrastructure, including our testing capacity and information systems, expand our commercial operations, customer service, billing and systems processes and enhance our internal quality assurance program. For example, we are in the process of building a new laboratory and production facility in North Carolina. We expect that much of this infrastructure growth will be in advance of demand for our tests and other products and services. Many of our current and future expense levels are fixed. Because the timing and amount of revenue from our products and services is difficult to forecast, when revenue does not meet our expectations, we may not be able to adjust our spending promptly or reduce our spending to levels commensurate with our revenue. Even if we are able to successfully scale our infrastructure and operations, we cannot assure you that demand for our products and services will increase at levels consistent with the growth of our infrastructure. If we fail to generate demand commensurate with this growth or if we fail to scale our infrastructure sufficiently in advance of demand to successfully meet such demand, our business, prospects, financial condition and results of operations could be adversely affected.

We face risks related to health epidemics, including the ongoing COVID-19 pandemic, and macroeconomic conditions, which could have a material adverse effect on our business and results of operations.

Our business has been and could continue to be adversely affected by a widespread outbreak of contagious disease, including the pandemic of respiratory illness caused by a novel coronavirus known as COVID-19. Global health concerns relating to COVID-19 have negatively affected the macroeconomic environment, and the pandemic has significantly increased economic volatility and uncertainty.

The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns. For example, some of our personnel located at our headquarters and other offices in California, elsewhere in the United States and in other countries, have been subject to shelter-in-place or stay-at-home orders from state and local governments. These measures have adversely impacted and may further impact our employees and operations and the operations of our customers, suppliers and business partners, and may continue to negatively impact spending patterns, payment cycles and insurance coverage levels. These measures have adversely affected and may continue to adversely affect demand for our tests. In 2020, many of our customers, including hospitals and clinics, suspended non-emergency appointments and services, which resulted in a significant decrease in our test volume. Travel bans, restrictions and border closures have also impacted our ability to ship tests to and receive samples from our customers. While some of these measures have been lifted, they may be implemented again if COVID-19 is not contained or a new surge occurs. These measures have adversely affected and may continue to adversely affect our test volume, sales activities and results of operations.

The spread of COVID-19 caused us to modify our business practices (including employee travel, mandating that all non-essential personnel work from home, temporary closures of our offices, cancellation of physical participation in sales activities, meetings, events and conferences and increasing inventories of certain supplies because we have experienced supply delays and disruptions as a result of the COVID-19 pandemic and have also had to obtain supplies from new suppliers). We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. Such actions have impacted our ability to fully integrate businesses we have acquired and may impact those we may acquire in the future. There is no certainty that such actions will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities. If significant portions of our workforce are unable to work effectively, including due to illness, quarantines, social distancing, government actions or other restrictions in connection with COVID-19, our operations will be impacted.

The extent to which COVID-19 continues to impact our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the pandemic, the actions to contain the virus and treat its impact, and how quickly and to what extent normal economic and operating activities can resume. COVID-19 could limit the ability of our customers, suppliers and business partners to perform, including third-party payers' ability to make timely payments to us during and following the pandemic. Some of our biopharmaceutical partners have been impacted by COVID-19, which has delayed certain programs and impacted the timing of our revenue. We have also experienced

and may continue to experience a shortage of, or delays in, laboratory supplies and equipment, or a suspension of services from other laboratories or third parties. Even after COVID-19 has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future, and loss of health insurance coverage resulting from pandemic-related job losses.

Specifically, difficult macroeconomic conditions, such as cost inflation, decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of COVID-19 or otherwise, as well as limited or significantly reduced points of access of our tests, could have a material adverse effect on the demand for our tests. Under difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing our tests. Decreased demand for our tests, particularly in the United States, has negatively affected and could continue to negatively affect our overall financial performance.

There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19, and, as a result, the ultimate impact of COVID-19 or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of COVID-19's impact on our business, our operations, or the global economy as a whole. However, the effects could have a material impact on our results of operations, and we continue to monitor the situation closely.

To the extent the COVID-19 pandemic continues to adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In addition, macroeconomic conditions, including the effects of inflation on customers and patients, could have a material adverse effect on our business, financial condition, and results of operations.

If third-party payers, including managed care organizations, private health insurers and government health plans, do not provide adequate reimbursement for our tests or we are unable to comply with their requirements for reimbursement, our commercial success could be negatively affected.

Our ability to increase the number of billable tests and our revenue will depend on our success achieving reimbursement for our tests from third-party payers. Reimbursement by a payer may depend on a number of factors, including a payer's determination that a test is appropriate, medically necessary, and cost-effective, and/or whether the patient has received prior authorization.

Since each payer makes its own decision as to whether to establish a policy or enter into a contract to cover our tests, as well as the amount it will reimburse for a test, seeking these approvals is a time-consuming and costly process. In addition, the determination by a payer to cover and the amount it will reimburse for our tests will likely be made on an indication-by-indication basis. To date, we have obtained policy-level reimbursement approval or contractual reimbursement for some indications for our germline tests from most of the large commercial third-party payers in the United States, and the Centers for Medicare & Medicaid Services, or CMS, provides reimbursement for our multi-gene tests for hereditary breast and ovarian cancer-related disorders as well as colon cancer. We believe that establishing adequate reimbursement from Medicare is an important factor in gaining adoption from healthcare providers. Our claims for reimbursement from third-party payers may be denied upon submission, and we must appeal the claims. The appeals process is time consuming and expensive and may not result in payment. In cases where there is not a contracted rate for reimbursement, there is typically a greater coinsurance or copayment requirement from the patient, which may result in further delay or decreased likelihood of collection.

In cases where we have established reimbursement rates with third-party payers, we face additional challenges in complying with their procedural requirements for reimbursement. These requirements often vary from payer to payer, and we have needed additional time and resources to comply with them. We have also experienced, and may continue to experience, delays in or denials of coverage if we do not adequately comply with these requirements. Our third-party payers have also requested, and in the future may request, audits of the amounts paid to us. We have been required to repay certain amounts to payers as a result of such audits, and we could be adversely affected if we are required to repay other payers for alleged overpayments due to lack of compliance with their reimbursement policies. In addition, we have experienced, and may continue to experience, delays in reimbursement when we transition to being an in-network provider with a payer.

We expect to continue to focus our resources on increasing adoption of, and expanding coverage and reimbursement for, our current tests and any future tests we may develop or acquire. If we fail to expand and maintain broad adoption of, and coverage and reimbursement for, our tests, our ability to generate revenue could be harmed and our future prospects and our business could suffer.

We face intense competition, which is likely to intensify further as existing competitors devote additional resources to, and new participants enter, the markets in which we operate. If we cannot compete successfully, we may be unable to increase our revenue or achieve and sustain profitability.

With the development of next generation sequencing, the clinical genetics market is becoming increasingly competitive, and we expect this competition to intensify in the future. We face competition from a variety of sources, including:

- dozens of relatively specialized competitors focused on genetics applied to healthcare, such as Ambry Genetics Corporation, a subsidiary of Konica Minolta, Inc.; Athena Diagnostics, Inc. and Blueprint Genetics, subsidiaries of Quest Diagnostics Incorporated ("Quest Diagnostics"); Baylor-Miraca Genetics Laboratories LLC; Caris Life Sciences, Inc. ("Caris Life Sciences"); Centogene AG; Color Health, Inc.; Connective Tissue Gene Test LLC, a subsidiary of Health Network Laboratories, L.P.; Cooper Surgical, Inc.; Emory Genetics Laboratory, a subsidiary of Eurofins Scientific; Foundation Medicine, Inc. ("Foundation Medicine"), a subsidiary of Roche Holding AG; Fulgent Genetics, Inc.; Guardant Health, Inc. ("Guardant Health"); Integrated Genetics, Sequenom Inc., Correlagen Diagnostics, Inc., and MNG Laboratories, subsidiaries of Laboratory Corporation of America Holdings ("Labcorp"); Myriad Genetics, Inc.; Natera, Inc. ("Natera"); Perkin-Elmer, Inc.; and Sema4 Genomics; as well as other commercial and academic laboratories;
- a few large, established general testing companies with large market share and significant channel power, such as Labcorp and Quest Diagnostics;
- a large number of clinical laboratories in an academic or healthcare provider setting that perform clinical genetic testing on behalf of their affiliated institutions and often sell and market more broadly; and
- a large number of new entrants into the market for genetic information ranging from informatics and analysis pipeline developers to focused, integrated providers of genetic tools and services for health and wellness including Illumina, Inc. ("Illumina"), which is also one of our suppliers.

Hospitals, academic medical centers and eventually physician practice groups and individual clinicians may also seek to perform at their own facilities the type of genetic testing we would otherwise perform for them. In this regard, continued development of equipment, reagents, and other materials as well as databases and interpretation services may enable broader direct participation in genetic testing and analysis.

Participants in closely related markets such as clinical trial or companion diagnostic testing could converge on offerings that are competitive with the type of tests we perform. Instances where potential competitors are aligned with key suppliers or are themselves suppliers could provide such potential competitors with significant advantages.

In addition, the biotechnology and genetic testing fields are intensely competitive both in terms of service and price, and continue to undergo significant consolidation, permitting larger clinical laboratory service providers to increase cost efficiencies and service levels, resulting in more intense competition.

We also face competition as a result of our 2020 acquisition of ArcherDX and our 2021 acquisition of Ciitizen. In particular, ArcherDX competes with numerous companies in the life sciences research, clinical diagnostics and drug development spaces, including, among others, Natera, QIAGEN N.V., Guardant Health, Thermo Fisher Scientific, Inc., Foundation Medicine, Caris Life Sciences, Tempus Labs ("Tempus"), Labcorp, Quest Diagnostics, NeoGenomics, Inc., BioReference Laboratories, Inc. and Illumina. Ciitizen competes with companies in the patient data platform business, including, among others, Picnic-Health, All Stripes Research Inc., Seqster PDM, Inc., Apple Inc. ("Apple"), Flatiron Health, and Tempus.

We believe the principal competitive factors in our market are:

- breadth and depth of content;
- quality;
- reliability;
- accessibility of results;
- turnaround time of testing results;
- price and quality of tests;
- coverage and reimbursement arrangements with third-party payers;
- convenience of testing;

- brand recognition of test provider;
- additional value-added services and informatics tools;
- client service; and
- quality of website content.

Many of our competitors and potential competitors have longer operating histories, larger customer bases, greater brand recognition and market penetration, higher margins on their tests, substantially greater financial, technological and research and development resources, selling and marketing capabilities, lobbying efforts, and more experience dealing with third-party payers. As a result, they may be able to respond more quickly to changes in customer requirements, devote greater resources to the development, promotion and sale of their tests than we do, sell their tests at prices designed to win significant levels of market share, or obtain reimbursement from more third-party payers and at higher prices than we do. We may not be able to compete effectively against these organizations. Increased competition and cost-saving initiatives on the part of governmental entities and other third-party payers are likely to result in pricing pressures, which could harm our sales, profitability or ability to gain market share. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as use of next generation sequencing for clinical diagnosis and preventative care increases. Certain of our competitors may be able to secure key inputs from vendors on more favorable terms, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing policies and devote substantially more resources to website and systems development than we can. In the past, our competitors have been successful in recruiting our employees and may continue to recruit qualified employees from us. In addition, companies or governments that control access to genetic testing through umbrella contracts or regional preferences could promote our competitors or prevent us from performing certain services. Some of our competitors have obtained approval or clearance for certain of their tests from the U.S. Food and Drug Administration, or FDA. If payers decide to reimburse only for tests that are FDA-approved or FDA-cleared, or if they are more likely to reimburse for such tests, we may not be able to compete effectively unless we obtain similar approval or clearance for our tests. If we are unable to compete successfully against current and future competitors, we may be unable to increase market acceptance and sales of our tests, which could prevent us from increasing our revenue or achieving profitability and could cause our stock price to decline.

The market for patient data software is competitive, and our business will be adversely affected if we are unable to successfully compete.

The market for patient data software is competitive. Other than product innovation and access to healthcare data, there are no substantial barriers to entry in this market, and established or new entities may enter this market in the future. While software internally developed by enterprises represents indirect competition, we also compete directly with packaged application software vendors. In addition, we face actual or potential competition from larger companies such as Apple, and similar companies that may attempt to sell customer engagement software to their installed base.

We believe competition will continue to be substantial as current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have longer operating histories, larger customer bases, broader brand recognition, and significantly greater financial, marketing and other resources. With more established and better-financed competitors, these companies may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, and make more attractive offers to businesses to induce them to use their products or services. If we are unable to compete successfully, our business will be adversely affected.

Security breaches, privacy issues, loss of data and other incidents could compromise sensitive or personal information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store sensitive data, including protected health information, or PHI, personally identifiable information, genetic information, credit card information, intellectual property and proprietary business information owned or controlled by ourselves or our customers, payers and other parties. We manage and maintain our applications and data utilizing a combination of on-site systems, managed data center systems and cloud-based systems. We also communicate PHI and other sensitive patient data through our various customer tools and platforms. In addition to storing and transmitting sensitive data that is subject to multiple legal protections, these applications and data encompass a wide variety of business-critical information including research and development information, commercial information, and business and financial information.

We face a number of risks relative to protecting this critical information, including loss of access risk, inappropriate disclosure, inappropriate modification, and the risk of our being unable to adequately monitor and modify our controls over our critical information. Any technical problems that may arise in connection with our data and systems, including those that are hosted by third-party providers, could result in interruptions to our business and operations or exposure to security vulnerabilities. These types of problems may be caused by a variety of factors, including infrastructure changes, intentional or accidental human actions or omissions, software errors, malware, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. In addition, there has recently been a significant increase in ransomware and cyber security attacks related to the ongoing conflict between Russia and Ukraine, which could result in substantial harm to internal systems necessary for running our critical operations and revenue generating services.

The secure processing, storage, maintenance and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take what we believe to be reasonable and appropriate measures, including a formal, dedicated enterprise security program, to protect sensitive information from various compromises (including unauthorized access, disclosure, or modification or lack of availability), our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance or other disruptions. For example, we have been subject to phishing incidents in the past, and we may experience additional incidents in the future. Any such breach or interruption could compromise our networks, and the information stored therein could be accessed by unauthorized parties, altered, publicly disclosed, lost or stolen.

Unauthorized access, loss or dissemination could also disrupt our operations (including our ability to conduct our analyses, provide test results, bill payers or patients, process claims and appeals, provide customer assistance, conduct research and development activities, collect, process and prepare company financial information, provide information about our tests and other patient and physician education and outreach efforts through our website, and manage the administrative aspects of our business) and damage our reputation, any of which could adversely affect our business.

In addition to data security risks, we also face privacy risks. Should we actually violate, or be perceived to have violated, any privacy commitments we make to patients or consumers, we could be subject to a complaint from an affected individual or interested privacy regulator, such as the Federal Trade Commission, or FTC, a state Attorney General, the European Union, or EU, Member State Data Protection Authority, or a data protection authority in another international jurisdiction. This risk is heightened given the sensitivity of the data we collect.

Any security compromise that causes an apparent privacy violation could also result in legal claims or proceedings; liability under federal, state, foreign, or multinational laws that regulate the privacy, security, or breach of personal information, such as but not limited to the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, state data security and data breach notification laws, the European Union's General Data Protection Regulation, or GDPR, and the UK Data Protection Act of 2018; and related regulatory penalties. Penalties for failure to comply with a requirement of HIPAA or HITECH vary significantly, and, depending on the knowledge and culpability of the HIPAA-regulated entity, may include civil monetary penalties of up to $1.5 million per calendar year for each provision of HIPAA that is violated. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to $50,000 and up to one-year imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm. Penalties for unfair or deceptive acts or practices under the FTC Act or state Unfair and Deceptive Acts and Practices, or UDAP, statutes may also vary significantly.

There has been unprecedented activity in the development of data protection regulation around the world. As a result, the interpretation and application of consumer, health-related and data protection laws in the United States, Europe and elsewhere are often uncertain, contradictory and in flux. The GDPR took effect on May 25, 2018. The GDPR applies to any entity established in the EU as well as extraterritorially to any entity outside the EU that offers goods or services to, or monitors the behavior of, individuals who are located in the EU. The GDPR imposes strict requirements on controllers and processors of personal data, including enhanced protections for "special categories" of personal data, which includes sensitive information such as health and genetic information of data subjects. The GDPR also grants individuals various rights in relation to their personal data, including the rights of access, rectification, objection to certain processing and deletion. The GDPR provides an individual with an express right to seek legal remedies if the individual believes his or her rights have been violated. Failure to comply with the requirements of the GDPR or the related national data protection laws of the member states of the EU, which may deviate from or be more restrictive than the GDPR, may result in significant administrative fines issued by EU

regulators. Maximum penalties for violations of the GDPR are capped at 20M euros or 4% of an organization's annual global revenue, whichever is greater.

Additionally, the implementation of GDPR has led other jurisdictions to either amend or propose legislation to amend their existing data privacy and cybersecurity laws to resemble the requirements of GDPR. For example, on June 28, 2018, California adopted the California Consumer Privacy Act of 2018, or the CCPA. The CCPA regulates how certain for-profit businesses that meet one or more CCPA applicability thresholds collect, use, and disclose the personal information of consumers who reside in California. Among other things, the CCPA confers to California consumers the right to receive notice of the categories of personal information that will be collected by a business, how the business will use and share the personal information, and the third parties who will receive the personal information. The CCPA also confers rights to access, delete, or transfer personal information; and the right to receive equal service and pricing from a business after exercising a consumer right granted by the CCPA. In addition, the CCPA allows California consumers the right to opt out of the "sale" of their personal information, which the CCPA defines broadly as any disclosure of personal information to a third party in exchange for monetary or other valuable consideration. The CCPA also requires a business to implement reasonable security procedures to safeguard personal information against unauthorized access, use, or disclosure. The CCPA does not apply to PHI collected by certain parties subject to HIPAA, or to de-identified data as defined under HIPAA. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches resulting from a business's failure to implement and maintain reasonable data security procedures that is expected to increase data breach litigation. On January 1, 2023, the California Privacy Rights Act, or CPRA, is scheduled to go into effect and will substantially amend the CCPA. The CPRA would, among other things, amend the CCPA to give California residents the ability to limit the use of their sensitive information, provide for penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the law.

Virginia, Colorado, and Utah have recently enacted similar privacy acts, and dozens of other states in the United States are currently considering similar consumer data privacy laws, which could impact our operations if enacted. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business, results of operations, and financial condition.

It is possible the GDPR, CCPA and other emerging United States and international data protection laws may be interpreted and applied in a manner that is inconsistent with our practices. If so, this could result in government-imposed fines or orders requiring that we change our practices, which could adversely affect our business. In addition, these privacy laws and regulations may differ from country to country and state to state, and our obligations under these laws and regulations vary based on the nature of our activities in the particular jurisdiction, such as whether we collect samples from individuals in the local jurisdiction, perform testing in the local jurisdiction, or process personal information regarding employees or other individuals in the local jurisdiction. Complying with these various laws and regulations could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business. We can provide no assurance that we are or will remain in compliance with diverse privacy and data security requirements in all of the jurisdictions in which we do business. Failure to comply with privacy and data security requirements could result in a variety of consequences, including civil or criminal penalties, litigation, or damage to our reputation, any of which could have a material adverse effect on our business.

If we are not able to continue to generate substantial demand of our tests, our commercial success will be negatively affected.

Our business model assumes that we will be able to generate significant test volume, and we may not succeed in continuing to drive adoption of our tests to achieve sufficient volumes. Inasmuch as detailed genetic data from broad-based testing panels such as our tests have only recently become available at relatively affordable prices, the continued pace and degree of clinical acceptance of the utility of such testing is uncertain. Specifically, it is uncertain how much genetic data will be accepted as necessary or useful, as well as how detailed that data should be, particularly since medical practitioners may have become accustomed to genetic testing that is specific to one or a few genes. Given the substantial amount of additional information available from a broad-based testing panel such as ours, there may be distrust as to the reliability of such information when compared with more limited and focused genetic tests. To generate further demand for our tests, we will need to continue to make clinicians aware of the benefits of our tests, including the price, the breadth of our testing options, and the benefits of having additional genetic data available from which to make treatment decisions. A lack of or delay in clinical acceptance of broad-based panels such as our tests would negatively impact sales and market acceptance of our tests and limit our revenue growth and potential profitability. Genetic testing can be expensive and many potential customers may

be sensitive to pricing. In addition, potential customers may not adopt our tests if adequate reimbursement is not available, or if we are not able to maintain low prices relative to our competitors. Also, we may not be successful in increasing demand for our tests through our direct channel, in which we facilitate the ordering of our genetic tests by consumers through an online network of physicians.

If we are not able to generate demand for our tests at sufficient volume, or if it takes significantly more time to generate this demand than we anticipate, our business, prospects, financial condition and results of operations could be materially harmed.

We have devoted a portion of our resources to research and development activities related to our Personalized Cancer Monitoring, or PCM, service for cancer monitoring. The demand for this service is unproven, and we may not be successful in achieving market awareness and demand for these products through our sales and marketing operations.

Our success will depend on our ability to use rapidly changing genetic data to interpret test results accurately and consistently, and our failure to do so would have an adverse effect on our operating results and business, harm our reputation and could result in substantial liabilities that exceed our resources.

Our success depends on our ability to provide reliable, high-quality tests that incorporate rapidly evolving information about the role of genes and gene variants in disease and clinically relevant outcomes associated with those variants. Errors, such as failure to detect genomic variants with high accuracy, or mistakes, such as failure to identify, or incompletely or incorrectly identifying, gene variants or their significance, could have a significant adverse impact on our business.

Hundreds of genes can be implicated in some disorders, and overlapping networks of genes and symptoms can be implicated in multiple conditions. As a result, a substantial amount of judgment is required in order to interpret testing results for an individual patient and to develop an appropriate patient report. We classify variants in accordance with published guidelines as benign, likely benign, variants of uncertain significance, likely pathogenic or pathogenic, and these guidelines are subject to change. In addition, it is our practice to offer support to clinicians and geneticists ordering our tests regarding which genes or panels to order as well as interpretation of genetic variants. We also rely on clinicians to interpret what we report and to incorporate specific information about an individual patient into the physician's treatment decision.

The marketing, sale and use of our genetic tests could subject us to liability for errors in, misunderstandings of, or inappropriate reliance on, information we provide to clinicians, geneticists or patients, and lead to claims against us if someone were to allege that a test failed to perform as it was designed, if we failed to correctly interpret the test results, if we failed to update the test results due to a reclassification of the variants according to new published guidelines, or if the ordering physician were to misinterpret test results or improperly rely on them when making a clinical decision. In addition, our entry into the reproductive health and pharmacogenetic testing markets expose us to increased liability. A product liability or professional liability claim could result in substantial damages and be costly and time-consuming for us to defend. Although we maintain liability insurance, including for errors and omissions, we cannot assure you that such insurance would fully protect us from the financial impact of defending against these types of claims or any judgments, fines or settlement costs arising out of any such claims. Any liability claim, including an errors and omissions liability claim, brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage in the future. Additionally, any liability lawsuit could cause injury to our reputation or cause us to suspend sales of our tests. The occurrence of any of these events could have an adverse effect on our reputation and results of operations.

Our industry is subject to rapidly changing technology and new and increasing amounts of scientific data related to genes and genetic variants and their role in disease. Our failure to develop tests to keep pace with these changes could make us obsolete.

In recent years, there have been numerous advances in methods used to analyze very large amounts of genomic information and the role of genetics and gene variants in disease and treatment therapies. Our industry has and will continue to be characterized by rapid technological change, increasingly larger amounts of data, frequent new testing service introductions and evolving industry standards, all of which could make our tests obsolete. Our future success will also depend on our ability to keep pace with the evolving needs of our customers on a timely and cost-effective basis and to pursue new market opportunities that develop as a result of technological and scientific advances. Our tests could become obsolete and our business adversely affected unless we continually update our offerings to reflect new scientific knowledge about genes and genetic variations and their role in diseases and treatment therapies.

Our success will depend in part on our ability to generate sales using our internal sales team and through alternative marketing strategies.

We may not be able to market or sell our current tests and any future tests we may develop or acquire effectively enough to drive demand sufficient to support our planned growth. We currently sell our tests primarily through our internal sales force. Historically, our sales efforts have been focused primarily on hereditary cancer and more recently on reproductive health. Our efforts to sell our tests to clinicians and patients outside of oncology may not be successful, or may be difficult to do successfully without significant additional selling and marketing efforts and expense. In addition to the efforts of our sales force, future sales will depend in large part on our ability to develop and substantially expand awareness of our company and our tests through alternative strategies including through education of key opinion leaders, through social media-related and online outreach, education and marketing efforts, and through focused channel partner strategies designed to drive demand for our tests. We also plan to continue to spend on consumer advertising in connection with our direct channel to consumers, which could be costly. We have limited experience implementing these types of marketing efforts. We may not be able to drive sufficient levels of revenue using these sales and marketing methods and strategies necessary to support our planned growth, and our failure to do so could limit our revenue and potential profitability.

We also use a limited number of distributors to assist internationally with sales, logistics, education and customer support. Sales practices utilized by our distributors that are locally acceptable may not comply with sales practices standards required under U.S. laws that apply to us, which could create additional compliance risk. If our sales and marketing efforts are not successful outside the United States, we may not achieve significant market acceptance for our tests outside the United States, which could adversely impact our business.

Impairment in the value of our goodwill or other intangible assets has and may in the future have a material adverse effect on our operating results and financial condition.

We record goodwill and intangible assets at fair value upon the acquisition of a business. Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. Goodwill and indefinite-lived intangible assets are evaluated for impairment annually, or more frequently if conditions warrant, by comparing the carrying value of a reporting unit to its estimated fair value. Intangible assets with definite lives are reviewed for impairment when events or circumstances indicate that their carrying value may not be recoverable. Declines in operating results, divestitures, sustained market declines and other factors that impact the fair value of our reporting unit has and may in the future result in an impairment of goodwill or intangible assets and, in turn, a charge to net income. These charges in the three months ended June 30, 2022 and any future charges have, and may in the future have a material adverse effect on our results of operations or financial condition.

During the three months ended June 30, 2022, as a result of a significant, sustained decline in our stock price and related market capitalization and lower than expected financial performance, we performed an impairment assessment of goodwill, IPR&D intangible assets, and long-lived assets, including definite-lived intangibles.

For our goodwill, we measured the fair value of the reporting unit utilizing the discounted cash flow method under the income approach. This approach relies on significant unobservable inputs including, but not limited to, management's forecasts of projected revenue associated with future cash flows, discount rates, and control premium. Based on this analysis, we recognized a non-cash, pre-tax goodwill impairment charge of $2.3 billion during the three months ended June 30, 2022, which was included in asset impairments in the condensed consolidated statements of operations.

We also identified indicators of impairment related to the IPR&D intangible asset initially recognized as part of the acquisition of Singular Bio that it was more likely than not that the asset is impaired. We identified conditions during the three months ended June 30, 2022 such as alternative technologies and uncertainties around the desired outcome of our in-development asset and other economic factors that raised issues with the realizability of our asset. As a result of our evaluation, we recognized a non-cash, pre-tax impairment charge of $30.0 million during the three months ended June 30, 2022 related to the IPR&D intangible asset. Additionally, we recognized an impairment loss of $4.8 million during the three months ended June 30, 2022 related to specific equipment that is no longer being utilized on this project and has no alternative use. The impairment charges are recorded in asset impairments in the condensed consolidated statements of operations.

We rely on a limited number of suppliers or, in some cases, sole suppliers, for some of our laboratory instruments, materials and services, and we may not be able to find replacements or immediately transition to alternative suppliers.

We rely on a limited number of suppliers, or, in some cases, sole suppliers, including Illumina, Integrated DNA Technologies Incorporated, QIAGEN N.V., Roche Holdings Ltd. and Twist Bioscience Corporation for certain laboratory substances used in the chemical reactions incorporated into our processes, which we refer to as reagents, as well as sequencers and other equipment and materials which we use in our laboratory operations. We do not have short- or long-term agreements with most of our suppliers, and our suppliers could cease supplying these materials and equipment at any time, or fail to provide us with sufficient quantities of materials or materials that meet our specifications. Our laboratory operations could be interrupted if we encounter delays or difficulties in securing these reagents, sequencers or other equipment or materials, and if we cannot obtain an acceptable substitute. Any such interruption could significantly affect our business, financial condition, results of operations and reputation. We rely on Illumina as the sole supplier of next generation sequencers and associated reagents and as the sole provider of maintenance and repair services for these sequencers. Any disruption in Illumina's operations could impact our supply chain and laboratory operations as well as our ability to conduct our tests, and it could take a substantial amount of time to integrate replacement equipment into our laboratory operations.

We believe that there are only a few other manufacturers that are currently capable of supplying and servicing the equipment necessary for our laboratory operations, including sequencers and various associated reagents. The use of equipment or materials provided by these replacement suppliers would require us to alter our laboratory operations. Transitioning to a new supplier would be time consuming and expensive, may result in interruptions in our laboratory operations, could affect the performance specifications of our laboratory operations or could require that we revalidate our tests. We cannot assure you that we will be able to secure alternative equipment, reagents and other materials, and bring such equipment, reagents and materials online and revalidate them without experiencing interruptions in our workflow. In the case of an alternative supplier for Illumina, we cannot assure you that replacement sequencers and associated reagents will be available or will meet our quality control and performance requirements for our laboratory operations. If we encounter delays or difficulties in securing, reconfiguring or revalidating the equipment and reagents we require for our tests, our business, financial condition, results of operations and reputation could be adversely affected.

We depend on our information technology systems, and any failure of these systems could harm our business.

We depend on information technology and telecommunications systems for significant elements of our operations, including our laboratory information management system, our bioinformatics analytical software systems, our database of information relating to genetic variations and their role in disease process and drug metabolism, our patient data platform, our clinical report optimization systems, our customer-facing web-based software, our customer reporting, and our various customer tools and platforms. We have installed, and expect to expand, a number of enterprise software systems that affect a broad range of business processes and functional areas, including for example, systems handling human resources, financial controls and reporting, customer relationship management, regulatory compliance and other infrastructure operations. In addition, we intend to extend the capabilities of both our preventative and detective security controls by augmenting the monitoring and alerting functions, the network design, and the automatic countermeasure operations of our technical systems. These information technology and telecommunications systems support a variety of functions, including laboratory operations, test validation, sample tracking, quality control, customer service support, billing and reimbursement, research and development activities, scientific and medical curation, and general administrative activities, including financial reporting.

Information technology and telecommunications systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, failures or significant downtime of our information technology or telecommunications systems or those used by our third-party service providers could prevent us from conducting tests, preparing and providing reports to clinicians, billing payers, processing reimbursement appeals, handling physician or patient inquiries, conducting research and development activities, and managing the administrative and financial aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business and results of operations.

Technical problems have arisen, and may arise in the future, in connection with our data and systems, including those that are hosted by third-party providers, which have in the past and may in the future result in interruptions in our business and operations. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. From time to time, large third-party web hosting providers have experienced outages or other problems that have resulted in their systems being offline and inaccessible. Such outages could materially impact our business and operations.

If our laboratories or other facilities become inoperable due to disasters, health epidemics or for any other reasons, we will be unable to perform our tests and our business will be harmed.

We perform all of our tests at our production facilities in San Francisco and Irvine, California, in Golden, Colorado, in Iselin, New Jersey, and in Seattle, Washington. We also plan to open a new laboratory and production facility in Morrisville, North Carolina. Our laboratories and the equipment we use to perform our tests would be costly to replace and could require substantial lead time to replace and qualify for use. Our laboratories may be harmed or rendered inoperable or inaccessible due to natural or man-made disasters, including earthquakes, hurricanes, flooding, fire and power outages, or by health epidemics, such as the COVID-19 pandemic, which may render it difficult or impossible for us to perform our tests for some period of time. This risk of natural disaster is especially high for us since we perform the majority of our tests at our San Francisco laboratory, which is located in an active seismic region, and we do not have a redundant facility to perform the same tests in the event our San Francisco laboratory is inoperable. The inability to perform our tests or the backlog that could develop if our laboratories are inoperable for even a short period of time may result in the loss of customers or harm our reputation. If a natural disaster were to damage one of our facilities significantly or if other events were to cause our operations to fail or be significantly curtailed, we may be unable to manufacture our products, provide our services, or develop new products. For example, we temporarily closed our office in Boulder, Colorado and our warehouse in Louisville, Colorado following the December 2021 wildfire in Boulder County, Colorado. Although we maintain insurance for damage to our property and the disruption of our business, this insurance may not cover all of our potential losses and may not continue to be available to us on acceptable terms, if at all. The inability to open the planned facility in North Carolina, delays in opening such facility or failure to obtain required permits, licenses, or certifications could result in increased costs and prevent us from realizing the intended benefits of the new facility.

The recent changes in our leadership may adversely affect our business.

In July 2022, in connection with our strategic realignment, we announced the appointment of Kenneth D. Knight, who had served as our Chief Operating Officer since 2020, as our Chief Executive Officer. We also announced that Dr. Sean E. George, who co-founded our company and served as our Chief Executive Officer since 2017, would support our company through a transition period as a consultant. These changes in our executive management, and any future changes, as well as the effects of our business realignment, could disrupt our business, and could impact our ability to preserve our culture, which could negatively affect our ability to recruit and retain personnel. If we are not successful in managing the transition of Mr. Knight into his new role, it could be viewed negatively by our customers, employees or investors and could have an adverse impact on our business. Further, these changes also increase our dependency on other members of our executive management team. If we lose the services of any member of the executive management team or any key personnel, we may not be able to secure a suitable or qualified replacement, which could disrupt our business and could be particularly disruptive considering our strategic realignment.

Development of new tests is a complex process, and we may be unable to commercialize new tests on a timely basis, or at all.

We cannot assure you that we will be able to develop and commercialize new tests on a timely basis. Before we can commercialize any new tests, we will need to expend significant funds in order to:

- conduct research and development;
- further develop and scale our laboratory processes; and
- further develop and scale our infrastructure to be able to analyze increasingly larger and more diverse amounts of data.

Our testing service development process involves risk, and development efforts may fail for many reasons, including:

- failure of any test to perform as expected;

- lack of validation or reference data; or
- failure to demonstrate utility of a test.

As we develop tests, we will have to make significant investments in development, marketing and selling resources. In addition, competitors may develop and commercialize competing tests faster than we are able to do so.

Ethical, legal and social concerns related to the use of genetic information could reduce demand for our tests.

Genetic testing has raised ethical, legal and social issues regarding privacy rights and the appropriate uses of the resulting information. Governmental authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead patients to refuse to use, or clinicians to be reluctant to order, genomic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance of our tests or reduce the potential markets for our tests, either of which could have an adverse effect on our business, financial condition or results of operations.

We rely on third-party laboratories to perform portions of our biopharmaceutical testing services.

A portion of our biopharmaceutical testing services is performed by third-party laboratories. These third-party laboratories are subject to contractual obligations to perform these services for us, but are not otherwise under our control. We therefore do not control the capacity and quality control efforts of these third-party laboratories other than through our ability to enforce contractual obligations on volume and quality systems, and have no control over such laboratories' compliance with applicable legal and regulatory requirements. We also have no control over the timeliness of such laboratories' performance of their obligations to us, and the third-party laboratories that we have contracted with have in the past had, and occasionally continue to have, issues with delivering results to us or resolving issues with us within the time frames we expected or established in our contracts with them, which sometimes results in longer than expected turnaround times for, or negatively impacts the performance of, these tests and services. In the event of any adverse developments with these third-party laboratories or their ability to perform their obligations in a timely manner and in accordance with the standards that we and our customers expect, our ability to service customers may be delayed, interrupted or otherwise adversely affected, which could result in a loss of customers and harm to our reputation. Furthermore, when these issues arise, we have had to expend time, management's attention and other resources to address and remedy such issues.

We may not have sufficient alternative backup if one or more of the third-party laboratories that we contract with are unable to satisfy their obligations to us with sufficient performance, quality and timeliness. Any natural or other disaster, acts of war or terrorism, shipping embargoes, labor unrest or political instability or similar events at one or more of these third-party laboratories' facilities that causes a loss of capacity would heighten the risks that we face. Changes to or termination of agreements or inability to renew agreements with these third-party laboratories or enter into new agreements with other laboratories that are able to perform such portions of our service offerings could impair, delay or suspend our efforts to market and sell these services.

Our international business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.

Doing business internationally involves a number of risks, including:

- multiple, conflicting and changing laws and regulations such as privacy regulations, tax laws, export and import restrictions, employment laws, regulatory requirements, and other governmental approvals, permits and licenses;
- failure by us or our distributors to obtain regulatory approvals for the use of our tests in various countries;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations;
- complexities associated with managing multiple payer reimbursement regimes, government payers or patient self-pay systems;
- logistics and regulations associated with shipping samples, including infrastructure conditions, customs and transportation delays;

- limits on our ability to penetrate international markets if we do not to conduct our tests locally;
- natural disasters and outbreaks of disease, including the ongoing COVID-19 pandemic;
- political and economic instability, including wars such as the current conflict in Ukraine, terrorism and political unrest, boycotts, curtailment of trade, government sanctions and other business restrictions;
- inflationary pressures, such as those the global market is currently experiencing, which have and may increase costs for materials, supplies, and services; and
- regulatory and compliance risks that relate to maintaining accurate information and control over activities that may fall within the purview of the U.S. Foreign Corrupt Practices Act, or FCPA, its books and records provisions, or its anti-bribery provisions.

Any of these factors could significantly harm our international operations and, consequently, our revenue and results of operations.

In addition, applicable export or import laws and regulations such as prohibitions on the export of samples imposed by countries outside of the United States, or international privacy or data restrictions that are different or more stringent than those of the United States, may require that we build additional laboratories or engage in joint ventures or other business partnerships in order to offer our tests internationally in the future. Any such restrictions would impair our ability to offer our tests in such countries and could have an adverse effect on our business, financial condition and results of operations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of September 30, 2022, we have substantial deferred tax assets consisting of federal and state net operating losses and tax credit carryforwards. At December 31, 2021, our total gross deferred tax assets were $640.5 million. Due to our lack of earnings history and uncertainties surrounding our ability to generate future taxable income, our net deferred tax assets have been fully offset by a valuation allowance. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards, or NOLs, and other pre-change tax attributes (such as research tax credits) to offset its future taxable income may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% stockholders” that exceeds 50 percentage points over a rolling three-year period. Some of our prior acquisitions have resulted in an ownership change, and we may experience ownership changes in the future. Our existing NOLs and tax credit carryovers may be subject to limitations arising from previous ownership changes, and if we undergo one or more ownership changes in connection with completed acquisitions, or other future transactions in our stock, our ability to utilize NOLs and tax credit carryovers could be further limited by Section 382 of the Internal Revenue Code. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss and tax credit carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. The annual limitation may result in the expiration of certain net operating loss and tax credit carryforwards before their utilization. In addition, the Tax Cuts and Jobs Act limits the deduction for NOLs to 80% of current year taxable income and eliminates NOL carrybacks. Also, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

Risks related to our indebtedness

The terms of our credit agreement require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

In October 2020, we entered into a credit agreement with Perceptive Credit Holdings II, LP, pursuant to which we borrowed an aggregate principal amount of $135.0 million, or the 2020 Term Loan. The 2020 Term Loan is secured by a first priority lien on all of our and our subsidiaries’ assets (including our intellectual property) and is guaranteed by our subsidiaries, in each case, excluding certain excluded assets and immaterial subsidiaries. If the 2020 Term Loan is prepaid, we may be required to pay a prepayment fee of up to 6% and a make-whole fee, in each case depending on when the prepayment is made. Our 2020 Term Loan bears interest at an annual rate equal to three-month London Interbank Offered Rates, or LIBOR, subject to a 2.00% LIBOR floor, plus a margin of 8.75% and is therefore sensitive to changes in interest rates. If three-month LIBOR can no longer be determined or if the applicable governmental authority ceases to supervise or sanction such rates, then we will endeavor to agree with the administrative agent, an alternate rate of interest that gives due consideration to the then prevailing market

convention for determining interest for comparable loans in the United States; provided that until such alternative rate of interest is agreed, the 2020 Term Loan shall bear interest at the *Wall Street Journal* Prime Rate. We cannot predict what the impact of any such alternative rate would be to our interest expense. However, the discontinuation, reform, or replacement of LIBOR or any other benchmark rates may result in fluctuating interest rates that may have a negative impact on our interest expense and cash flows. Furthermore, we cannot predict or quantify the time, effort and cost required to transition to the use of new benchmark rates, including with respect to negotiating and implementing any necessary changes to the 2020 Term Loan, and implementing changes to our systems and processes.

The credit agreement restricts our ability to pursue certain mergers, acquisitions, amalgamations or consolidations, other than permitted acquisitions, that we may believe to be in our best interest. In addition, the credit agreement contains financial covenants that require us to maintain a minimum cash balance and minimum quarterly revenue levels. If we default under the credit agreement, the lender will be able to declare all obligations immediately due and payable, including prepayment fees and other obligations. The lender could declare an event of default under the credit agreement upon the occurrence of any event that it interprets as a material adverse change or material adverse effect, each as defined under the credit agreement. Any declaration by the lender of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline.

If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

We have a large amount of debt, servicing our debt requires a significant amount of cash, we may not have sufficient cash flow from our business to service our debt, and we may need to refinance all or a significant portion of our debt.

In September 2019, we issued $350.0 million aggregate principal amount of our convertible senior notes due 2024 in a private placement, in October 2020 we entered into our credit agreement and borrowed $135.0 million through the 2020 Term Loan and in April 2021 we issued $1,150.0 million aggregate principal amount of our convertible senior notes due 2028 in a private placement.

Our substantial leverage could have significant negative consequences for our future operations, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financial for working capital, acquisitions, research and development expenditures, and general corporate purposes;
- requiring the dedication of a substantial portion of our cash flow or our existing cash to service our indebtedness, thereby reducing the amount of our cash available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; or
- placing us at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt, including paying off the principal when due, and make necessary capital expenditures. Our convertible notes are currently significantly out of the money, and our stock price would have to increase significantly in order for our notes to convert prior to maturity. If we are unable to generate cash flow necessary to service or repay our debt at maturity, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time, and the terms of any such refinancing may be less favorable to us than the terms of our current indebtedness. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may not have the ability to raise the funds necessary to settle conversions of our convertible senior notes in cash or to repurchase the notes upon a fundamental change, and our current credit agreement contains and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes.

Holders of our convertible senior notes have the right to require us to repurchase all or any portion of their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. The repurchase price for our convertible senior notes due 2028 will also include unpaid interest on those notes to the maturity date. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the notes being converted. However, we only have limited ability to make those cash payments under our credit agreement and, even if the credit agreement limitations are no longer in effect, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or notes being converted. In addition, our ability to repurchase the notes or to pay cash upon conversions of the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the indentures governing the notes or to pay any cash payable on future conversions of the notes as required by the indentures would constitute a default under the relevant indenture. A default under an indenture or the occurrence of the fundamental change itself could also lead to a default under our credit agreement and any agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and to repay or repurchase our convertible senior notes.

The conditional conversion feature of our convertible senior notes due 2024, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of our convertible senior notes due 2024 is triggered, holders of such notes will be entitled to convert the notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Risks related to government regulation

If the FDA regulates the tests we currently offer as LDTs as medical devices, we could incur substantial costs and our business, financial condition and results of operations could be adversely affected.

We provide many of our tests as laboratory-developed tests, or LDTs. CMS and certain state agencies regulate the performance of LDTs (as authorized by CLIA, and state law, respectively).

Historically, the FDA has exercised enforcement discretion with respect to most LDTs and has not required laboratories that furnish LDTs to comply with the agency's requirements for medical devices (e.g., establishment registration, device listing, quality system regulations, premarket clearance or premarket approval, and post-market controls). See Part I, Item 1. of our Annual Report on Form 10-K for the year ended December 31, 2021, under the heading "Federal oversight of laboratory developed tests" for a description of applicable federal regulations, which is incorporated by reference herein.

If the FDA ultimately regulates certain LDTs whether via individualized enforcement action, more generally as outlined in final guidance or final regulation, or as instructed by Congress, our tests may be subject to certain additional regulatory requirements. Complying with the FDA's requirements can be expensive, time-consuming and subject us to significant or unanticipated delays. Insofar as we may be required to obtain premarket clearance or approval to perform or continue performing an LDT, we cannot assure you that we will be able to obtain such authorization. Even if we obtain regulatory clearance or approval where required, such authorization may not be for the intended uses that we believe are commercially attractive or are critical to the commercial success of our tests. As a result, the application of the FDA's requirements to our tests could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with applicable FDA regulatory requirements may trigger a range of enforcement actions by the FDA including warning letters, civil monetary penalties, injunctions, criminal prosecution, recall or seizure, operating restrictions, partial suspension or total shutdown of operations, and denial of or challenges to applications for clearance or approval, as well as significant adverse publicity.

In addition, in November 2013, the FDA issued final guidance regarding the distribution of products labeled for research use only. Certain of the reagents and other products we use in our tests are labeled as research use only products. Certain of our suppliers may cease selling research use only products to us and any failure to obtain an acceptable substitute could significantly and adversely affect our business, financial condition and results of operations.

If we fail to comply with federal, state and foreign laboratory licensing requirements, we could lose the ability to perform our tests or experience disruptions to our business.

We are subject to CLIA, a federal law that regulates clinical laboratories that perform testing on specimens derived from humans for the purpose of providing information for the diagnosis, prevention or treatment of any disease or impairment of, or the assessment of health of, human beings. CLIA regulations establish specific standards with respect to personnel qualifications, facility administration, proficiency testing, quality control, quality assurance and inspections. CLIA certification is also required in order for us to be eligible to bill state and federal healthcare programs, as well as many private third-party payers, for our tests. We have current CLIA certifications to conduct our tests at our laboratories in California, Colorado, New Jersey, and Washington. To renew these certifications, we are subject to survey and inspection every two years. Moreover, CLIA inspectors may make random inspections of our clinical reference laboratories.

We are also required to maintain in-state licenses to conduct testing in California, New Jersey and Washington. California, New Jersey and Washington laws establish standards for day-to-day operation of our clinical reference laboratories in those states, which include the training and skills required of personnel and quality control. Our Colorado laboratory is not required to maintain a state clinical laboratory license.

Several states require the licensure of out-of-state laboratories that accept specimens from those states. All our laboratories hold the required state laboratory licenses for California, Maryland, Pennsylvania, and Rhode Island, and all our laboratories, with the exception of Colorado, hold a New York State permit.
In addition to having laboratory licenses in New York, our clinical reference laboratories are approved on test-specific bases for the tests they run as LDTs by the New York State Department of Health, or NYDOH, for tests offered to patients in New York. Other states may adopt similar licensure requirements in the future, which may require us to modify, delay or stop our operations in such jurisdictions. For example, in September 2022, the California Department of Public Health issued an emergency regulation which may prohibit us from offering certain NIPS services to California residents. We may also be subject to regulation in foreign jurisdictions as we seek to expand international utilization of our tests or such jurisdictions adopt new licensure requirements, which may require review of our tests in order to offer them or may have other limitations such as restrictions on the transport of samples necessary for us to perform our tests that may limit our ability to make our tests available outside of the United States. Complying with licensure requirements in new jurisdictions may be expensive, time-consuming, and subject us to significant and unanticipated delays.

In order to eventually market certain of our current or future products and services in any particular foreign jurisdiction, we must establish and comply with numerous and varying regulatory requirements on a jurisdiction-by-jurisdiction basis regarding quality, safety, performance and efficacy. In addition, clinical trials or clinical investigations conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory clearance, authorization or approval in one country does not guarantee regulatory clearance, authorization or approval in any other country. For example, the performance characteristics of certain of our products and services may need to be validated separately in specific ethnic and genetic populations. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods.

Seeking foreign regulatory clearance, authorization or approval could result in difficulties and costs for us and our collaborators and require additional preclinical studies, clinical trials or clinical investigations which could be costly and time-consuming. Regulatory requirements and ethical approval obligations can vary widely from country to country and could delay or prevent the introduction of certain of our products and services in those countries. The foreign regulatory clearance, authorization or approval process involves all of the risks and uncertainties associated with FDA clearance, authorization or approval. If we or our collaborators fail to comply with regulatory requirements in international markets or to obtain and maintain required regulatory clearances, authorizations or approvals in

international markets, or if those approvals are delayed, our target market will be reduced and our ability to realize the full market potential of our products and services will be unrealized.

Failure to comply with applicable clinical laboratory licensure requirements may result in a range of enforcement actions, including license suspension, limitation, or revocation, directed plan of action, onsite monitoring, civil monetary penalties, criminal sanctions, cancellation of the laboratory's approval to receive Medicare and Medicaid payment for its services, exclusion from some healthcare systems' programs, as well as significant adverse publicity. Any sanction imposed under CLIA, its implementing regulations, or state or foreign laws or regulations governing clinical laboratory licensure, or our failure to renew our CLIA certifications, a state or foreign license, or accreditation, could have a material adverse effect on our business, financial condition and results of operations. Even if we were able to bring our laboratory back into compliance, we could incur significant expenses and potentially lose revenue in doing so.

The College of American Pathologists, or CAP, maintains a clinical laboratory accreditation program. CAP asserts that its program is "designed to go well beyond regulatory compliance" and helps laboratories achieve the highest standards of excellence to positively impact patient care. While not required to operate a CLIA-certified laboratory, many private insurers require CAP accreditation as a condition to contracting with clinical laboratories to cover their tests. In addition, some countries outside the United States require CAP accreditation as a condition to permitting clinical laboratories to test samples taken from their citizens. We have CAP accreditations for our laboratories. Failure to maintain CAP accreditation could have a material adverse effect on the sales of our tests and the results of our operations.

Complying with numerous statutes and regulations pertaining to our business is an expensive and time-consuming process, and any failure to comply could result in substantial penalties.

Our operations are subject to other extensive federal, state, local and foreign laws and regulations, all of which are subject to change. These laws and regulations currently include, among others:

- HIPAA, which establishes comprehensive federal standards with respect to the privacy and security of protected health information and requirements for the use of certain standardized electronic transactions;
- amendments to HIPAA under HITECH, which strengthen and expand HIPAA privacy and security compliance requirements, increase penalties for violators and expand vicarious liability, extend enforcement authority to state attorneys general, and impose requirements for breach notification;
- the GDPR, which imposes strict privacy and security requirements on controllers and processors of personal data, including enhanced protections for "special categories" of personal data, including sensitive information such as health and genetic information of data subjects;
- the CCPA and other, similar state consumer privacy laws, which, among other things, regulate how subject businesses may collect, use, and disclose the personal information of consumers in the regulated state, afford rights to consumers that they may exercise against businesses that collect their information, and require implementation of reasonable security measures to safeguard personal information of consumers;
- the federal Anti-Kickback Statute, which prohibits knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for the referral of an individual, for the furnishing of or arrangement for the furnishing of any item or service for which payment may be made in whole or in part by a federal healthcare program, or the purchasing, leasing, ordering, arranging for, or recommend purchasing, leasing or ordering, any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program;
- The Eliminating Kickbacks in Recovery Act of 2018, or EKRA, which prohibits payments for referrals to recovery homes, clinical treatment facilities, and laboratories and reaches beyond federal health care programs, to include private insurance;
- the federal physician self-referral law, known as the Stark Law, which prohibits a physician from making a referral to an entity for certain designated health services covered by the Medicare program, including laboratory and pathology services, if the physician or an immediate family member has a financial relationship with the entity unless an exception applies, and prohibits an entity from billing for designated health services furnished pursuant to a prohibited referral;
- the federal false claims law, which imposes liability on any person or entity that, among other things, knowingly presents, or causes to be presented, a false or fraudulent claim for payment to the federal government;

- the federal Civil Monetary Penalties Law, which prohibits, among other things, the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner or supplier of services reimbursable by Medicare or a state healthcare program, unless an exception applies;
- the HIPAA fraud and abuse provisions, which create new federal criminal statutes that prohibit, among other things, defrauding health care benefit programs, willfully obstructing a criminal investigation of a healthcare offense and falsifying or concealing a material fact or making any materially false statements in connection with the payment for healthcare benefits, items or services;
- other federal and state fraud and abuse laws, such as anti-kickback laws, prohibitions on self-referral, fee-splitting restrictions, insurance fraud laws, anti-markup laws, prohibitions on the provision of tests at no or discounted cost to induce physician or patient adoption, and false claims acts, which may extend to services reimbursable by any third-party payer, including private insurers;
- the 21st Century Cures Act information blocking prohibition, which prohibits covered actors from engaging in certain practices that are likely to interfere with the access, exchange, or use of electronic health information;
- the federal Physician Payments Sunshine Act, which requires reporting of certain payments and other transfers of value made by applicable manufacturers, directly or indirectly, to or on behalf of various healthcare professionals (including doctors, physician assistants, and nurse practitioners) and teaching hospitals, and requires reporting of certain ownership and investment interests held by physicians and their immediate family members, as well as similar state laws that require reporting of information in addition to what is required under the federal Physician Payments Sunshine Act;
- state laws that limit or prohibit the provision of certain payments and other transfers of value to certain covered healthcare providers;
- the prohibition on reassignment of Medicare claims, which, subject to certain exceptions, precludes the reassignment of Medicare claims to any other party;
- state laws that prohibit other specified practices, such as billing clinicians for testing that they order; waiving coinsurance, copayments, deductibles and other amounts owed by patients; billing a state Medicaid program at a price that is higher than what is charged to one or more other payers; and
- similar foreign laws and regulations that apply to us in the countries in which we operate or may operate in the future.

We have adopted policies and procedures designed to comply with these laws and regulations. In the ordinary course of our business, we conduct internal reviews of our compliance with these laws. Our compliance may also be subject to governmental review. The growth of our business and our expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. The risk of our being found in violation of these or other laws and regulations is further increased by the fact that many have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. In October 2021, we received a subpoena from the U.S. Attorney's Office for the District of Massachusetts requesting that we produce certain documents regarding our sponsored testing programs. We are in the process of responding to the subpoena and are cooperating fully with the investigation. Although we remain committed to compliance with all applicable laws and regulations, we cannot predict the outcome of this investigation or any other requests or investigations that may arise in the future regarding these or other subject matters. Any action brought against us for violation of the above-referenced or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of these laws and regulations, we may be subject to any applicable penalty associated with the violation, including significant administrative, civil and criminal penalties, damages, fines, imprisonment, exclusion from participation in Federal healthcare programs, refunding of payments received by us, and curtailment or cessation of our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Healthcare policy changes, including legislation reforming the U.S. healthcare system, may have a material adverse effect on our financial condition, results of operations and cash flows.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively referred to as the Affordable Care Act, was enacted in the United States, which made a number of substantial changes in the way healthcare is financed by both governmental and private

insurers. Policy changes or implementation of new health care legislation could result in significant changes to health care systems. In the United States, this could include potential modification or repeal of all or parts of the Affordable Care Act.

In April 2014, Congress passed the Protecting Access to Medicare Act of 2014, or PAMA, which included substantial changes to the way in which clinical laboratory services are paid under Medicare. Under PAMA, as amended, and its implementing regulations, clinical laboratories must report to CMS private payer rates beginning in 2017, and then in 2023 and every three years thereafter for clinical diagnostic laboratory tests that are not advanced diagnostic laboratory tests and every year for advanced diagnostic laboratory tests.

We have not sought "advanced diagnostic laboratory test" status for our tests, but in the event that we seek designation for one or more of our tests as an advanced diagnostic laboratory test and the tests are determined by CMS to meet these criteria or new criteria developed by CMS, we would be required to report private payer data for those tests annually. Otherwise, we will be required to report private payer rates for our tests on an every three years basis starting in 2023. Laboratories that fail to timely report the required payment information may be subject to substantial civil money penalties.

See Part I, Item 1. of our Annual Report on Form 10-K for the year ended December 31, 2021, under the heading "Reimbursement" for a description of how public and private payors pay for our products and services, which is incorporated by reference herein. Changes in these payments and the methodologies used to determine payment amounts could have a significant impact on our financial condition, results of operations and cash flows.

We cannot predict whether future healthcare initiatives will be implemented at the federal or state level, or how any future legislation or regulation may affect us. For instance, the payment reductions imposed by the Affordable Care Act and the expansion of the federal and state governments' role in the U.S. healthcare industry as well as changes to the reimbursement amounts paid by payers for our tests and future tests or our medical procedure volumes may reduce our profits and have a materially adverse effect on our business, financial condition, results of operations and cash flows. Notably, Congress enacted legislation in 2017 that eliminated the Affordable Care Act's "individual mandate" beginning in 2019, which may significantly impact the number of covered lives participating in exchange plans. Congress has proposed on several occasions to impose a 20% coinsurance on patients for clinical laboratory tests reimbursed under the clinical laboratory fee schedule, which would increase our billing and collecting costs and decrease our revenue. Further, it is possible that additional governmental action be taken in response to the COVID-19 pandemic.

If we use hazardous materials in a manner that causes injury, we could be liable for resulting damages.

Our activities currently require the use of hazardous chemicals and biological material. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting damages, and any liability could exceed our resources or any applicable insurance coverage we may have. In 2018, we decommissioned our laboratory in Massachusetts; however, we could be held liable for any damages resulting from our prior use of hazardous chemicals and biological materials at this facility. Additionally, we are subject on an ongoing basis to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations may become significant, and our failure to comply may result in substantial fines or other consequences, and either could negatively affect our operating results.

We could be adversely affected by violations of the FCPA and other worldwide anti-bribery laws.

We are subject to the FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. We are increasing our direct sales and operations personnel outside the United States, in which we have limited experience. We use a limited number of independent distributors to sell our tests internationally, which requires a high degree of vigilance in maintaining our policy against participation in corrupt activity, because these distributors could be deemed to be our agents, and we could be held responsible for their actions. Other U.S. companies in the medical device and pharmaceutical fields have faced criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with these individuals. We are also subject to similar anti-bribery laws in the jurisdictions in which we operate, including the United Kingdom's Bribery Act of 2010, which also prohibits commercial bribery and makes it a crime for companies to fail to prevent bribery. These laws are complex and far-reaching in nature, and, as a result, we cannot assure you that we would not be required in the future to alter one or more of our practices to be in compliance with these laws or any changes in these laws or the interpretation thereof. Any violations of these laws, or allegations of such violations,

could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition or results of operations. We could also incur severe penalties, including criminal and civil penalties, disgorgement and other remedial measures.

Risks related to our intellectual property

One of our competitors has alleged that our Anchored Multiplex PCR, or AMP, chemistry and products using AMP are infringing on its intellectual property, and we may be required to redesign the technology, obtain a license, cease using the AMP chemistry altogether and/or pay significant damages, among other consequences, any of which would have a material adverse effect on our business as well as our financial condition and results of operations.

ArcherDX's AMP chemistry is the foundation of our PCM service. One of ArcherDX's competitors, Natera, Inc., or Natera, has filed complaints against ArcherDX, Invitae and Genosity alleging that our products using AMP chemistry, and the manufacture, use, sale, and offer for sale of such products, infringe certain patents. A description of this ongoing litigation is provided in Note 8, "Commitments and contingencies" in Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

If any of our products or our use of AMP chemistry is found to infringe any of Natera's patents, we could be required to redesign our technology or obtain a license from Natera to continue developing, manufacturing, marketing, selling and commercializing AMP and related products. However, we may not be successful in the redesign of its technology or able to obtain any such license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving Natera and other third parties the right to use the same technologies licensed to us, and Natera could require us to make substantial licensing, royalty and other payments. We also could be forced, including by court order, to permanently cease developing, manufacturing, marketing and commercializing our products that are found to be infringing. In addition, we could be found liable for significant monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed Natera's asserted patents. Even if we were ultimately to prevail, litigation with Natera could require us to divert substantial financial and management resources that we would otherwise be able to devote to our business.

We cannot reasonably estimate the final outcome, including any potential liability or any range of potential future charges associated with these litigations. However, any finding of infringement by us of Natera's asserted patents could have a material adverse effect on our business, as well as our financial condition and results of operations.

Litigation or other proceedings or third-party claims of intellectual property infringement or misappropriation will require us to spend significant time and money, and could in the future prevent us from selling our tests or impact our stock price.

Our commercial success will depend in part on our avoiding infringement of patents and proprietary rights of third parties, including for example the intellectual property rights of competitors. As we continue to commercialize our tests in their current or an updated form, launch different and expanded tests, and enter new markets, competitors might claim that our tests infringe or misappropriate their intellectual property rights as part of business strategies designed to impede our successful commercialization and entry into new markets. Our activities may be subject to claims that we infringe or otherwise violate patents or other intellectual property rights owned or controlled by third parties. For example, as discussed in the preceding risk factor, we are currently engaged in litigation with a competitor of ArcherDX alleging infringement. We cannot assure you that our operations do not, or will not in the future, infringe existing or future patents. We may be unaware of patents that a third party, including for example a competitor in the genetic testing market, might assert are infringed by our business. There may also be patent applications that, if issued as patents, could be asserted against us. Third parties making claims against us for infringement or misappropriation of their intellectual property rights may seek and obtain injunctive or other equitable relief, which could effectively block our ability to perform our tests. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay our development or sales of any tests or other activities that are the subject of such suit. Defense of these claims, regardless of merit, could cause us to incur substantial expenses and be a substantial diversion of our employee resources. Any adverse ruling or perception of an adverse ruling in defending ourselves could have a material adverse impact on our business and stock price. In the event of a successful claim of infringement against us by a third party, we may have to (1) pay substantial damages, possibly including treble damages and attorneys' fees if we are found to have willfully infringed patents; (2) obtain one or more licenses, which may not be available on commercially reasonable terms (if at all); (3) pay royalties; and/or (4) redesign any infringing tests or other activities, which may be impossible or require substantial

time and monetary expenditure, all of which could have a material adverse impact on our cash position and business and financial condition.

If licenses to third-party intellectual property rights are or become required for us to engage in our business, we may be unable to obtain them at a reasonable cost, if at all. Even if such licenses are available, we could incur substantial costs related to royalty payments for licenses obtained from third parties, which could negatively affect our gross margins. Moreover, we could encounter delays in the introduction of tests while we attempt to develop alternatives. Defense of any lawsuit or failure to obtain any of these licenses on favorable terms could prevent us from commercializing tests, which could materially affect our ability to grow and thus adversely affect our business and financial condition.

Developments in patent law could have a negative impact on our business.

Although we view current U.S. Supreme Court precedent to be aligned with our belief that naturally occurring DNA sequences and detection of natural correlations between observed facts (such as patient genetic data) and an understanding of that fact's implications (such as a patient's risk of disease associated with certain genetic variations) should not be patentable, it is possible that subsequent determinations by the U.S. Supreme Court or other federal courts could limit, alter or potentially overrule current law. Moreover, from time to time the U.S. Supreme Court, other federal courts, the U.S. Congress or the U.S. Patent and Trademark Office, or USPTO, may change the standards of patentability, and any such changes could run contrary to, or otherwise be inconsistent with, our belief that naturally occurring DNA sequences and detection of natural correlations between observed facts and an understanding of that fact's implications should not be patentable, which could result in third parties newly claiming that our business practices infringe patents drawn from categories of patents which we currently view to be invalid as directed to unpatentable subject matter. For example, the U.S. Senate Judiciary Committee, Subcommittee on Intellectual Property held hearings in 2019 regarding a legislative proposal that would overrule current U.S. Supreme Court precedent concerning the scope of patentable subject matter. Our President and Chief Executive Officer, Sean George, appeared before this subcommittee. If such proposal were to be formulated as a bill and enacted into law, there could be an increase in third-party claims to patent rights over correlations between patient genetic data and its interpretation and such third parties may assert that our business practices infringe some of those resulting patent rights.

Our inability to effectively protect our proprietary technologies, including the confidentiality of our trade secrets, could harm our competitive position.

We currently rely upon trade secret protection and copyright, as well as non-disclosure agreements and invention assignment agreements with our employees, consultants and third parties, and to a limited extent patent protection, to protect our confidential and proprietary information. Although our competitors have utilized and are expected to continue utilizing similar methods and have aggregated and are expected to continue to aggregate similar databases of genetic testing information, our success will depend upon our ability to develop proprietary methods and databases and to defend any advantages afforded to us by such methods and databases relative to our competitors. If we do not protect our intellectual property adequately, competitors may be able to use our methods and databases and thereby erode any competitive advantages we may have.

We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. In this regard, we have applied, and we intend to continue applying, for patents covering such aspects of our technologies as we deem appropriate. However, we expect that potential patent coverage we may obtain will not be sufficient to prevent substantial competition. In this regard, we believe it is probable that others will independently develop similar or alternative technologies or design around those technologies for which we may obtain patent protection. In addition, any patent applications we file may be challenged and may not result in issued patents or may be invalidated or narrowed in scope after they are issued. Questions as to inventorship or ownership may also arise. Any finding that our patents or applications are unenforceable could harm our ability to prevent others from practicing the related technology, and a finding that others have inventorship or ownership rights to our patents and applications could require us to obtain certain rights to practice related technologies, which may not be available on favorable terms, if at all. If we initiate lawsuits to protect or enforce our patents, or litigate against third-party claims, which would be expensive, and, if we lose, we may lose some of our intellectual property rights. Furthermore, these lawsuits may divert the attention of our management and technical personnel.

We expect to rely primarily upon trade secrets and proprietary know-how protection for our confidential and proprietary information, and we have taken security measures to protect this information. These measures, however, may not provide adequate protection for our trade secrets, know-how or other confidential information.

Among other things, we seek to protect our trade secrets and confidential information by entering into confidentiality agreements with employees and consultants. There can be no assurance that any confidentiality agreements that we have with our employees and consultants will provide meaningful protection for our trade secrets and confidential information or will provide adequate remedies in the event of unauthorized use or disclosure of such information. Accordingly, there also can be no assurance that our trade secrets will not otherwise become known or be independently developed by competitors. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. If any of our confidential or proprietary information, such as our trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, our competitive position could be harmed.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant challenges in establishing and enforcing their proprietary rights outside of the United States. These challenges can be caused by the absence of rules and methods for the establishment and enforcement of intellectual property rights outside of the United States. In addition, the legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to healthcare. This could make it difficult for us to stop the infringement of our patents, if obtained, or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in the United States and foreign countries may affect our ability to obtain adequate protection for our technology and the enforcement of intellectual property.

Third parties may assert that our employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets.

We employ individuals who were previously employed at universities or genetic testing, diagnostic or other healthcare companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Further, we may be subject to ownership disputes in the future arising, for example, from conflicting obligations of consultants or others who are involved in developing our intellectual property. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Risks related to being a public company

We incur increased costs and demands on management as a result of compliance with laws and regulations applicable to public companies, which could harm our operating results.

As a public company, we incur significant legal, accounting and other expenses, including costs associated with public company reporting requirements. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as well as rules implemented by the Securities and Exchange Commission, or SEC, and the New York Stock Exchange, or NYSE, impose a number of requirements on public companies, including with respect to corporate governance practices. The SEC and other regulators have continued to adopt new rules and regulations and make additional changes to existing regulations that require our compliance. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, enacted in 2010, includes significant corporate governance and executive-compensation-related provisions. Our management and other personnel need to devote a substantial amount of time to these compliance and disclosure obligations. If these requirements divert the

attention of our management and personnel from other aspects of our business concerns, they could have a material adverse effect on our business, financial condition and results of operations. Moreover, these rules and regulations applicable to public companies substantially increase our legal, accounting and financial compliance costs, require that we hire additional personnel and make some activities more time consuming and costly. It may also be more expensive for us to obtain director and officer liability insurance.

If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our reported financial information and the market price of our common stock may be negatively affected.

We are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on our internal control over financial reporting. If we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We have compiled the system and process documentation necessary to perform the evaluation needed to comply with Section 404 of the Sarbanes-Oxley Act. As we acquire companies, we will need to establish adequate controls and integrate them into our internal control system. We need to maintain and enhance these processes and controls as we grow and we have required, and may continue to require, additional personnel and resources to do so.

During the evaluation and testing process, if we identify one or more material weaknesses in our internal controls, our management will be unable to conclude that our internal control over financial reporting is effective. Our independent registered public accounting firm is required to issue an attestation report on the effectiveness of our internal control over financial reporting every fiscal year. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed.

If we are unable to conclude that our internal control over financial reporting is effective, or if our auditors were to express an adverse opinion on the effectiveness of our internal control over financial reporting because we had one or more material weaknesses, investors could lose confidence in the accuracy and completeness of our financial disclosures, which could cause the price of our common stock to decline. Internal control deficiencies could also result in the restatement of our financial results in the future.

General risk factors

Our stock price is volatile, and you may not be able to sell shares of our common stock at or above the price you paid.

The trading price of our common stock is volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated fluctuations in our operating results;
- effects of our strategic realignment and workforce reduction and our ability to achieve the intended benefits of these activities;
- costs associated with our strategic realignment;
- competition from existing tests or new tests that may emerge;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- failure to meet or exceed financial estimates and projections of the investment community or that we provide to the public;
- issuance of new or updated research or reports by securities analysts or changed recommendations for our stock;
- our substantial leverage and market perceptions regarding the same;
- the level of short interest in our stock, and the effect of short sellers on the price of our stock;
- actual or anticipated changes in regulatory oversight of our business;

- additions or departures of key management or other personnel;
- disputes or other developments related to our intellectual property or other proprietary rights, including litigation;
- changes in reimbursement by current or potential payers;
- general economic and market conditions; and
- issuances of significant amounts of our common stock.

In addition, the stock market in general, and the market for stock of life sciences companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. The closing price of our common stock on the NYSE ranged from $2.46 to $27.36 between November 3, 2021 through November 4, 2022. Broad market and industry factors, including the COVID-19 pandemic and the war in Ukraine, as well as general economic, political and geopolitical, and market conditions such as recessions, wars such as the current conflict in Ukraine, elections, interest rate changes, or cost inflation, may seriously affect the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Unfavorable global economic conditions could adversely affect our business, financial condition, stock price and results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. For example, the global financial crisis of 2007-2008 caused extreme volatility and disruptions in the capital and credit markets. Similarly, the volatility associated with the COVID-19 pandemic has caused significant instability and disruptions in the capital and credit markets. Presently, we have customers who have been adversely affected by Russia's invasion of Ukraine, and we have experienced some disruption in our engineering productivity as we have sought to assist contractors in both Ukraine and Russia who have been dislocated or who have chosen to flee Russia. Likewise, the capital and credit markets have been and may continue to be adversely affected by the invasion, the possibility of a wider European or global conflict, and global sanctions imposed in response to the invasion. A severe or prolonged economic downturn, such as the global financial crisis, could result in a variety of risks to our business, including a decrease in the demand for our tests and in our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy also could strain our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. We cannot anticipate all of the ways in which the foregoing, and the current economic climate and financial market conditions generally, could adversely impact our business.

If securities or industry analysts issue an adverse opinion regarding our stock or do not publish research or reports about our company, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts or the content and opinions included in their reports. Securities analysts may elect not to provide research coverage of our company and such lack of research coverage may adversely affect the market price of our common stock. The price of our common stock could also decline if one or more equity research analysts downgrade our common stock, change their price targets, issue other unfavorable commentary or cease publishing reports about us or our business. If one or more equity research analysts cease coverage of our company, we could lose visibility in the market, which in turn could cause our stock price to decline.

We have never paid dividends on our capital stock, and we do not anticipate paying dividends in the foreseeable future.

We have never paid dividends on any of our capital stock and currently intend to retain any future earnings to fund the growth of our business. In addition, the terms of our credit agreement restrict our ability to pay dividends. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future.

Anti-takeover provisions in our charter documents and under Delaware law could discourage, delay or prevent a change in control and may affect the trading price of our common stock.

Provisions in our restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 20,000,000 shares of undesignated preferred stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, our chair of the board or our chief executive officer;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may, except as otherwise required by law, be filled only by a majority of directors then in office, even if less than a quorum; and
- require a super-majority of votes to amend certain of the above-mentioned provisions as well as to amend our bylaws generally.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. Section 203 generally prohibits us from engaging in a business combination with an interested stockholder subject to certain exceptions.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders;
- any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law; or
- any action asserting a claim against us governed by the internal affairs doctrine.

Section 27 of the Securities Exchange Act of 1934, or Exchange Act, creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision in our certificate of incorporation will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Section 22 of the Securities Act of 1933, or Securities Act, creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, the exclusive forum provision in our certificate of incorporation will not apply to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the provisions of our certificate of incorporation described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or

proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. As of September 30, 2022, we had outstanding 242.8 million shares of our common stock, options to purchase 3.7 million shares of our common stock (of which 2.5 million were exercisable as of that date) and outstanding restricted stock units, or RSUs, representing 14.1 million shares of our common stock (which includes an estimated number of RSUs, subject to certain employees' continued service with us, or time-based RSUs, and RSUs that are performance based RSUs, or PRSUs, granted in connection with an acquisition). The foregoing does not include 8.7 million shares of common stock that may be issuable in connection with indemnification hold-backs and contingent consideration related to our acquisitions, shares that may be issuable in the future in connection with the convertible senior notes, or shares issuable pursuant to our May 2021 sales agreement with Cowen and Company, LLC under which we may offer and sell from time to time at our sole discretion shares of our common stock in an aggregate amount not to exceed $400 million. In addition, as of September 30, 2022, 3.3 million and 2.8 million shares of common stock are available for future issuance under our 2015 Stock Incentive Plan and Employee Stock Purchase Plan, respectively. The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock to decline.

ITEM 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			Filed Herein
		Form	Exhibit	Filing Date	
10.1#	Change of Control and Severance Agreement, dated July 18, 2022 by and between Invitae Corporation and Kenneth D. Knight				X
10.2#	Transition and Separation Agreement, dated as of July 17, 2022, by and between Invitae Corporation and Sean George				X
31.1	Principal Executive Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Principal Financial Officer's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of Sarbanes-Oxley Act of 2002).				X
32.2*	Certification Pursuant to 18 U.S.C. § 1350 (Section 906 of Sarbanes-Oxley Act of 2002).				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).				X

# Indicates management contract or compensatory plan or arrangement.

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or deemed to be incorporated by reference into any filing under the Exchange Act or the Securities Act of 1933 except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INVITAE CORPORATION

By: /s/ Kenneth D. Knight
Kenneth D. Knight
Chief Executive Officer
Principal Executive Officer

By: /s/ Yafei (Roxi) Wen
Yafei (Roxi) Wen
Chief Financial Officer
Principal Financial Officer

Date: November 8, 2022

Exhibit 10.1

INVITAE CORPORATION

CHANGE OF CONTROL AND SEVERANCE AGREEMENT

This Change of Control Severance Agreement (this "Agreement") is made and entered into effective as of July 18, 2022 (the "Effective Date"), by and between Kenneth D. Knight ("Executive") and Invitae Corporation, a Delaware corporation (the "Company"). Certain capitalized terms used in this Agreement are defined in Section 1 below.

RECITALS

A. It is expected that the Company from time to time will consider the possibility of a Change of Control. The Board of Directors of the Company (the "Board") recognizes that such consideration can be a distraction to Executive and can cause Executive to consider alternative employment opportunities.

B. The Board believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive's employment and to maximize the value of the Company upon a Change of Control for the benefit of its shareholders.

C. In order to provide Executive with enhanced financial security and sufficient encouragement to remain with the Company notwithstanding the possibility of a Change of Control, the Board believes that it is imperative to provide Executive with certain severance and other benefits upon Executive's termination of employment in connection with a Change of Control.

D. The Board also believes it is in the best interests of the Company and its shareholders to provide Executive with severance upon an involuntary termination other than in connection with a Change of Control.

AGREEMENT

In consideration of the mutual covenants herein contained and the continued employment of Executive by the Company, the parties agree as follows:

1. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "Cause" shall mean Executive's (i) commission of a felony, an act involving moral turpitude, or an act constituting common law fraud, and which has an adverse effect on the business or affairs of the Company or its affiliates or stockholders; (ii) intentional or willful misconduct or refusal to follow the lawful instructions of the Board that is not cured within thirty (30) days following written notice from the Board; (iii) commission of any violation of a company policy that has a material adverse effect on the business or reputation of the Company or (iv) intentional breach of Company confidential information obligations which has an adverse effect on the Company or its affiliates or stockholders. For these purposes, no act or failure to act shall be considered "intentional or willful" unless it is done, or omitted to be done, in bad faith without a reasonable belief that the action or omission is in the best interests of the Company.

(b) Change of Control. "Change of Control" shall mean the occurrence of any of the following events:

(i) A change in the composition of the Board occurs, as a result of which fewer than one-half of the incumbent directors are directors who either:

(A) had been directors of the Company on the "look-back date" (as defined below) (the "original directors"); or

(B) were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved (the "continuing directors");

provided, however, that for this purpose, the "original directors" and "continuing directors" shall not include any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(ii) Any "person" (as defined below) who by the acquisition or aggregation of securities, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act")), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company; or

(iii) the consummation of a merger or consolidation of the Company or a Subsidiary of the Company with or into another entity or any other corporate reorganization, if persons who were not stockholders of the Company immediately prior to such merger, consolidation or other reorganization own immediately after such merger, consolidation or other reorganization 50% or more of the voting power of the outstanding securities of each of:

(C) the Company (or its successor) and

(D) any direct or indirect parent corporation of the Company (or its successor); or

(i) The sale, transfer or other disposition of all or substantially all of the Company's assets.

For purposes of subsection 1(b)(i) above, the term "look-back date" shall mean the date 24 months prior to the date of the event that may constitute a Change of Control.

For purposes of subsection 1(b)(ii)) above, the term "person" shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude (1) a trustee or other fiduciary holding securities under an employee benefit plan maintained by the Company or a parent or subsidiary and (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock.

Any other provision of this Section 1(b) notwithstanding, a transaction shall not constitute a Change of Control if its sole purpose is to change the state of the Company's

incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction, and a Change of Control shall not be deemed to occur if the Company files a registration statement with the United States Securities and Exchange Commission for the initial or secondary public offering of securities or debt of the Company to the public.

(c) Disability. "Disability" shall mean "disability" within the meaning of Section 22(e)(3) of the Code

(d) Equity Award. "Equity Award" shall mean Executive's awards of options, stock appreciation rights, restricted shares or stock units with respect to the Company or its successor, or the direct or indirect parent of either, or of any deferred compensation into which such stock options, stock appreciation rights, restricted shares or stock units were converted upon or prior to a Change of Control.

(e) Involuntary Termination. "Involuntary Termination" shall mean:

(iv) a material reduction in Executive's title, duties, authorities or responsibilities as the Chief Executive Officer of the Company without the Executive's consent;

(v) without Executive's express written consent, a reduction by the Company of Executive's base compensation of more than ten percent (10%), unless such reduction in base compensation is part of a general reduction in compensation applicable to senior executives of the Company;

(vi) without Executive's express written consent, the relocation of Executive's principal place of employment to a facility or a location more than fifty (50) miles from its location as of the Effective Date or, on or following a Change of Control, from its location immediately prior to such Change of Control;

(vii) any termination of Executive by the Company which is not effected for Cause; or

(viii) the failure of the Company to obtain the assumption of this Agreement or any other agreement between the Company and Executive by any successors contemplated in Section 10 below.

A termination shall not be considered an "Involuntary Termination" unless Executive provides notice to the Company of the existence of the condition described in subsections (i), (ii), (iii) or (iv) above within ninety (90) days of the initial existence of such condition, the Company fails to remedy the condition within thirty (30) days following the receipt of such notice, and Executive terminates employment within one-hundred eighty (180) days following the initial existence of such condition. A termination due to death or disability shall not be considered an Involuntary Termination.

(f) Termination Date. "Termination Date" shall mean Executive's "separation from service" within the meaning of that term under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

2. Term of Agreement. This Agreement shall terminate on the third anniversary of the Effective Date, unless mutually renewed by the parties.

3. At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be at-will, as defined under applicable law.

4. Change of Control Related Benefits.

(g) Effect of Change of Control on Performance-Based Equity Awards. If Executive is either employed at the time of a Change of Control or Executive's employment with the Company terminates as a result of an Involuntary Termination on or within three (3) months prior to a Change of Control, and provided that in the case of such Involuntary Termination the Executive signs and does not revoke a release in a form approved by the Company (a "Release") that has become irrevocable within sixty (60) days following the later of the Change of Control or the Termination Date, then all of Executive's Equity Awards subject to vesting based on performance shall have their performance criteria deemed satisfied at 100% of target for any unfinished performance period and such Equity Awards will convert to time-based vesting on such vesting schedule as specified in the applicable Equity Award agreement, subject to the provisions of Section 4(b). The portion of any performance-based Equity Award for which the performance condition is not deemed satisfied pursuant to this Section 4(a) (if any) will be forfeited. The effective date of the foregoing vesting credit and forfeiture will be the date of the Change of Control.

(h) Involuntary Termination in Connection with a Change of Control. If Executive's employment with the Company terminates as a result of an Involuntary Termination either on or at any time within twelve months (12) months after a Change of Control, or within three (3) months prior to a Change of Control, and Executive signs and does not revoke a Release that has become irrevocable within sixty (60) days following the later of the Change of Control or the Termination Date, then Executive shall be entitled to the following severance benefits, subject to Section 9 below:

(ix) 150% of Executive's annual base salary (as in effect prior to any reduction that constitutes a basis for Involuntary Termination pursuant to this Agreement), payable in a lump sum on the sixtieth (60th) day following the later of the Termination Date or the Change of Control;

(x) any earned but unpaid annual bonus for any annual bonus period which had ended prior to the Termination Date, which amount shall be paid at such time as annual bonuses are paid to other senior executives of the Company;

(xi) all of Executive's outstanding Equity Awards subject to time-based vesting (including any Equity Awards converted to time-based vesting pursuant to Section 4(a)) will become fully vested and exercisable; provided, however, that notwithstanding any contrary term of the Equity Award agreement, if Executive is entitled to accelerated vesting under this Section 4(b) as a result of an Involuntary Termination within three (3) months prior to a Change of Control: (1) the portion of the Equity Award subject to such accelerated vesting shall not be forfeited or terminated upon the Termination Date pending the Change of Control, (2) the accelerated vesting shall be deemed to take place immediately prior to the effective date of the Change of Control, and (3) the period within which the Equity Award may be exercised following the Termination Date, if applicable, will expire no less than one (1) month following the effective date of the Change of Control (but no later than the expiration of the term of the Equity Award); and

(xii) a lump sum payment equal to eighteen (18) months of premiums under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or corresponding provision of state law ("COBRA") for health insurance coverage for Executive and Executive's eligible dependents, at the same level and for the same eligible dependents covered as of Executive's Termination Date. If Executive is eligible and chooses to continue health coverage through COBRA, Executive is solely responsible for timely electing COBRA continuing coverage and for making all COBRA premium payments.

5. Involuntary Termination Apart from a Change of Control. If Executive's employment with the Company terminates as a result of an Involuntary Termination that occurs more than three (3) months prior to or twelve (12) months after a Change of Control, and Executive signs and does not revoke a Release that has become irrevocable within sixty (60) days following the Termination Date, then Executive shall be entitled to the following severance benefits, subject to Section 9 below:

(a) 150% of Executive's annual base salary (as in effect prior to any reduction that constitutes a basis for Involuntary Termination pursuant to this Agreement), payable in a lump sum on the sixtieth (60th) day following the Termination Date;

(b) any earned but unpaid annual bonus for any annual bonus period which had ended prior to the Termination Date, which amount shall be paid at such time as annual bonuses are paid to other senior executives of the Company; and

(c) a lump sum payment equal to eighteen (18) months of premiums under COBRA for health insurance coverage for Executive and Executive's eligible dependents, at the same level and for the same eligible dependents covered as of Executive's Termination Date. If Executive is eligible and chooses to continue health coverage through COBRA, Executive is solely responsible for timely electing COBRA continuing coverage and for making all COBRA premium payments.

6. Mutually Exclusive Benefits. For the avoidance of doubt, the benefits afforded under Sections 4(b) and 5 are mutually exclusive. If Executive has an Involuntary Termination within three (3) months prior to a Change of Control and becomes entitled to cash severance pursuant to Section 4(b), but already received cash severance pursuant to Section 5, the amount of the cash severance payable pursuant to Section 4(b) shall be offset by the amount already paid, subject to compliance with Section 409A of the Code.

7. Accrued Wages and Vacation; Expenses. If Executive's employment with the Company terminates, without regard to the reason for, or the timing of, Executive's termination of employment, then (i) the Company shall pay Executive any unpaid wages due for periods prior to the Termination Date; (ii) the Company shall pay Executive all of Executive's accrued and unused vacation through the Termination Date; and (iii) following submission of proper expense reports by Executive, the Company shall reimburse Executive for all expenses reasonably and necessarily incurred by Executive in connection with the business of the Company prior to the Termination Date. These payments shall be made promptly upon termination and within the period of time mandated by law.

8. Limitation on Payments. In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Executive's benefits under this Agreement shall be either:

(a) delivered in full or

(b) delivered as to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 8 shall be made in writing by the Company's independent public accountants (the "Accountants"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 8, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 8. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 8. In the event that a reduction is required, the reduction shall be applied first to any benefits that are not subject to Section 409A of the Code, and then shall be applied to benefits (if any) that are subject to Section 409A of the Code, with the benefits payable latest in time subject to reduction first.

9. Section 409A; Delayed Commencement of Benefits. The parties intend that any amounts payable hereunder comply with or are exempt from Section 409A of the Code ("Section 409A"), and this Agreement shall be administered accordingly. In the event that any changes to this Agreement or any additional terms are required to ensure that a payment is either exempt from or complies with Section 409A so that the penalty taxes under Section 409A(a)(1)(B) are not applied, you hereby agree that the Company may make such change or incorporate such terms (by reference or otherwise) without your consent. Each payment contemplated by this Agreement will be treated as a separate payment for purposes of Section 409A. Notwithstanding anything herein to the contrary, the Company shall have no liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant, as applicable.

10. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's obligations under this Agreement and agree expressly to perform the Company's obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this subsection (a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. Without the written consent of the Company, Executive shall not assign or transfer this Agreement or any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

11. Notices.

(c) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of Executive, mailed notices shall be addressed to Executive at the home address which he most recently communicated to the Company in writing. In the case of

the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(d) Notice of Termination. Any termination by the Company for Cause or by Executive as a result of an Involuntary Termination shall be communicated by a notice of termination to the other party hereto given in accordance with this Section 11. Such notice shall indicate the specific termination provision in this Agreement relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the Termination Date (which shall be not more than thirty (30) days after the giving of such notice). The failure by Executive to include in the notice any fact or circumstance which contributes to a showing of Involuntary Termination shall not waive any right of Executive hereunder or preclude Executive from asserting such fact or circumstance in enforcing Executive's rights hereunder, subject to the requirements of Section 1(e).

12. Arbitration. Any controversy involving the construction or application of any terms, covenants or conditions of this Agreement, or any claims arising out of any alleged breach of this Agreement, will be governed by the rules of the American Arbitration Association and submitted to and settled by final and binding arbitration in San Francisco, California, except that any alleged breach of Executive's confidential information obligations shall not be submitted to arbitration and instead the Company may seek all legal and equitable remedies, including without limitation, injunctive relief.

13. Miscellaneous Provisions.

(d) No Duty to Mitigate. Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(e) Waiver. No provision of this Agreement may be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(f) Integration. This Agreement supersedes and replaces any prior agreements, representation or understandings, whether written, oral, express or implied, between Executive and the Company and constitutes the entire agreement and understanding between the parties with respect to the subject matter hereof.

(g) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of California.

(h) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(i) Employment Taxes. All payments made pursuant to this Agreement shall be subject to withholding of applicable income and employment taxes.

(j) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

COMPANY:	INVITAE CORPORATION
	By: /s/ Thomas Brida
	Name: Thomas Brida
	Title: General Counsel
EXECUTIVE:	/s/ Kenneth D. Knight
	Signature
	Printed Name: Kenneth D. Knight
	Title: Chief Executive Officer

Exhibit 10.2

INVITAE CORPORATION
1400 16th Street
San Francisco, California 94103

July 17, 2022

Sean George, Ph.D.

Re: Transition and Separation Agreement

Dear Dr. George:

This letter sets forth the substance of the transition and separation agreement (this "**Agreement**") that Invitae Corporation (the "**Company**") is offering to you to aid in your employment transition, as well as certain related arrangements.

1. Separation/Transition Period. As discussed, you and the Company have mutually agreed to end your employment with the Company pursuant to the terms of this Agreement. Your employment with the Company, including as the Company's Chief Executive Officer ("**CEO**"), will end on July 18, 2022 (the "**Transition Date**"). Following that date, you will continue to serve the Company as an on-call consultant until June 15, 2023 (the "**On-Call Consulting Period**"), which will then become your final service termination date (the "**Final Separation Date**"), provided that the Company may terminate the On-Call Consulting Period (and accelerate your Final Separation Date) should the Company determine that you have breached any term of this Agreement. During the On-Call Consulting Period, you will report exclusively to the Company's CEO, and you agree to assist the Company as-needed, in good faith and to the best of your abilities for up to twenty (20) hours per month, although such assistance is expected to occur in a manner which shall not interfere with your ability to maintain full-time employment with another employer.

2. Resignation and Board Service Arrangements. After the Transition Date, you will no longer be employed by the Company, including as CEO of the Company. In addition, you agree to sign and return to the Company a Board resignation letter effective as of December 31, 2022 (or, in the absence of a request by or on behalf of the Board, you agree that this letter serves as your Board resignation letter effective as of December 31, 2022), which provides for your resignation as of that date from the Board of Directors of the Company (the "**Board**"), as well as the boards of directors of any subsidiary entities of the Company on which you serve. For your Board service from the Transition Date through December 31, 2022, you will be provided with the following compensation (assuming continued service on the Board during such period): (i) restricted stock units with respect to 16,050 shares of the Company's common stock which will vest in full on December 15, 2022; (ii) a nonqualified stock option for 8,050 shares of the Company's common stock, with an exercise price of the closing price for the Company's common stock on the date of execution of this Agreement (or, if such execution date is not a trading day, then the closing price on the then most recent trading day), which will also vest on December 15, 2022 and remain exercisable until the Final Separation Date or, if earlier, any noncompliance with your obligations under this Agreement (including with respect to all restrictive covenants set forth in Section 10 hereto as well as performance of your role as an on-call consultant during the On-Call Consulting Period); and (iii) cash compensation of $12,500 per calendar quarter.

3. Final Pay. On the Transition Date, the Company will pay you all accrued salary, and all accrued and unused paid time off ("**PTO**") earned through the Transition Date, subject to

standard payroll deductions and withholdings. You are entitled to these payments regardless of whether or not you sign this Agreement. In addition, following the Transition Date, you will neither receive nor be eligible for any additional compensation, including under any incentive program or otherwise, except as expressly set forth herein.

4. Severance Benefits. In full satisfaction of any obligations to provide you with severance benefits for an "Involuntary Termination apart from a Change of Control" under the terms of the Change of Control and Severance Agreement (the "**Severance Agreement**") between you and the Company, the Company will provide you with the severance benefits described in this Section 4. These benefits are expressly condition upon you: (i) timely signing and returning this Agreement to the Company and allowing the releases contained herein to become effective; and (ii) complying with your obligations under this Agreement, including compliance with all restrictive covenants set forth in Section 10 hereto as well as performance of your role as an on-call consultant during the On-Call Consulting Period. Accordingly, subject to the foregoing:

(a) Severance Pay. The Company will pay you severance in the amount of $750,000 which is equivalent to eighteen (18) months of your base salary in effect as of the Transition Date, subject to standard payroll deductions and withholdings (the "**Severance Pay**"). The Severance Pay will be paid to you in a lump sum payment within fifteen (15) days following the Release Effective Date (as defined in Section 11).

(b) 2022 MIP. Subject to the terms of the Company's 2022 Executive Management Incentive Compensation Plan (the "**2022 MIP**"), including the sole discretion of the Board to modify, change or terminate the 2022 MIP, and subject to standard payroll deductions and withholdings, the Company will pay you in cash the value of the award you would have earned under the 2022 MIP (if any) had you continued employment through the payment date in a role providing for participation under the 2022 MIP (the "**2022 MIP Payment**"); provided, however, that the amount for your 2022 Target Award (pursuant to the 2022 MIP) for this purpose will be $833,000. (As examples only, 2022 MIP payouts at 80%, 60%, 40% or 20% of such 2022 Target Award would thus result in 2022 MIP Payments of $666,400, $499,800, $333,200 or $166,600, respectively.) The entire 2022 MIP Payment, if and to the degree earned, will be paid on the date on which the first installment of all other payouts to participants under the 2022 MIP is paid, subject to your continued adherence to the terms of this Agreement through such date. For the avoidance of doubt, although such payment to other participants is expected to be a partial payment for such participants (with the balance subject to vesting), your payout will be for the full amount earned (subject to standard payroll deductions and withholdings).

(c) Health Care Continuation Coverage. If you timely elect continued coverage of your health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or corresponding provision of state law ("**COBRA**"), then upon receiving confirmation that you have elected such coverage and in any case no earlier that the Release Effective Date, the Company will pay you a lump sum equal to eighteen (18) months of premiums under COBRA for health insurance coverage for you and your eligible dependents, at the same level and for the same eligible dependents covered as of your Transition Date. If you are eligible and choose to continue health coverage through COBRA, you are solely responsible for timely electing COBRA continuing coverage and for making all COBRA premium payments.

(d) Restricted Stock Units. The vesting schedule applicable to your restricted stock units and performance stock units which are unvested as of the Transition Date (the "**RSUs**") will be adjusted such that the RSUs will vest as follows, subject to you abiding by

this Agreement (including the restrictive covenants set forth in Section 10 as well as performance of your role as an on-call consultant during the On-Call Consulting Period):

- for all RSUs which would have vested but for this Agreement within the 12-months following the Transition Date, the vesting date will be December 15, 2022; and
- for all RSUs which would have vested but for this Agreement within the period from 13- to 24-months following the Transition Date, the vesting date will be June 15, 2023.

You will forfeit without consideration all RSUs that do not vest as described herein, including as a result of your failure to abide by this Agreement (including the restrictive covenants set forth in Section 10 as well as performance of your role as an on-call consultant during the On-Call Consulting Period). Your obligations under the RSUs remain applicable, including your obligation as a condition of vesting to satisfy all related tax obligations (including with respect to standard payroll deductions and withholdings).

5. Options. In consideration of the Company's willingness to enter into this Agreement, you agree that (i) your outstanding Company stock options shall cease to vest on the Transition Date and, accordingly, you will forfeit all unvested options as of that date without consideration, and (ii) your outstanding vested Company stock options as of the Transition Date shall remain outstanding only for the period ending three (3) months following the Transition Date, after which time such vested options will be forfeited without consideration to the degree unexercised.

6. Limitations on Authority. During the On-Call Consulting Period, you will have no responsibilities or authority to bind the Company to any contractual obligations, whether written, oral or implied, except with the prior written authorization of an officer of the Company. You agree not to represent or purport to represent the Company in any manner whatsoever to any third party unless authorized in advance by the Company, in writing, to do so.

7. Other Compensation or Benefits. You acknowledge and agree that payment of the Severance Benefits provided herein fulfills all of the Company's obligations to pay you severance benefits pursuant to the Severance Agreement or any other agreements between you and the Company, and this Agreement supersedes and extinguishes any obligation of the Company to provide you with any severance benefits under the Severance Agreement or any other agreements. You acknowledge that, except as expressly provided in this Agreement, you will not receive any additional compensation, severance or benefits, and will not be eligible to participate in any other Company benefits, after the Transition Date, with the exception of any benefits under COBRA and any accrued, vested benefits you may have under the express terms of a written ERISA benefit plan (*e.g.*, 401(k) account). You further acknowledge that you are not eligible to receive, and will not receive, any other severance benefits under any Company severance or compensation plan or any other agreements with the Company.

8. Expense Reimbursements. You agree that, within thirty (30) days after the Transition Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through such date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

9. Return Of Company Property. You agree that within ten (10) business days following the Transition Date, you will return to the Company all Company documents (and all copies thereof) and other Company property in your possession or control, including, but not

limited to, Company files, notes, drawings, records, plans, forecasts, reports, studies, analyses, proposals, agreements, drafts, financial and operational information, research and development information, sales and marketing information, customer lists, prospect information, pipeline reports, sales reports, personnel information, specifications, code, software, databases, computer-recorded information, tangible property and equipment (including, but not limited to, computing and electronic devices, mobile telephones, servers), credit cards, entry cards, identification badges and keys; and any materials of any kind which contain or embody any proprietary or confidential information of the Company (and all reproductions or embodiments thereof in whole or in part). You agree that you will make a diligent search to locate any such documents, property and information within the timeframe referenced above. In addition, if you have used any personally owned computer or other electronic device, server, or e-mail system to receive, store, review, prepare or transmit any Company confidential or proprietary data, materials or information, within five (5) days after the Transition Date, you shall provide the Company with a computer-useable copy of such information and then permanently delete and expunge such Company confidential or proprietary information from those systems; and you agree to provide the Company access to your system as requested to verify that the necessary copying and/or deletion is completed. **Your timely compliance with this paragraph is a condition to your receipt of the severance benefits provided under this Agreement.**

10. Restrictive Covenants

(a) "**Competitive Business**" means, relative to the molecular genetic testing or consulting services that are offered or proposed to be offered by the Company, any business involving the same or similar molecular genetic testing or consulting services that compete or would compete with any element of the Company's business, excluding any instances of competition that are *de minimis* relative to the Company's current or proposed business. You covenant and agree that, during the On-Call Consulting Period, you will not, directly or indirectly, within the United States, (1) engage in any Competitive Business, whether as an owner, employee, agent, partner, independent contractor or otherwise, (2) provide any services, whether with or without compensation, to any individual or entity (other than the Company) which relate in any material way to any Competitive Business, (3) invest in or become interested in, as a lender, partner, member, shareholder, principal or otherwise, any entity (other than the Company) engaged in any Competitive Business, (4) solicit the business of (or procure or assist the soliciting of the business of) any customers, clients and/or suppliers of the Company with whom you have dealt for any purpose that is, in any way, in competition with the Company, (5) solicit, recruit or attempt to recruit any employee or contractor of the Company to leave the employ or engagement of the Company, or (6) procure or assist any other person to employ, engage, offer employment or engagement to or solicit the employment or engagement of any individual who is employed or engaged by the Company. Notwithstanding the foregoing, the ownership by you (or on your behalf) of not more than one percent (1%) of any stock or bond of any corporation, the market price for such stock or bond is regularly listed in the Wall Street Journal, shall not solely by reason of such ownership constitute a breach of this covenant.

(b) You agree not to disparage the Company, its officers, directors, employees, shareholders, parents, subsidiaries, affiliates, and agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; provided that you may respond accurately and fully to any request for information if required by legal process or in connection with a government investigation. Nothing in this Agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful. In addition, nothing in this provision or this Agreement is intended to prohibit or restrain you in any manner from making disclosures protected under the whistleblower provisions of federal or state law or regulation or other applicable law or regulation. The Company agrees to instruct its executive officers and directors not to make any statements that disparage you in any manner likely to be

harmful to your business reputation or personal reputation; provided that they may respond accurately and fully to any request for information if required by legal process or in connection with a government investigation. In response to any reference request from a prospective employer, the Company will only confirm your dates of employment and positions held.

(c) Confidential Information Obligations. You acknowledge and reaffirm your continuing obligations under your confidential information and invention assignment agreement with the Company.

(d) No Voluntary Adverse Action. You agree that you will not voluntarily (except in response to legal compulsion) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees or agents. Notwithstanding the foregoing, you may cooperate with, or participate in any proceeding before any governmental agency or as required by compulsion of law.

(e) Cooperation. Following the On-Call Consulting Period, you agree to cooperate fully with the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of your employment by the Company. Such cooperation includes, without limitation, making yourself available to the Company upon reasonable notice, without subpoena, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse you for reasonable out-of-pocket expenses you incur in connection with any such cooperation (excluding foregone wages and attorneys' fees) and will make reasonable efforts to accommodate your scheduling needs.

11. Release of Claims.

(a) General Release. In exchange for the consideration provided to you under this Agreement to which you would not otherwise be entitled, you hereby generally and completely release the Company, its affiliated, related, parent and subsidiary entities, and its and their current and former directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, insurers, affiliates, and assigns (collectively, the "**Released Parties**") from any and all claims, liabilities, demands, causes of action and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to or on the date you sign this Agreement (collectively, the "**Released Claims**").

(b) Scope of Release. The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to your employment with the Company, or the termination of that employment; (ii) all claims related to your compensation or benefits from the Company, including salary, bonuses, commissions, vacation, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership, equity, or profits interests in the Company; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the Age Discrimination in Employment Act ("**ADEA**") the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the Equal Pay, the Employee Retirement Income Security Act, 29 U.S.C. §§ 1001, *et seq*., the Family Medical Leave Act, 29 USC §§ 2601, *et seq*., the Fair Labor Standards Act, 29 U.S.C.§§201, *et seq*., (as amended), the Fair Credit Reporting Act, the Worker Adjustment and Retraining Notification Act, the Genetic Information Nondiscrimination Act, the Immigration Reform and Control Act the California Labor Code (as amended), the California

Family Rights Act, and the California Fair Employment and Housing Act (as amended) the California Fair Employment and Housing Act, Government Code §§ 12940, *et seq*., the California Labor Code, and the California Private Attorney General Act. **You acknowledge that you have been advised that you have the right to consult an attorney regarding this Agreement and that you were given a reasonable time period of not less than twenty -one days in which to do so.** You further acknowledge and agree that, in the event you sign this Agreement prior to the end of the reasonable time period provided by the Company, your decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the reasonable time period, or by providing different terms to employees who sign such an agreement prior to the expiration of the time period.

(c) ADEA Waiver. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the ADEA (the "**ADEA Waiver**"), and that the consideration given for the ADEA Waiver is in addition to anything of value to which you are already entitled. You further acknowledge that you have been advised, as required by the ADEA, that: (i) your ADEA Waiver does not apply to any rights or claims that may arise after the date that you sign this Agreement; (ii) you should consult with an attorney prior to signing this Agreement (although you may choose voluntarily not to do so); (iii) you have twenty-one (21) days to consider this Agreement (although you may choose voluntarily to sign it earlier); (iv) you have seven (7) days following the date you sign this Agreement to revoke the ADEA Waiver (by providing written notice of your revocation to the Company); and (v) this Agreement will not be effective until the date upon which the revocation period has expired, which will be the eighth day after the date that this Agreement is signed by you provided that you do not revoke it (the "**Release Effective Date**").

(d) Section 1542 Waiver. YOU UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code, which reads as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."**

You hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to your release of any unknown or unsuspected claims herein.

(e) Excluded Claims. Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"); (i) any rights or claims for indemnification you may have pursuant to any written indemnification agreement with the Company to which you are a party or under applicable law; (ii) any rights which are not waivable as a matter of law; and (iii) any claims for breach of this Agreement. You hereby represent and warrant that, other than the Excluded Claims, you are not aware of any claims you have or might have against any of the Released Parties that are not included in the Released Claims. You further understand that nothing in this Agreement limits your ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Occupational Safety and Health Administration, the California Department of Fair Employment and Housing, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("**Government Agencies**"). You further understand this Agreement does not limit your ability to communicate with any

Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. While this Agreement does not limit your right to receive an award for information provided to the Securities and Exchange Commission, you understand and agree that, to maximum extent permitted by law, you are otherwise waiving any and all rights you may have to individual relief based on any claims that you have released and any rights you have waived by signing this Agreement. Nothing in this Agreement prevents you from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful.

12. **No Admissions**. You understand and agree that the promises and payments in consideration of this Agreement shall not be construed to be an admission of any liability or obligation by the Company to you or to any other person, and that the Company makes no such admission.

13. **Representations**. You hereby represent that you have been paid all compensation owed and for all hours worked, have received all the leave and leave benefits and protections for which you are eligible, pursuant to the Family and Medical Leave Act or otherwise, and have not suffered any on-the-job injury for which you have not already filed a claim.

14. **Tax Matters**. For the avoidance of doubt, all amounts payable under this Agreement relate to your service as an employee of the Company prior to the Transition Date and, accordingly, are subject to standard payroll deductions and withholdings. You hereby acknowledge the foregoing including, as applicable with respect to vesting of the RSUs, your obligation as a condition of vesting to satisfy all related tax obligations.

15. **General**. This Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified by the court so as to be rendered enforceable to the fullest extent permitted by law, consistent with the intent of the parties. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California. This Agreement may be executed in counterparts and facsimile and electronic signatures will suffice as original signatures.

If this Agreement is acceptable to you, please sign below and return the original to me within twenty-one (21) days.

I wish you good luck in your future endeavors.

Sincerely,

INVITAE CORPORATION

By: /s/ Eric Aguiar
Eric Aguiar, MD
Lead Independent Director

ACCEPTED AND AGREED:

/s/ Sean George
Sean George, Ph.D.

7/17/2022
Date

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER'S CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth D. Knight, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invitae Corporation for the period ended September 30, 2022;

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(s) 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(s) 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.

Dated: November 8, 2022

/s/ Kenneth D. Knight

Kenneth D. Knight
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER'S CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Yafei (Roxi) Wen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Invitae Corporation for the period ended September 30, 2022;

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(s) 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(s) 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.

Dated: November 8, 2022

/s/ Yafei (Roxi) Wen

Yafei (Roxi) Wen
Chief Financial Officer
(Principal Financial 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 Invitae Corporation (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(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 8, 2022

/s/ Kenneth D. Knight

Kenneth D. Knight
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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 Invitae Corporation (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(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 8, 2022

/s/ Yafei (Roxi) Wen

Yafei (Roxi) Wen
Chief Financial Officer
(Principal Financial Officer)