UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from to

Commission File Number: 001-39659

BIODESIX, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-3986492**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
919 West Dillon Rd Louisville, Colorado	**80027**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (303) 417-0500

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	BDSX	The NASDAQ Global Market

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, 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 ☒

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of July 31, 2024, the Registrant had 145,177,125 shares of common stock, $0.001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties, including but not limited to those set forth under the caption "Special Note Regarding Forward-Looking Statements" and Item 1A. "Risk Factors" of Part II of this Quarterly Report on Form 10-Q and those discussed in our other filings with the Securities and Exchange Commission (SEC), including the risks described in Item 1A. "Risk Factors" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on March 1, 2024. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future financial condition, results of operations, business strategy and plans, and objectives of management for future operations, as well as statements regarding industry trends, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "should," "will" or the negative of these terms or other similar expressions.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, factors, and assumptions described under the section titled "Risk Factors" in this Report and in the section entitled "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2023, regarding, among other things:

- our inability to achieve or sustain profitability;
- our unaudited financial statements include a statement that there is a substantial doubt about our ability to continue as a going concern, and a continuation of negative financial trends could result in our inability to continue as a going concern;
- our ability to attain significant market acceptance among payers, providers, clinics, patients, and biopharmaceutical companies for our diagnostic tests;
- difficulties managing our growth, which could disrupt our operations;
- failure to retain sales and marketing personnel, and failure to increase our sales and marketing capabilities or develop broad awareness of our diagnostic tests to generate revenue growth;
- failure to maintain our current relationships, or enter into new relationships, with biopharmaceutical companies;
- significant fluctuation in our operating results, causing our operating results to fall below expectations or any guidance we provide;
- product performance and reliability to maintain and grow our business;
- third-party suppliers, including courier services, contract manufacturers and single source suppliers, making us vulnerable to supply problems and price fluctuations;
- the impact of a pandemic, epidemic, or outbreak of an infectious disease in the United States (U.S.) or worldwide, including the COVID-19 pandemic on our business;
- natural or man-made disasters and other similar events negatively impacting our business, financial condition, and results of operations;
- failure to offer high-quality support for our diagnostic tests, which may adversely affect our relationships with providers and negatively impact our reputation among patients and providers;
- our inability to continue to innovate and improve our diagnostic tests and services we offer;
- security or data privacy breaches or other unauthorized or improper access;
- significant disruptions in our information technology systems;
- the incurrence of substantial liabilities and limiting or halting the marketing and sale of our diagnostic tests due to product liability lawsuits;
- our inability to compete successfully with competition from many sources, including larger companies;
- performance issues, service interruptions or price increases by our shipping carriers;
- cost-containment efforts of our customers, purchasing groups and integrated delivery networks having a material adverse effect on our sales and profitability;
- potential effects of litigation and other proceedings;

- general economic and financial market conditions;
- our ability to attract and retain key personnel;
- current and future debt financing placing restrictions on our operating and financial flexibility;
- our need to raise additional capital to fund our existing operations, develop our platform, commercialize new diagnostic tests, or expand our operations;
- the acquisition of other businesses, which could require significant management attention;
- the uncertainty of the insurance coverage and reimbursement status of newly approved diagnostic tests;
- future healthcare reform measures that could hinder or prevent the commercial success of our diagnostic tests;
- compliance with anti-corruption, anti-bribery, anti-money laundering and similar laws;
- compliance with healthcare fraud and abuse laws;
- our ability to develop, receive regulatory clearance or approval or certification for, and introduce new diagnostic tests or enhancements to existing diagnostic tests that will be accepted by the market in a timely manner;
- failure to comply with ongoing FDA or other domestic and foreign regulatory authority requirements, or unanticipated problems with our diagnostic tests, causing them to be subject to restrictions or withdrawal from the market;
- future product recalls;
- legal proceedings initiated by third parties alleging that we are infringing, misappropriating, or otherwise violating their intellectual property rights, the outcome of which would be uncertain;
- the volatility of the trading price of our common stock;
- inaccurate estimates or judgments relating to our critical accounting policies, which could cause our operating results to fall below the expectations of securities analysts and investors; and
- other risks, uncertainties and factors, including those set forth under "Risk Factors".

These risks are not exhaustive. Other sections of this Quarterly Report on Form 10-Q may include additional factors that could harm our business and financial performance. New risk factors may emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q or to conform these statements to actual results or to changes in our expectations.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference and have filed as exhibits with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

BIODESIX, INC.

Condensed Balance Sheets
(in thousands, except share data)

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 42,219	$ 26,284
Accounts receivable, net of allowance for credit losses of $238 and $65	10,128	7,679
Other current assets	5,232	5,720
Total current assets	57,579	39,683
Non-current assets		
Property and equipment, net	28,019	27,867
Intangible assets, net	6,884	7,911
Operating lease right-of-use assets	1,767	1,745
Goodwill	15,031	15,031
Other long-term assets	6,561	6,859
Total non-current assets	58,262	59,413
Total assets	$ 115,841	$ 99,096
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 2,220	$ 2,929
Accrued liabilities	8,324	7,710
Deferred revenue	447	324
Current portion of operating lease liabilities	300	252
Current portion of contingent consideration	5,838	21,857
Current portion of notes payable	37	51
Other current liabilities	386	293
Total current liabilities	17,552	33,416
Non-current liabilities		
Long-term notes payable, net of current portion	35,807	35,225
Long-term operating lease liabilities	25,478	25,163
Other long-term liabilities	744	712
Total non-current liabilities	62,029	61,100
Total liabilities	79,581	94,516
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value, 5,000,000 authorized; 0 (2024 and 2023) issued and outstanding	—	—
Common stock, $0.001 par value, 200,000,000 authorized; 145,149,630 (2024) and 96,235,883 (2023) shares issued and outstanding	145	96
Additional paid-in capital	480,103	424,050
Accumulated deficit	(443,988)	(419,566)
Total stockholders' equity	36,260	4,580
Total liabilities and stockholders' equity	$ 115,841	$ 99,096

The accompanying Notes are an integral part of these unaudited condensed financial statements.

BIODESIX, INC.

Condensed Statements of Operations
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenues	$ 17,925	$ 11,872	$ 32,743	$ 20,928
Operating expenses:				
Direct costs and expenses	3,877	3,238	7,052	6,407
Research and development	2,558	2,910	4,598	6,161
Sales, marketing, general and administrative	19,660	16,651	40,216	35,640
Impairment loss on intangible assets	67	—	135	20
Total operating expenses	26,162	22,799	52,001	48,228
Loss from operations	(8,237)	(10,927)	(19,258)	(27,300)
Other (expense) income:				
Interest expense	(1,936)	(2,430)	(4,465)	(4,821)
Loss on extinguishment of liabilities	(248)	—	(248)	—
Change in fair value of warrant liability, net	—	—	—	61
Other (expense) income, net	(387)	1	(451)	2
Total other expense	(2,571)	(2,429)	(5,164)	(4,758)
Net loss	$ (10,808)	$ (13,356)	$ (24,422)	$ (32,058)
Net loss per share, basic and diluted	$ (0.08)	$ (0.17)	$ (0.22)	$ (0.41)
Weighted-average shares outstanding, basic and diluted	127,168	78,506	112,167	78,138

The accompanying Notes are an integral part of these unaudited condensed financial statements.

BIODESIX, INC.

Condensed Statements of Stockholders' Equity (Deficit)
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balance - December 31, 2023	96,236	$ 96	$ 424,050	$ (419,566)	$ 4,580
Issuance of common stock, net	314	1	606	—	607
Issuance of common stock under employee stock purchase plan	216	—	282	—	282
Exercise of stock options	6	—	3	—	3
Release of restricted stock units	387	—	—	—	—
Share-based compensation	—	—	2,640	—	2,640
Net loss	—	—	—	(13,614)	(13,614)
Balance - March 31, 2024	97,159	97	427,581	(433,180)	(5,502)
Conversion of preferred stock liabilities to common stock, net	30,435	31	33,119	—	33,150
Issuance of common stock, net	17,392	17	18,181	—	18,198
Exercise of stock options	8	—	4	—	4
Release of restricted stock units	156	—	—	—	—
Share-based compensation	—	—	1,218	—	1,218
Net loss	—	—	—	(10,808)	(10,808)
Balance - June 30, 2024	145,150	$ 145	$ 480,103	$ (443,988)	$ 36,260

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity
	Shares	Amount			
Balance - December 31, 2022	77,614	$ 78	$ 387,948	$ (367,420)	$ 20,606
Issuance of common stock, net	—	—	(61)	—	(61)
Issuance of common stock under employee stock purchase plan	270	—	420	—	420
Exercise of stock options	9	—	6	—	6
Release of restricted stock units	86	—	—	—	—
Share-based compensation	—	—	2,281	—	2,281
Net loss	—	—	—	(18,702)	(18,702)
Balance - March 31, 2023	77,979	78	390,594	(386,122)	4,550
Exercise of stock options	107	—	81	—	81
Release of restricted stock units	525	1	—	—	1
Issuance of warrants	—	—	674	—	674
Share-based compensation	—	—	1,057	—	1,057
Net loss	—	—	—	(13,356)	(13,356)
Balance - June 30, 2023	78,611	$ 79	$ 392,406	$ (399,478)	$ (6,993)

The accompanying Notes are an integral part of these unaudited condensed financial statements.

BIODESIX, INC.

Condensed Statements of Cash Flows
(in thousands)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (24,422)	$ (32,058)
Adjustments to reconcile net loss to net cash, cash equivalents, and restricted cash used in operating activities		
Depreciation and amortization	2,832	1,569
(Accretion) amortization of lease right-of-use assets	(191)	1,394
Loss on extinguishment of liabilities	248	—
Share-based compensation expense	3,858	3,338
Change in fair value of warrant liability, net	—	(61)
Provision for doubtful accounts	220	367
Accrued interest, amortization of debt issuance costs and other	2,084	2,695
Inventory excess and obsolescence	12	115
Impairment loss on intangible assets	135	20
Changes in operating assets and liabilities:		
Accounts receivable	(2,669)	580
Other current assets	1,129	1,349
Other long-term assets	12	—
Accounts payable and other accrued liabilities	(679)	1,236
Deferred revenue	71	49
Contingent consideration	(17,167)	—
Tenant improvement allowances received	—	12,978
Current and long-term operating lease liabilities	645	(320)
Net cash and cash equivalents and restricted cash used in operating activities	(33,882)	(6,749)
Cash flows from investing activities		
Purchase of property and equipment	(2,160)	(14,093)
Patent costs and intangible asset acquisition, net	(110)	(85)
Net cash and cash equivalents and restricted cash used in investing activities	(2,270)	(14,178)
Cash flows from financing activities		
Proceeds from the issuance of common stock	55,625	—
Proceeds from issuance of common stock under employee stock purchase plan	282	420
Proceeds from exercise of stock options	7	87
Payment of contingent consideration	—	(4,262)
Repayment of term loan and notes payable	(25)	(24)
Payment of debt issuance costs	(37)	(832)
Equity financing costs	(3,615)	(61)
Other	(150)	(79)
Net cash and cash equivalents and restricted cash provided by (used in) financing activities	52,087	(4,751)
Net increase (decrease) in cash and cash equivalents and restricted cash	15,935	(25,678)
Cash, cash equivalents, and restricted cash - beginning of period	26,371	43,174
Cash, cash equivalents, and restricted cash - end of period	$ 42,306	$ 17,496

The accompanying Notes are an integral part of these unaudited condensed financial statements.

BIODESIX, INC.

Statements of Cash Flows
(in thousands)

(Continued from the previous page)

Supplemental cash flow information:

	Six Months Ended June 30,	
	2024	**2023**
Debt issuance costs included in accounts payable and other accrued liabilities	2	—
Equity financing costs included in accounts payable and other accrued liabilities	55	—
Issuance of Perceptive Warrants	—	674
Operating lease right-of-use asset obtained in exchange for lease liabilities	281	858
Finance lease right-of-use assets obtained in exchange for lease liabilities	326	773
Cash paid for interest	2,472	2,119
Purchases of property & equipment included in accounts payable and accrued liabilities	68	27

The accompanying Notes are an integral part of these unaudited condensed financial statements.

BIODESIX, INC.

Notes to Unaudited Condensed Financial Statements

Note 1 – Organization and Description of Business

Biodesix, Inc. (the "Company," "Biodesix," "we," "us" and "our"), formerly Elston Technologies, Inc., was incorporated in Delaware in 2005. The Company's headquarters are in Colorado and the Company performs its blood-based diagnostic tests in its laboratory facilities which are located in Louisville, Colorado and De Soto, Kansas. The Company conducts all of its operations within a single legal entity. Biodesix is a leading diagnostic solutions company with a focus in lung disease. The Company develops diagnostic tests using a multi-omic approach to harness the strengths of different technologies that are best suited to address important clinical questions. We derive our revenue from two sources: (i) providing diagnostic testing services associated with blood-based lung tests (Diagnostic Tests) and (ii) providing biopharmaceutical companies with services that include diagnostic research, clinical research, development and testing services generally provided outside the clinical setting and governed by individual contracts with third parties as well as development and commercialization of companion diagnostics. We also recognize revenue from other services, including amounts derived from licensing our technologies (Biopharmaceutical Services and other). Biodesix offers five Medicare-covered tests for patients with lung diseases which includes our blood-based Nodify Lung® Nodule Risk Assessment, consisting of the Nodify XL2® and the Nodify CDT® tests. These tests evaluate the risk of malignancy in pulmonary nodules, enabling physicians to better triage patients to the most appropriate course of action. Additionally, our blood-based IQLung™ test portfolio for lung cancer patients integrates the GeneStrat® ddPCR test, the GeneStrat NGS® test and the VeriStrat® test to support treatment decisions across all stages of lung cancer.

Blood-Based Lung Tests

The Company offers five blood-based lung cancer tests across the lung cancer continuum of care:

Diagnosis

- *Nodify CDT* and *Nodify XL2* tests, marketed as Nodify Lung Nodule Risk Assessment, assess a suspicious lung nodule's risk of lung cancer to help identify the most appropriate treatment pathway. The Nodify CDT and XL2 tests have an established average turnaround time of one and five business days, respectively, from receipt of the blood sample, providing physicians with timely results to guide diagnostic planning. The Nodify CDT test is a blood-based test that detects the presence of seven autoantibodies associated with the presence of tumors. Elevated levels of the autoantibodies in patients with lung nodules indicate an increased risk of lung cancer to help identify patients that may benefit from timely intervention. The Nodify XL2 test is a blood-based proteomic test that evaluates the likelihood that a lung nodule is benign to help identify patients that may benefit from surveillance imaging. We believe we are the only company to offer two commercial blood-based tests to help physicians reclassify risk of malignancy in patients with suspicious lung nodules.

Treatment & Monitoring

- *GeneStrat ddPCR, GeneStrat NGS* and *VeriStrat* tests, marketed as part of our IQLung testing strategy, are used following diagnosis of lung cancer to detect the presence of mutations in the tumor and the state of the patient's immune system to help guide treatment decisions. The GeneStrat ddPCR tumor genomic profiling test and the VeriStrat immune profiling test have established an average turnaround time of two business days from receipt of the blood sample, and the GeneStrat NGS test has an established average turnaround time of three business days from receipt of the blood sample, providing physicians with timely results to facilitate treatment decisions. The GeneStrat ddPCR test evaluates the presence of actionable mutations in lung cancer. The test is covered independent of stage and can be used multiple times per patient to monitor changes in mutation status. The GeneStrat NGS test is a broad 52 gene panel, including guideline recommended mutations that help identify advanced stage patients eligible for targeted therapy or clinical trial enrollment. The VeriStrat test is a blood-based proteomic test that provides a personalized view of each patient's immune response to their lung cancer.

In developing the Company's products, the Company has built or gained access to regulatory approvals, product development know-how, biorepositories, proprietary and patented technologies, specimen collection kit manufacturing capabilities, and bioinformatics methods that it believes are important to the development of new targeted therapies, determining clinical trial eligibility and guiding treatment selection. The Company's testing services are made available through its clinical laboratories.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X for interim financial information and reflect all adjustments necessary to state fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results for interim periods are not indicative of the results for the entire fiscal year. The accompanying unaudited condensed financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on

Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures, including significant accounting policies, normally included in fiscal year financial statements prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) have been condensed or omitted. The condensed balance sheet as of December 31, 2023 was derived from the audited financial statements.

Liquidity and Capital Resources

As of June 30, 2024, we maintained cash and cash equivalents of $42.2 million and we have $40.0 million in outstanding aggregate principal amount on our Perceptive Term Loan Facility (see Note 6 – *Debt*). We have incurred significant losses since inception and, as a result, we have funded our operations to date primarily through the sale of common stock, the sale of convertible preferred stock, the issuance of notes payable, and from our two primary revenue sources: (i) diagnostic testing, which includes lung diagnostic testing and (ii) providing biopharmaceutical companies with development and testing services and licensing our technologies. In accordance with Accounting Standards Update 2014-15 (ASC Topic 205-40), *Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, the Company is required to evaluate whether there is substantial doubt about its ability to continue as a going concern each reporting period, including interim periods. In evaluating the Company's ability to continue as a going concern, management projected its cash flow sources and evaluated the conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements were issued. Management considered the Company's current projections of future cash flows, our ability to execute our current operating plan, current financial condition, sources of liquidity and debt obligations for at least one year from the date of issuance of this Form 10-Q in considering whether it has the ability to meet its obligations.

Our ability to meet our obligations as they come due may be impacted by our ability to remain compliant with financial covenants in our Perceptive Term Loan Facility (see Note 6 – *Debt*) or to obtain waivers or amendments that impact the related covenants. As of June 30, 2024, the Company was in compliance with all restrictive and financial covenants associated with its borrowings.

Our ability to maintain our financial covenants under our Perceptive Term Loan Facility during the next twelve months is, in part, dependent upon executing our current operating plan. If we do not execute our current operating plan and maintain our financial covenants, this could result in an Event of Default (as defined in the Perceptive Term Loan Facility), causing an acceleration and repayment of the outstanding balances. The Perceptive Term Loan Facility requires the Company to meet certain minimum net revenue threshold amounts agreed to between the Company and Perceptive as of the last day of each fiscal quarter, which commenced with the fiscal quarter ending March 31, 2023. During 2023, the Company entered into various amendments to the Perceptive Term Loan Facility to reduce the relevant Minimum Net Revenue thresholds. On February 29, 2024, the Company entered into a third amendment to the Perceptive Term Loan Facility, whereby, subject to the terms and conditions of the third amendment, the Minimum Net Revenue Covenant was amended to reduce the relevant threshold through the fiscal quarter ended December 31, 2025 (see Note 6 – *Debt*). During the three months ended June 30, 2024, the Company completed an underwritten offering of common stock and a concurrent private placement (the April 2024 Offering). Collectively, the Company raised net proceeds of approximately $51.3 million (see Note 8 – *Equity*). We have taken steps to improve our liquidity through raising debt and equity capital and have also undertaken several proactive measures including, among other things, the reduction of planned capital expenditures and certain operating expenses as previously disclosed. If we do not execute our current operating plan, we may need to consider further measures to reduce our operating expenses. These measures would limit or reduce our operations and could include a hiring freeze, reductions in our workforce, reduction in cash compensation, deferring capital expenditures, and reducing other operating costs.

If we do not execute our current operating plan we may need to continue to raise additional funds from external sources, such as through the issuance of debt or equity securities. We may also raise additional capital to restructure our existing debt or for general working capital purposes, or both. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we do raise additional capital through equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights. There can be no assurance that additional capital will be available to us or, if available, will be available in sufficient amounts or on terms acceptable to us or on a timely basis.

We expect to continue to incur operating losses in the near term while we make investments to support our anticipated growth. Our ability to maintain our financial covenants is, in part, dependent upon executing our current operating plan and, along with the items noted above, raises substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. Our unaudited financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Concentrations of Credit Risk and Other Uncertainties

Substantially all of the Company's cash and cash equivalents are deposited with one major financial institution in the United States. The Company continually monitors its positions with, and the credit quality of, the financial institution with which it holds cash. Periodically throughout the year, the Company has maintained balances in various operating and money market accounts in excess of federally insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents.

Several of the components for certain of the Company's sample collection kits, test reagents, and test systems are obtained from single-source suppliers. If these single-source suppliers fail to satisfy the Company's requirements on a timely basis, the Company could suffer delays in being able to deliver its diagnostic solutions, a possible loss of revenue, or incur higher costs, any of which could adversely affect its operating results.

For a discussion of credit risk concentration of accounts receivable as of June 30, 2024 and December 31, 2023, see Note 9 – *Revenue and Accounts Receivable Credit Concentration*.

Restricted Cash

Restricted cash consists of deposits related to the Company's corporate credit card. As of June 30, 2024 and December 31, 2023, the Company had $0.1 million restricted cash, respectively, which was included in 'Other current assets' in the accompanying condensed balance sheets.

Inventory

Inventory consists primarily of material supplies, which are consumed in the performance of testing services and charged to 'Direct costs and expenses'. Inventory is stated at cost and reported within 'Other current assets' in the condensed balance sheets and was $1.2 million and $1.4 million for the periods ended June 30, 2024 and December 31, 2023, respectively. The Company recorded a reserve for excess inventory of $0.1 million for the periods ended June 30, 2024 and December 31, 2023, respectively. During the six months ended June 30, 2024 and 2023, the Company recorded an insignificant amount and $0.1 million, respectively, to the condensed statement of operations for excess and obsolete inventory.

Other Assets

The Company has a $5.0 million cash refundable deposit to secure the performance of the Company's obligations associated with the operating lease agreement with Centennial Valley Properties I, LLC and subsequently assigned to CVP I Owner LLC (see Note 7 – *Leases*). As of June 30, 2024 and December 31, 2023, the $5.0 million refundable deposit is reported within 'Other long-term assets' in the condensed balance sheets.

Fair Value of Financial Instruments

U.S. GAAP for fair value establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). We utilize a combination of market and income approaches to value our financial instruments. Our financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. Fair value measurements are categorized within the fair value hierarchy based upon the lowest level of the most significant inputs used to determine fair value.

The three levels of the hierarchy and the related inputs are as follows:

Level	Inputs
1	Unadjusted quoted prices in active markets for identical assets and liabilities.
2	Unadjusted quoted prices in active markets for similar assets and liabilities;
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active; or
	Inputs other than quoted prices that are observable for the asset or liability.
3	Unobservable inputs for the asset or liability.

The carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, other long-term assets, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities.

See Note 4 — *Fair Value* for further discussion related to estimated fair value measurements.

Note 3 - Recently Issued Accounting Standards

Standards being evaluated

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting: Improvements to Reportable Segment Disclosures* (ASC Topic 280). This ASU requires all public entities to provide additional disclosures about the entity's reportable segments and more detailed information about a reportable segment's expenses. This guidance became effective for the Company beginning January 1, 2024. The Company is currently evaluating this guidance and assessing the overall impact on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid by jurisdiction. This guidance will become effective for the Company beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating this guidance and assessing the overall impact on its financial statements.

Note 4 - Fair Value

Recurring Fair Value Measurements

Our borrowing instruments are recorded at their carrying values in the condensed balance sheets, which may differ from their respective fair values. The fair value of borrowings as of June 30, 2024 is primarily associated with the Perceptive Term Loan Facility entered into with Perceptive Credit Holdings IV, LP, in November 2022 and was determined using a discounted cash flow analysis, excluding the fair value of the Perceptive Warrant (as defined below) issued in conjunction with the transaction. The difference between the carrying value and fair value of outstanding borrowings as of June 30, 2024 is due to an increase in the fair value of debt as a result of improved credit markets. The carrying value of outstanding borrowings approximates the fair value as of December 31, 2023. The table below presents the carrying and fair values of outstanding borrowings, which are classified as Level 2, as of the dates indicated (in thousands):

	As of			
	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Borrowings	$ 35,844	$ 37,034	$ 35,276	$ 35,506

The financial liabilities that are measured and recorded at estimated fair value on a recurring basis consist of our contingent consideration associated with our previous acquisition of Indi and the warrant liabilities granted as consideration for the Perceptive Term Loan Facility (see Note 6 - *Debt*), which were accounted for as liabilities and remeasured through our condensed statements of operations.

The table below presents the reported fair values of contingent consideration and warrant liabilities, which are classified as Level 3 in the fair value hierarchy, as of the dates indicated (in thousands):

	As of	
Description	June 30, 2024	December 31, 2023
Contingent consideration	$ 5,838	$ 21,857
Warrant liabilities	$ —	$ —

The following table presents the changes in contingent consideration for the dates indicated (in thousands):

Level 3 Rollforward	For the six months ended June 30, 2024
Balance - January 1, 2024	$ 21,857
Interest expense	900
Loss on extinguishment of liabilities	248
Payments	(17,167)
Balance - June 30, 2024	$ 5,838

The following table presents the changes in contingent consideration and warrant liabilities for the dates indicated (in thousands):

	For the six months ended June 30, 2023	
Level 3 Rollforward	**Contingent Consideration**	**Warrant Liabilities**
Beginning balances - January 1, 2023	$ 28,986	$ 61
Changes in fair value, net	—	(61)
Interest expense	2,140	—
Payments	(4,262)	—
Ending balances - June 30, 2023	$ 26,864	$ —

Contingent Consideration

In connection with the acquisition of Indi in 2018, the Company recorded contingent consideration for amounts contingently payable to Indi's selling shareholders pursuant to the terms of the asset purchase agreement (the Indi APA). The contingent consideration arrangement requires additional consideration to be paid by the Company to such shareholders upon attainment of a three-consecutive month gross margin target of $2.0 million within the seven-year period after the acquisition date, which was achieved during the three months ended June 30, 2021. Under the terms of the original agreement, when the gross margin target was achieved the Company was required to issue 2,520,108 shares of common stock. For the six months following the achievement of the gross margin target, Indi had the option to require the Company to redeem these common shares for $37.0 million in cash over eight equal quarterly installments. If Indi elected to not exercise its option, the Company had 12 months to repurchase the common stock in two equal and consecutive quarterly cash installments totaling $37.0 million.

In August 2021, the Company entered into an amendment to the original agreement in which all parties agreed to forgo the issuance of common stock and agreed that the Company would, in lieu thereof, make six quarterly installments of approximately $4.6 million each beginning in January 2022 and a final payment of approximately $9.3 million in July 2023 for a total of $37.0 million (the Milestone Payments and each individually a Milestone Payment). The aggregate amount of payments owed by the Company under this amendment is the same as if Indi had exercised the put right or the Company had exercised the call right provided for in the original agreement.

On April 7, 2022, the Company entered into Amendment No. 3 to the Indi APA, in which the parties agreed to restructure the Milestone Payments. The Company made five quarterly installments of $2.0 million each beginning in April 2022, three quarterly installments of $3.0 million which began in July 2023, one installment of $5.0 million in April 2024, and one installment of $8.4 million in July 2024. In addition, the Company agreed to an exit fee of approximately $6.1 million to be paid in October 2024. Interest shall accrue on the difference between the payment schedule as agreed in the August 2021 amendment and the April 2022 amended payment schedule, at an aggregate per annum rate equal to 10%, with such interest to be payable quarterly on the following installment payment date. Our ability to make these payments is subject to ongoing compliance under the Perceptive Term Loan Facility. On April 22, 2024, the Company obtained consent from Perceptive and prepaid the July 1, 2024 Milestone Payment of $8.4 million to Indi. The Company has one payment remaining of $6.1 million which is due October 1, 2024 (see Note 6 - *Debt*).

The contingent consideration liability is accounted for at fair value and subject to certain unobservable inputs. The significant unobservable inputs used in the measurement of the fair value include the probability of successful achievement of the specified product gross margin targets, the period in which the targets were expected to be achieved, and discount rates which ranged from 11% to 16%. As a result of the achievement of the gross margin target, the only remaining significant unobservable input used in the measurement of fair value includes the discount rate since all other inputs became fixed and determinable. Subsequent changes to the contingent consideration following the achievement of the gross margin target are recorded as ‘Interest expense’ in the condensed statements of operations resulting from the passage of time and fixed payment schedule. Significant increases or decreases in the discount rate could result in a significantly higher or lower fair value measurement.

During the three and six months ended June 30, 2024, the Company recorded $0.2 million and $0.9 million, respectively, compared to $1.0 million and $2.1 million during the three and six months ended June 30, 2023, respectively, in interest expense due to the passage of time and fixed payment schedule. During the three months ended June 30, 2024, the Company recorded $0.2 million to 'Loss on extinguishment of liabilities due to the prepayment of the July 1, 2024 Milestone Payment.

In accordance with ASC 230, *Statement of Cash Flows*, cash paid to settle the contingent consideration liability recognized at fair value as of the acquisition date (including measurement-period adjustments) should be reflected as a cash outflow for financing activities while the remaining portion of the amount paid should be reflected as a cash outflow from operating activities in the statement of cash flows. All 2024 Milestone Payments are classified as cash outflows from operating activities in the Company's statements of cash flows.

Warrant Liabilities

On November 21, 2022, as consideration for the Perceptive Term Loan Facility (see Note 6 - *Debt*), the Company issued Perceptive a warrant to purchase up to 5,000,000 shares of the Company's common stock (the Perceptive Warrant), including Initial Warrants (as defined in Note 8 - *Equity* below) and Tranche B and C Warrants. The Initial Warrants are equity classified (see Note 8 - *Equity*) while the Tranche B and C Warrants were initially classified as liabilities and recognized at fair value. On December 15, 2023 (the Tranche B Borrowing Date), the Company exercised its ability to draw the Tranche B loan (see Note 6 – *Debt*). In connection with the Tranche B draw, the Company remeasured the Tranche B Warrants through the Tranche B Borrowing Date and recorded the change in fair value through the statement of operations and, subsequently, reclassified the fair value to additional paid-in capital (see Note 8 – *Equity*). The fair value of the Tranche C Warrants is determined using a Black-Scholes model and subject to certain unobservable inputs. The significant unobservable inputs used in the measurement of the fair value include the fair value of the Company's common stock, risk-free rate, the volatility of common stock, and the probability of the expected borrowing. Significant increases or decreases in the unobservable inputs could result in a significantly higher or lower fair value measurement. During the three and six months ended June 30, 2024, the Company recorded zero as a change in fair value through the condensed statement of operations due to changes in unobservable inputs. During the three and six months ended June 30, 2023, the Company recorded zero and a $0.1 million gain, respectively, as a change in fair value through the condensed statement of operations due to changes in unobservable inputs. This is a result of changes in the probability of our ability to draw on Tranche B and C loans.

Note 5 – Supplementary Balance Sheet Information

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

	As of	
	June 30, 2024	**December 31, 2023**
Lab equipment	$ 5,864	$ 6,089
Leasehold improvements	26,556	24,713
Computer equipment	1,229	1,221
Furniture and fixtures	1,067	1,034
Software	325	325
Vehicles	97	97
Construction in process	139	—
	35,277	33,479
Less accumulated depreciation	(7,258)	(5,612)
Total property and equipment, net	$ 28,019	$ 27,867

Depreciation expense for the three and six months ended June 30, 2024 was $0.9 million and $1.8 million, respectively, compared to $0.3 million and $0.6 million for the three and six months ended June 30, 2023, respectively.

Intangible assets, excluding goodwill, consist of the following (in thousands):

	June 30, 2024			December 31, 2023		
	Cost	**Accumulated Amortization**	**Net Carrying Value**	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Intangible assets subject to amortization						
Patents	$ 1,945	$ (811)	$ 1,134	$ 1,975	$ (752)	$ 1,223
Purchased technology	16,900	(11,267)	5,633	16,900	(10,328)	6,572
Intangible assets not subject to amortization						
Trademarks	117	—	117	116	—	116
Total	$ 18,962	$ (12,078)	$ 6,884	$ 18,991	$ (11,080)	$ 7,911

Amortization expense related to definite-lived intangible assets was $0.5 million and $1.0 million for both the three and six months ended June 30, 2024 and 2023, respectively.

Future estimated amortization expense of intangible assets is (in thousands):

	As of June 30, 2024
Remainder of 2024	$ 1,006
2025	2,009
2026	1,990
2027	1,031
2028	83
2029 and thereafter	648
Total	$ 6,767

Accrued liabilities consist of the following (in thousands):

	As of	
	June 30, 2024	December 31, 2023
Compensation related accruals	$ 4,648	$ 3,855
Accrued clinical trial expense	1,044	983
Other expenses	2,632	2,872
Total accrued liabilities	$ 8,324	$ 7,710

Note 6 – Debt

Our long-term debt primarily consists of notes payable associated with our Perceptive Term Loan Facility which is described in further detail below. Long-term notes payable were as follows (in thousands):

	As of	
	June 30, 2024	December 31, 2023
Perceptive Term Loan Facility	$ 40,000	$ 40,000
Other	53	78
Unamortized debt discount and debt issuance costs	(4,209)	(4,802)
	35,844	35,276
Less: current maturities	37	51
Long-term notes payable	$ 35,807	$ 35,225

Perceptive Term Loan Facility

On November 16, 2022 (the Closing Date), the Company entered into a Credit Agreement and Guaranty (the Credit Agreement) with Perceptive Credit Holdings IV, LP as lender and administrative agent (the Lender). The Credit Agreement provides for a senior secured delayed draw term loan facility with Perceptive Advisors LLC (Perceptive), in an aggregate principal amount of up to $50.0 million (the Perceptive Term Loan Facility). The Tranche A Loan, in an aggregate amount of up to $30.0 million (the Tranche A Loan), was funded under the Perceptive Term Loan Facility on November 21, 2022 (the Funding Date). The Company's net proceeds from the Tranche A Loan were approximately $27.9 million, after deducting debt issuance costs and expenses. In addition to the Tranche A Loan, the Perceptive Term Loan Facility includes an additional Tranche B Loan, in an aggregate amount of up to $10.0 million, and an additional Tranche C Loan, in an aggregate amount of up to $10.0 million, which are accessible by the Company so long as the Company satisfies certain customary conditions precedent, including revenue milestones. On December 15, 2023, the Company exercised its ability to draw the Tranche B loan for $10.0 million. The Tranche C loan has a loan commitment date through September 30, 2024. The Perceptive Term Loan Facility has a maturity date of November 21, 2027 (the Maturity Date) and provides for an interest-only period during the term of the loan with principal due at the Maturity Date.

Interest Rate

The Perceptive Term Loan Facility will accrue interest at an annual rate equal to the greater of (a) forward-looking one-month term SOFR as posted by CME Group Inc. and (b) 3.0% per annum, plus an applicable margin of 9.0%. As of June 30, 2024, the stated interest rate was approximately 14.4%.

Amortization and Prepayment

On the Maturity Date, the Company is required to pay the Lender the aggregate outstanding principal amount underlying the Perceptive Term Loan Facility and any accrued and unpaid interest thereon. Prior to the Maturity Date, there will be no scheduled principal payments under the Perceptive Term Loan Facility. The Perceptive Term Loan Facility may be prepaid at any time, subject to a prepayment premium equal to 2% to 10% of the aggregate outstanding principal amount being prepaid, depending on the date of prepayment.

Security Instruments and Warrants

Pursuant to a Security Agreement, dated as of the Funding Date (the Security Agreement), between the Company and the Lender, substantially all of the Company's obligations under the Credit Agreement are secured by a first lien perfected security interest on all of the Company's assets, subject to customary exceptions.

As consideration for the Credit Agreement, the Company has issued, on the Funding Date, the Perceptive Warrant of up to 5,000,000 shares of the Company's common stock, including the Initial Warrants which are equity classified at a per share exercise price equal to $1.0648 which is equal to the 10-day volume weighted average price (VWAP) of the Company's common stock, on the business day immediately prior to the Closing Date of the Tranche A Loan. In connection with the Tranche B borrowing, additional warrants became exercisable into 1,000,000 shares of common stock with a per share exercise price equal to $1.0648, which is equal to the Initial Warrant exercise price and expire on December 15, 2033 (the Tranche B Warrants).

In addition to the Initial and Tranche B Warrants, additional warrants will become exercisable into 1,000,000 shares of common stock concurrently with the borrowing date of the Tranche C Loan (the Tranche C Warrants). The per share exercise price for the Tranche C Warrants will be equal to the lower of (A) the Initial Warrant exercise price or (B) the 10-day VWAP ending on the business day immediately preceding the funding date of the Tranche C loan. Each warrant will be exercisable, in whole or in part, until the 10th anniversary of the date of issuance. If the Tranche C loan is not drawn by the loan commitment date, the associated Tranche C Warrants expire and will not become exercisable. The Company accounts for the Tranche C Warrants as liabilities as the Tranche C Warrants do not meet the criteria for equity treatment (see Note 4 – *Fair Value*).

Representations, Warranties, Covenants, and Events of Default

The Credit Agreement contains certain representations and warranties, affirmative covenants, negative covenants, financial covenants, and conditions that are customarily required for similar financings. The affirmative covenants, among other things, require the Company to undertake various reporting and notice requirements, maintain insurance and maintain in full force and effect all Regulatory Approvals, Material Agreements, Material Intellectual Property (each as defined in the Credit Agreement) and other rights, interests or assets (whether tangible or intangible) reasonably necessary for the operations of the Company's business. The negative covenants restrict or limit the ability of the Company to, among other things and subject to certain exceptions contained in the Credit Agreement, incur new indebtedness; create liens on assets; engage in certain fundamental corporate changes, such as mergers or acquisitions, or changes to the Company's business activities; make certain Investments or Restricted Payments (each as defined in the Credit Agreement); change its fiscal year; pay dividends; repay other certain indebtedness; engage in certain affiliate transactions; or enter into, amend or terminate any other agreements that has the impact of restricting the Company's ability to make loan repayments under the Credit Agreement. In addition, the Company must (i) at all times prior to the Maturity Date maintain a minimum cash balance of $2.5 million; and (ii) as of the last day of each fiscal quarter commencing on the fiscal quarter ending March 31, 2023, meet certain minimum net revenue threshold amounts agreed to between the Company and Perceptive.

On May 10, 2023, the Company entered into the First Amendment with the Lender, whereby subject to the terms and conditions of the First Amendment, the Minimum Net Revenue Covenant (as defined in the Credit Agreement) was amended to reduce the relevant threshold of each fiscal quarter commencing on the fiscal quarter ending June 30, 2023 through and including the fiscal quarter ending March 31, 2024. As consideration for the First Amendment, the Company agreed to issue to Perceptive a warrant to purchase up to 500,000 shares of the Company's common stock (the First Amendment Warrants) which are equity classified at a per share exercise price equal to $1.6254 (see Note 8 - *Equity*).

On August 4, 2023 (the Second Amendment Effective Date), the Company entered into the Second Amendment to the Credit Agreement and Guaranty (the Second Amendment) with Perceptive as lender and administrative agent and the Company, as borrower, whereby subject to the terms and conditions of the Second Amendment, the Minimum Net Revenue Covenant (as defined in the Credit Agreement) was amended to reduce the relevant threshold as of the last day of each fiscal quarter commencing on the fiscal quarter ending June 30, 2024 through and including the fiscal quarter ending December 31, 2025.

Under the terms of the Second Amendment, the conditions precedent for drawing on the Tranche B Loan were amended to (i) reduce the trailing-twelve month revenue milestone and (ii) add the receipt of aggregate cash proceeds of at least $27.5 million from an equity

offering of the Company's common stock. During the three months ended December 31, 2023, the amended conditions precedent were met and on December 15, 2023, the Company exercised its ability to draw the Tranche B loan for $10.0 million.

On February 29, 2024 (the Third Amendment Effective Date), the Company entered into the Third Amendment to the Credit Agreement and Guaranty (the Third Amendment) with Perceptive as lender and administrative agent and the Company, as borrower, whereby subject to the terms and conditions of the Third Amendment, the Minimum Net Revenue Covenant (as defined in the Credit Agreement) was amended to reduce the relevant threshold as of the last day of each fiscal quarter commencing on the fiscal quarter ending March 31, 2024 through and including the fiscal quarter ending December 31, 2025.

The Credit Agreement also contains certain customary Events of Default which include, among others, non-payment of principal, interest, or fees, violation of covenants, inaccuracy of representations and warranties, bankruptcy and insolvency events, material judgments, cross-defaults to material contracts, certain regulatory-related events and events constituting a change of control. As of June 30, 2024, the Company was in compliance with all restrictive and financial covenants associated with its borrowings. The occurrence of an Event of Default could result in, among other things, the declaration that all outstanding principal and interest under the Perceptive Term Loan Facility are immediately due and payable in whole or in part.

On the Closing Date, the Initial Warrants and Additional Warrants were valued at $2.9 million and $0.1 million, respectively, using the Black-Scholes option-pricing model, estimated settlement probabilities and estimated exercise prices. As a result of the fees paid to Perceptive and the value of the Perceptive Warrant, the Company recognized a discount on the Perceptive Term Loan in the amount of $5.2 million. The First Amendment Warrants were valued at $0.7 million using the Black-Scholes option-pricing model which the recognized as a discount on the Perceptive Term Loan Facility. The Company recorded the debt discount as a reduction to the principal amount of the debt and is amortized as interest expense over the life of the debt.

Scheduled principal repayments (maturities) of long-term obligations were as follows (in thousands):

	As of June 30, 2024
Remainder of 2024	$ 25
2025	21
2026	7
2027 and thereafter	40,000
Total	$ 40,053

Note 7 – Leases

Operating Leases

The Company acts as a lessee under all its lease agreements. In January 2024 the Company relocated its corporate headquarters and laboratory facilities to Louisville, Colorado. The Company also leases laboratory and office space in De Soto, Kansas, under a non-cancelable lease agreement for approximately 9,066 square feet that is set to expire in October 2026. Additionally, during the three months ended June 30, 2024, the Company amended the De Soto lease agreement to include an additional 1,772 square feet of office space. The Company also holds various copier and equipment leases under non-cancelable lease agreements that expire in the next one to three years.

Centennial Valley Properties I, LLC Lease Agreement

On March 11, 2022, the Company entered into a Lease Agreement (the Lease) with Centennial Valley Properties I, LLC and subsequently assigned to CVP I Owner LLC, a Colorado limited liability company (the Landlord) for office and laboratory space in Louisville, Colorado (the Leased Premises). The initial term of the Lease is twelve years (the Initial Term) from the commencement date, which was April 1, 2023 (the Commencement Date). The Company has two renewal options to extend the term of the Lease for an additional seven- or ten-year terms for each renewal.

Under the Lease, the Company is leasing approximately 79,980 square feet at the Leased Premises. The Company will pay base rent over the life of the Lease beginning at approximately $227,000 per month and escalating, based on fixed escalation provisions, to approximately $326,000 per month, plus certain operating expenses and taxes. The Company's obligation to pay base rent shall be abated, commencing as of the Commencement Date and ending on March 31, 2024 (the Abated Rent Period). Further, the Company's obligation to pay base rent with respect to a portion of the area of the Lease Premises equal to 19,980 square feet shall be abated (the Partial Abated Rent), commencing as of April 1, 2024 and ending on March 31, 2025 (the Partial Abated Rent Period). Pursuant to a work letter entered by the parties in connection with the Lease, the Landlord contributed an aggregate of $18.8 million toward the cost of construction and improvements for the Leased Premises and the Company exercised its option for an additional tenant improvement allowance of $2.0 million (the Extra Allowance Amount). The Company will repay the Extra Allowance Amount actually funded by

the Landlord in equal monthly payments with an interest rate of 6% per year over the Initial Term excluding any part of the Abated Rent Period or Partial Abated Rent Period, which shall start to accrue on the date that the Landlord first disburses the Extra Allowance Amount. The Company made an accounting policy election to reduce the right-of-use asset and lease liability at lease commencement because the Lease specifies a maximum level of reimbursement for tenant improvements which are probable of being incurred and within the Company's control. Due to the tenant improvement allowances at the accounting lease commencement date and rent abatement periods described above, the Company expects the lease liability to accrete to approximately $25.5 million by March 2025. The Company utilized the total $20.8 million in tenant improvement allowances for capital expenditures for leasehold improvements throughout the year ended December 31, 2023.

The Lease includes various covenants, indemnities, defaults, termination rights, and other provisions customary for lease transactions of this nature. During the three months ended September 30, 2022, a $5.0 million cash collateralized letter of credit under the operating lease agreement was released and the funds were subsequently transferred to the Landlord as a refundable deposit (subject to contingent reduction over the term of the lease) to secure the performance of the Company’s obligations. The $5.0 million refundable deposit is included within 'Other long-term assets' in the condensed balance sheet as of June 30, 2024.

Operating lease expense for all operating leases was $0.6 million and $1.2 million for the three and six months ended June 30, 2024, respectively, compared to $1.1 million and $2.2 million for the three and six months ended June 30, 2023, respectively. As of June 30, 2024, the weighted-average remaining lease term and discount rate associated with our operating leases were 10.5 years and 11.4%, respectively.

Future minimum lease payments associated with our operating leases were as follows (in thousands):

	As of June 30, 2024
Remainder of 2024	$ 1,392
2025	3,908
2026	4,171
2027	4,063
2028	4,151
2029 and thereafter	28,113
Total future minimum lease payments	45,798
Less amount representing interest	(20,020)
Total lease liabilities	$ 25,778

Note 8 – Equity

Equity Financing Programs

The Company maintains two facilities that enable equity financing on an ongoing basis at the Company’s sole discretion, our at-the-market (ATM) offering and our common stock purchase agreement with Lincoln Park Capital Fund, LLC (Lincoln Park).

In November 2021, the Company entered into a sales agreement with a financial institution, pursuant to which the Company may issue and sell, from time to time, shares of its common stock having an aggregate offering price of up to $50.0 million (the ATM Shares), subject to terms and conditions. The Shares will be offered and sold by the Company pursuant to its previously filed and currently effective registration statement on Form S-3, and sales of common stock, if any, will be made at market prices by methods deemed to be an “at-the-market offering” as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including sales made directly on the NASDAQ Global Market, or any other existing trading market for our common stock.

On March 7, 2022 (the LPC Effective Date), the Company entered into a purchase agreement with Lincoln Park Capital Fund, LLC (the Purchase Agreement), pursuant to which Lincoln Park has committed to purchase up to $50.0 million of the Company's common stock (the LPC Facility). Under the terms and subject to the conditions of the Purchase Agreement, the Company has the right, but not the obligation, to sell to Lincoln Park, and Lincoln Park is obligated to purchase up to $50.0 million of the Company’s common stock. Such sales of common stock by the Company, if any, will be subject to certain limitations, and may occur from time to time, at the Company’s sole discretion, over the 36-month period commencing on the LPC Effective Date. The Purchase Agreement may be terminated by the Company at any time, at its sole discretion, without any cost or penalty, by giving one business day notice to Lincoln Park to terminate the Purchase Agreement. Lincoln Park has covenanted not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of the common stock.

On the LPC Effective Date, the Company issued 184,275 shares of common stock to Lincoln Park as a commitment fee (the Initial Commitment Shares) for which the Company did not receive consideration and, upon the available amount being reduced to an amount equal to or less than $20.0 million, the Company will be required to issue 61,425 shares (the Additional Commitment Shares and together with the Initial Commitment Shares, collectively, the Commitment Shares). The Initial Commitment Shares issued were valued at $0.6 million and, together with due diligence expenses and legal fees of $0.1 million, reflect deferred offering costs of $0.7 million, were included on the condensed balance sheet in 'Other long-term assets'. The deferred offering costs were charged against 'Additional paid-in capital' based upon proceeds from the sale of common stock under the Purchase Agreement. During the three and six months ended June 30, 2024, there were no deferred offering costs charged against 'Additional paid-in capital'. During the three and six months ended June 30, 2024, the Company expensed approximately $0.6 million and $0.7 million, respectively, of deferred offering costs to 'Other (expense) income, net' in the condensed statement of operations as a result of changes in the probability of our ability to fully utilize the LPC Facility prior to the termination date. During the three and six months ended June 30, 2023, there were no deferred offering costs charged against 'Additional paid-in capital'. As of June 30, 2024, zero deferred offering costs remain.

During the six months ended June 30, 2024, the Company raised approximately $0.6 million ($0.6 million after deducting underwriting discounts and commissions and offering expenses payable), in gross proceeds from the sale of 313,928 common shares at a weighted average price per share of $1.99 under the ATM facility. As of June 30, 2024, the Company had remaining available capacity for share issuances of up to $46.9 million under the LPC facility, subject to the restrictions and limitations of the underlying facilities. On April 5, 2024, the Company filed Supplement No. 1 to the ATM Prospectus Supplement dated December 22, 2021. To comply with volume limitations under applicable SEC rules and regulations, Supplement No. 1 reduced the aggregate offering price to up to $100,000 of shares in order to maximize the amount the Company could offer under the April 2024 Offering (defined below*)*. Following the successful completion of the Company's April 2024 Offering, the Company is no longer subject to volume limitations under applicable SEC rules and regulations that limit their availability as sources of funding. Subsequent to June 30, 2024, the Company intends to file Supplement No. 2 to the ATM Prospectus Supplement dated December 22, 2021 to increase the aggregate offering price under the ATM facility to $50.0 million of shares.

April 2024 Offering Summary

On April 9, 2024, the Company closed an underwritten offering of common stock and a concurrent private placement. Collectively, the Company raised net proceeds of approximately $51.3 million.

Underwritten Offering

On April 9, 2024, the Company closed an underwritten offering (the Offering) of 17,391,832 shares of its common stock (the Common Stock). The Common Stock was issued and sold pursuant to an underwriting agreement (the Underwriting Agreement), dated April 5, 2024, by and between the Company and TD Securities (USA) LLC, William Blair & Company, L.L.C., and Canaccord Genuity LLC as representatives of the underwriters (the Underwriters), at a price to the public of $1.15 per share. The Company received net proceeds of approximately $18.3 million from the Offering after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company.

The Underwriting Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriters, including for liabilities under the Securities Act, other obligations of the parties and termination provisions. The Underwriting Agreement also includes lock up restrictions that will be in effect during the period ending 90 days subsequent to April 5, 2024. The representations, warranties, and agreements contained in the Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the contracting parties.

The Offering was made pursuant to the Company's effective Registration Statement on Form S-3 (File No. 333-261095) previously filed with the SEC on November 29, 2021 and a prospectus supplement, dated April 5, 2024 relating to the Offering.

Concurrent Private Placement

On April 5, 2024, the Company entered into securities purchase agreements (the Securities Purchase Agreements) with various investors, including certain members of management, certain of its directors and funds affiliated with those directors (the Investors) for the issuance and sale by the Company of an aggregate of 760,857 shares of Series A Non-Voting Convertible Preferred Stock, par value $0.001 per share (the Series A Preferred Stock) in an offering (the Concurrent Private Placement). The Preferred Stock was issued to the Investors pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the Securities Act) afforded by Section 4(a)(2) of the Securities Act. Pursuant to the terms of the Securities Purchase Agreements, the Company agreed to submit to its stockholders the approval of the (i) conversion of the Preferred Stock into shares of Common Stock in accordance with Nasdaq Stock Market Rules (the Conversion Proposal) and (ii) the issuance of Series A Preferred Stock to certain members of management, certain of

its directors and funds affiliated with those directors (the Issuance Proposal) at its 2024 annual meeting of stockholders. The Securities Purchase Agreements include customary representations, warranties and covenants by the parties to the agreement.

Pursuant to the Securities Purchase Agreements, the Investors purchased the Preferred Stock at a purchase price of $46.00 per share for an aggregate purchase price of approximately $35.0 million.

Registration Rights Agreement

In connection with the Concurrent Private Placement, the Company also entered into a Registration Rights Agreement, dated April 5, 2024 (the Registration Rights Agreement), with the Investors, which provides that the Company will register the resale of the shares of Common Stock issuable upon conversion of the Preferred Stock. Pursuant to the Registration Rights Agreement, the Company was required to prepare and file an initial registration statement with the SEC as soon as reasonably practicable, but in no event later than April 23, 2024 (the Filing Deadline), and to use reasonable best efforts to have the registration statement declared effective within 50 days after the closing of the Concurrent Private Placement, subject to the approval of the conversion of the Private Placement Shares being received at the Company's 2024 annual meeting of stockholders.

On April 8, 2024, the Company filed a Certificate of Designations of Preferences, Rights and Limitations of the Series A Non-Voting Convertible Preferred Stock with the Secretary of State of the State of Delaware (the Certificate of Designations) in connection with the Concurrent Private Placement. The Certificate of Designations provided for the issuance of up to 760,857 shares of the Series A Preferred Stock.

Following stockholder approval of the Conversion Proposal, each share of Series A Preferred Stock automatically converted into 40 shares of Common Stock, subject to certain limitations, including that a holder of Series A Preferred Stock was prohibited from converting shares of Series A Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own more than a specified percentage (established by the holder between 0% and 19.9%) of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

On May 21, 2024, the Company held its 2024 annual meeting of stockholders in which the Conversion Proposal and Issuance Proposal were approved by the Company's stockholders. Upon approval, each share of Series A Preferred Stock automatically converted into 40 shares of Common Stock and, on May 23, 2024, the Company issued 30,434,280 shares of Common Stock in exchange for all Series A Preferred Stock.

Warrants

During 2018, the Company issued warrants to purchase shares of convertible preferred stock in conjunction with the sale of certain convertible preferred shares and issuance of debt. The Company issued to the lender a warrant to purchase 613,333 shares of Series G convertible preferred stock, at an exercise price of $0.75 per share, subject to adjustment upon specified dilutive issuances. The warrant was immediately exercisable upon issuance and expires on February 23, 2028. Through the effective date of the Company's initial public offering (IPO) in October 2020, the Series G warrants were remeasured to an estimate of fair value using a Black-Scholes pricing model. As a result of the Company's IPO, the preferred stock warrants were automatically converted to warrants to purchase 103,326 shares of common stock with a weighted average exercise price of $4.46 and were also transferred to additional paid-in capital. All common stock warrants remain outstanding as of June 30, 2024.

On November 21, 2022, as consideration for the Perceptive Term Loan Facility (see Note 6 – *Debt*), the Company issued the Perceptive Warrant to purchase up to 5,000,000 shares of the Company's common stock, including the Initial Warrants. The per share exercise price for the Initial Warrants is equal to $1.0648, which is equal to the lower of (A) the 10-day VWAP of the Company's common stock on the business day immediately prior to the Closing Date of the Tranche A Loan or (B) the public offering price per share of common stock of $1.15. The Initial Warrants are equity classified and were immediately exercisable upon issuance and expire on November 21, 2032. The Initial Warrants were valued at $2.9 million using the Black-Scholes option-pricing model assuming an expected term of 10 years, a volatility of 81.3%, a dividend yield of 0% and a risk-free interest rate of 3.67%. All Initial Warrants remain outstanding as of June 30, 2024.

On May 10, 2023, as consideration for the First Amendment (see Note 6 – *Debt*), the Company agreed to issue to Perceptive a warrant to purchase up to 500,000 shares of the Company's common stock (the First Amendment Warrants) at a per share exercise price equal to $1.6254, which is equal to the 10-day VWAP of the Company's common stock ending on the business day immediately prior to the First Amendment Effective Date. The First Amendment Warrants are equity classified and immediately exercisable upon issuance and expire on May 10, 2033. The First Amendment Warrants were valued at $0.7 million using the Black-Scholes option-pricing model assuming an expected term of 10 years, a volatility of 78.7%, a dividend yield of 0% and a risk-free interest rate of 3.49%. All First Amendment Warrants remain outstanding as of June 30, 2024.

On December 15, 2023 (the Tranche B Borrowing Date), the Company exercised its ability to draw the Tranche B loan (see Note 8 – *Debt*). In connection with the Tranche B draw, the Company remeasured the Tranche B Warrants through the Tranche B Borrowing Date and recorded the change in fair value through the statement of operations and, subsequently, reclassified the fair value to additional paid-in capital. The Tranche B Warrants are now equity classified and immediately exercisable upon issuance and expire on December 15, 2033. The Tranche B Warrants were valued at $1.3 million using the Black-Scholes option-pricing model assuming an expected term of 10 years, a volatility of 76.2%, a dividend yield of 0% and a risk-free interest rate of 3.91%. All Tranche B Warrants remain outstanding as of June 30, 2024.

Note 9 – Revenue and Accounts Receivable Credit Concentration

We derive our revenue from two primary sources: (i) providing diagnostic testing in the clinical setting (Diagnostic Tests); and (ii) providing biopharmaceutical companies with services that include diagnostic research, clinical research, clinical trial testing, development and testing services provided outside the clinical setting and governed by individual contracts with third parties as well as development and commercialization of companion diagnostics. We also recognize revenue from other services, including amounts derived from licensing our technologies (Biopharmaceutical Services and other).

Diagnostic test revenues consist of blood-based lung tests which are recognized in the amount expected to be received in exchange for diagnostic tests when the diagnostic tests are delivered. The Company conducts diagnostic tests and delivers the completed test results to the prescribing physician or patient, as applicable. The fees for diagnostic tests are billed either to a third party such as Medicare, medical facilities, commercial insurance payers, or to the patient. The Company determines the transaction price related to its diagnostic test contracts by considering the nature of the payer, test type, and historical price concessions granted to groups of customers. For diagnostic test revenue, the Company estimates the transaction price, which is the amount of consideration it expects to be entitled to receive in exchange for providing services based on its historical collection experience, using a portfolio approach. The Company recognizes revenues for diagnostic tests upon delivery of the tests to the physicians requesting the tests or patient, as applicable.

Services revenue consists of on-market tests, pipeline tests, custom diagnostic testing, and other scientific services for a purpose as defined by any individual customer, which is often with biopharmaceutical companies. The performance obligations and related revenue for these sales is defined by a written agreement between the Company and the customer. These services are generally completed upon the delivery of testing results, or other contractually defined milestone(s), to the customer. Revenue for these services is recognized upon delivery of the completed test results, or upon completion of the contractual milestone(s). In addition, other revenue includes amounts derived from licensing our digital sequencing technologies to our international laboratory partners. We are compensated through royalty-based payments for the licensed technology, and depending on the nature of the technology licensing arrangements and considering factors including but not limited to enforceable right to payment and payment terms, and if an asset with alternative use is created, these revenues are recognized in the period when royalty-bearing sales occur.

Revenues consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Diagnostic Tests	$ 16,539	$ 11,449	$ 30,335	$ 20,094
Biopharmaceutical Services and other	1,386	423	2,408	834
Total revenue	$ 17,925	$ 11,872	$ 32,743	$ 20,928

Deferred Revenue

Deferred revenue consists of cash payments from customers received in advance of delivery. As test results are delivered, the Company recognizes the deferred revenue in ‘Revenues’ in the condensed statements of operations. Of the $0.3 million in ‘Deferred revenue’ recorded in the condensed balance sheet as of December 31, 2023, $0.3 million was recognized in revenues during the six months ended June 30, 2024 and $0.4 million was added to ‘Deferred revenue’ for up-front cash payments received for which the revenue recognition criteria have not been met. The ‘Deferred revenue’ of $0.4 million recorded in the condensed balance sheet as of June 30, 2024 is expected to be recognized in revenues over the next twelve months as test results are delivered and services are performed. As of June 30, 2024 and December 31, 2023, the Company had $0.3 million in non-current deferred revenue, respectively, recorded within ‘Other long-term liabilities’ in the condensed balance sheets which represent amounts to be recognized in excess of twelve months from the respective balance sheet date.

The Company’s customers in excess of 10% of total revenue and their related revenue as a percentage of total revenue were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United Healthcare	13%	11%	12%	11%

In addition to the above table, we collect reimbursement on behalf of customers covered by Medicare, which accounted for 41% of the Company's total revenue for both the three and six months ended June 30, 2024 compared to 48% and 47% for the three and six months ended June 30, 2023, respectively.

The Company is subject to credit risk from its accounts receivable related to services provided to its customers. The Company's third-party payors and other customers in excess of 10% of accounts receivable, and their related accounts receivable as a percentage of total accounts receivable were as follows:

	As of	
	June 30, 2024	December 31, 2023
Medicare	21%	21%

Note 10 – Share-Based Compensation

The Company's share-based compensation awards are issued under the 2020 Equity Incentive Plan (2020 Plan), the predecessor 2016 Equity Incentive Plan (2016 Plan) and 2006 Equity Incentive Plan (2006 Plan). Any awards that expire or are forfeited under the 2016 Plan or 2006 Plan become available for issuance under the 2020 Plan. As of June 30, 2024, 792,858 shares of common stock remained available for future issuance under the 2020 Plan.

Share-Based Compensation Expense

Share-based compensation expense reported in the Company's condensed statements of operations was (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Direct costs and expenses	$ 19	$ 7	$ 35	$ 24
Research and development	105	74	130	181
Sales, marketing, general and administrative	1,094	976	3,693	3,133
Total	$ 1,218	$ 1,057	$ 3,858	$ 3,338

The unrecognized remaining share-based compensation expense for options and RSUs was approximately $7.5 million as of June 30, 2024 and is expected to be amortized to expense over the next 2.3 years.

Stock Options

Stock option activity during the six months ended June 30, 2024, excluding the Bonus Option Program described below, was (in thousands, except weighted average exercise price and weighted average contractual life):

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2024	2,041	$ 3.36	6.9	$ 964
Granted	2,138	1.67	—	—
Forfeited/canceled	(132)	2.16	—	—
Exercised	(14)	0.53	—	—
Outstanding - June 30, 2024	4,033	$ 2.51	8.1	$ 737
Exercisable - June 30, 2024	1,525	$ 3.71	6.1	$ 566

Restricted Stock Unit Activity

Restricted stock unit activity during the six months ended June 30, 2024 was (in thousands, except weighted average grant date fair value per share):

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Outstanding - January 1, 2024	2,729	$ 1.91
Granted	1,670	1.81
Forfeited/canceled	—	—
Released	(543)	2.01
Outstanding - June 30, 2024	3,856	$ 1.86

Bonus-to-Options Program

The Company also has a Bonus-to-Options Program (the Bonus Option Program) which allows participants who so elect to convert a portion of their annual cash bonus into fully vested, non-qualified stock options to purchase shares of common stock. Participation is limited to the Chief Executive Officer, direct reports to the Chief Executive Officer and Vice Presidents of the Company. As part of the Bonus Option Program, the Company recorded the following activity during the six months ended June 30, 2024 (in thousands, excepted weighted average exercise price and weighted average contractual life):

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding - January 1, 2024	1,050	$ 2.81	8.4	$ 22
Granted	341	1.46	—	—
Forfeited/canceled	(27)	24.34	—	—
Exercised	—	—	—	—
Outstanding - June 30, 2024	1,364	$ 2.04	8.5	$ 35
Exercisable - June 30, 2024	1,330	$ 1,330.00	8.5	$ 24

The Company recorded $0.2 million and $0.4 million for the three and six months ended June 30, 2024, respectively, compared to an insignificant amount and $0.2 million for the three and six months ended June 30, 2023, respectively, related to the estimate of the Bonus Option Program. Options granted, if any, pertaining to the performance of the Bonus Option Program are typically approved and granted in first quarter of the year following completion of the fiscal year.

Employee Stock Purchase Plan

The ESPP provides for successive six-month offering periods beginning on September 1st and March 1st of each year. During the six months ended June 30, 2024, 216,506 shares were issued under the ESPP leaving 430,612 shares reserved for future issuance.

Note 11 – Net Loss per Common Share

Basic net loss per share excludes dilution and is computed by dividing net loss attributable to the common stockholders by the weighted-average shares outstanding during the period. Diluted net loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised, resulting in the issuance of shares of common stock that would then share in the earnings or losses of the Company.

Basic and diluted loss per share for the three and six months ended June 30, 2024 and 2023 were (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator				
Net loss attributable to common stockholders	$ (10,808)	$ (13,356)	$ (24,422)	$ (32,058)
Denominator				
Weighted-average shares outstanding used in computing net loss per share, basic and diluted	127,168	78,506	112,167	78,138
Net loss per share, basic and diluted	$ (0.08)	$ (0.17)	$ (0.22)	$ (0.41)

The following outstanding common stock equivalents were excluded from diluted net loss attributable to common stockholders for the periods presented because inclusion would be anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Options to purchase common stock	5,397	3,912	5,397	3,912
Shares committed under ESPP	88	95	88	95
Warrants	5,603	5,603	5,603	5,603
Restricted stock units	3,856	2,954	3,856	2,954
Total	14,944	12,564	14,944	12,564

Note 12 – Income Taxes

Since inception, the Company has incurred net taxable losses, and accordingly, no provision for income taxes has been recorded. There was no cash paid for income taxes during the three and six months ended June 30, 2024 and 2023.

Note 13 – Commitments and Contingencies

Co-Development Agreement

In April 2014 and amended in October 2016, the Company entered into a worldwide agreement with AVEO to develop and commercialize AVEO's hepatocyte growth factor inhibitory antibody ficlatuzumab with the Company's proprietary companion diagnostic test, BDX004, a version of the Company’s serum protein test that is commercially available to help physicians guide treatment decisions for patients with advanced non-small cell lung cancer (NSCLC). Under the terms of the agreement, AVEO will conduct a proof of concept (POC) clinical study of ficlatuzumab for NSCLC in which BDX004 will be used to select clinical trial subjects (the NSCLC POC Trial). Under the agreement, the Company and AVEO would share equally in the costs of the NSCLC POC Trial, and each would be responsible for 50% of development and regulatory costs associated with all future clinical trials agreed upon by the Company and AVEO. The Company and AVEO continue to conduct POC clinical trials of ficlatuzumab in combination with BDX004.

In September 2020, the Company exercised its opt-out right with AVEO for the payment of 50% of development and regulatory costs for ficlatuzumab effective December 2, 2020 (the AVEO Effective Date). In September 2021, AVEO announced that the FDA has granted Fast Track Designation (FTD) to ficlatuzumab for the treatment of patients with relapsed or recurrent head and neck squamous cell carcinoma. In November 2021 AVEO also announced plans to initiate a potential registrational Phase 3 clinical trial for ficlatuzumab in the first half of 2023. The Company had $0.1 million in remaining obligations related to the AVEO agreement as of June 30, 2024. Following the AVEO Effective Date, the Company is entitled to a 10% royalty of net sales of ficlatuzumab and 25% of license income generated from the licensing of ficlatuzumab from AVEO. There were no royalties received or expenses related to this agreement for the three and six months ended June 30, 2024 and 2023.

License Agreements

In August 2019, we entered into a non-exclusive license agreement with Bio-Rad Laboratories, Inc. (Bio-Rad) (the Bio-Rad License). Under the terms of the Bio-Rad License, the Company received a non-exclusive license, without the right to grant sublicenses, to utilize certain of Bio-Rad’s intellectual property, machinery, materials, reagents, supplies and know-how necessary for the performance of Droplet Digital PCR™ (ddPCR) in cancer detection testing for third parties in the United States. The Company also agreed to purchase all of the necessary supplies and reagents for such testing exclusively from Bio-Rad, pursuant to a separately executed supply agreement (the Supply Agreement) with Bio-Rad. The Bio-Rad License was set to expire in August 2024. In May 2024, the Company amended the agreement to extend the Supply Agreement to August 2026. Either party may terminate for the other’s uncured material breach or

bankruptcy events. Bio-Rad may terminate the Bio-Rad License if the Company does not purchase licensed products under the Supply Agreement for a consecutive twelve-month period or for any material breach by us of the Supply Agreement.

On May 13, 2021 (the CellCarta Effective Date), we reached agreement with CellCarta Biosciences Inc. (formerly “Caprion Biosciences, Inc.”) (the CellCarta License) on a new royalty bearing license agreement for the Nodify XL2 test. The parties agreed to terminate all prior agreements and replace with this new arrangement, which has a 1% fee on net sales made from the first commercial sale of the Nodify XL2 test to the CellCarta Effective Date as an upfront make-good payment covering past royalties due and a royalty rate of 0.675% on future Nodify XL2 test net sales worldwide for 15 years from the first commercial sale, ending in 2034. Royalty expense under the CellCarta License was $0.1 million for both the three and six months ended June 30, 2024 and 2023, respectively.

On October 31, 2019, we completed an acquisition of Freenome's United States operations (formerly "Oncimmune USA" or "Oncimmune") including its CLIA lab in De Soto, Kansas and its pulmonary nodule malignancy test, then marketed in the United States as the EarlyCDT Lung® test. We renamed and relaunched the test on February 28, 2020 as the Nodify CDT test. As part of the acquisition of the assets of Oncimmune, the Company entered into several agreements to govern the relationship between the parties. The Company agreed to a license agreement and royalty payment related to the Nodify CDT test of 8% of recognized revenue for non-screening tests up to an annual minimum volume and 5% thereafter. Royalty expenses were $0.4 million and $0.6 million for the three and six months ended June 30, 2024, respectively, compared to $0.2 million and $0.4 million for the three and six months ended June 30, 2023, respectively.

Litigation, Claims and Assessments

From time to time, we may become involved in legal proceedings or investigations which could have an adverse impact on our reputation, business and financial condition and divert the attention of our management from the operation of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows.

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

Biodesix, Inc. is referred to throughout this Quarterly Report on Form 10-Q for the period ended June 30, 2024 (Form 10-Q) as "we", "us", "our" or the "Company".

The following Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (Form 10-K) and the Condensed Financial Statements as of June 30, 2024 and for the three and six months ended June 30, 2024 and 2023, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding our financial position, results of operations and cash flows. To the extent that the following MD&A contains statements which are not of a historical nature, such statements are forward-looking statements, which involve risks and uncertainties, including but not limited to those set forth under the caption "Special Note Regarding Forward-Looking Statements" and Item 1A. "Risk Factors" of Part II in this Quarterly Report on Form 10-Q and those discussed in our other filings with the Securities and Exchange Commission (SEC), including the risks described in Item 1A. "Risk Factors" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on March 1, 2024.

The following MD&A discussion is provided to supplement the Condensed Financial Statements as of June 30, 2024 and 2023 and for the three and six months then ended included in Part I, Item 1 of this Quarterly Report on Form 10-Q. We intend for this discussion to provide you with information that will assist you in understanding our financial statements, the changes in key items in those financial statements from period to period, and the primary factors that accounted for those changes.

Data for the three and six months ended June 30, 2024 and 2023 has been derived from our unaudited condensed financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Overview

We are a leading diagnostic solutions company with a focus in lung disease. By combining a multi-omic approach with a holistic view of the patient's disease state, we believe our solutions provide physicians with greater insights to help personalize their patient's care and meaningfully improve disease detection, evaluation, and treatment. Our unique approach to precision medicine provides timely and actionable clinical information, which we believe helps improve overall patient outcomes and lowers the overall healthcare cost by reducing the use of ineffective and unnecessary treatments and procedures. In addition to our diagnostic tests, we provide biopharmaceutical companies with services that include diagnostic research, clinical trial testing, and the discovery, development, and commercialization of companion diagnostics. We also recognize revenue from other services, including amounts derived from licensing our technologies.

Our core belief is that no single technology will answer all clinical questions that we encounter. Therefore, we employ multiple technologies, including genomics, transcriptomics, proteomics, radiomics, and AI enabled informatics to discover innovative diagnostic tests for potential clinical use. Our multi-omic approach is designed to enable us to discover diagnostic tests that answer critical clinical questions faced by physicians, researchers, and biopharmaceutical companies.

We regularly engage with our customers, key opinion leaders, and scientific experts to stay ahead of the rapidly evolving diagnostic treatment landscape to identify additional clinical unmet needs where a diagnostic test could help improve patient care. Additionally, we incorporate clinical and molecular profiling data from our commercial clinical testing, research studies, clinical trials, and biopharmaceutical customers or other collaborative partnerships, to continue to advance our platform. We have a variety of samples with associated data in our biobank, including tumor profiles and immune profiles, which are used for both internal and external research and development initiatives.

We have commercialized five diagnostic tests for our lung diagnostic business, each of which have Medicare coverage, which are currently available for use by physicians. Our Nodify CDT and Nodify XL2 tests, marketed as Nodify Lung Nodule Risk Assessment, assess the risk of lung cancer to help identify the most appropriate treatment pathway. The Nodify CDT and XL2 tests have an established average turnaround time of one and five business days, respectively, from receipt of the blood sample, providing physicians with timely results to guide diagnostic planning. The Nodify Lung Nodule Risk Assessment has resulted in a change in the calculated risk of malignancy in 80-85% of the cases. We believe we are the only company to offer two commercial blood-based tests to help physicians reclassify risk of malignancy in patients with suspicious lung nodules. Our GeneStrat ddPCR, GeneStrat NGS, and VeriStrat tests, marketed as the IQLung testing strategy, are used following diagnosis of lung cancer to measure the presence of mutations in the tumor and the state of the patient's immune system to establish the patient's prognosis and help guide treatment decisions. The GeneStrat targeted tumor profiling test and the VeriStrat immune profiling test have an established average turnaround time of two business days. The GeneStrat NGS test is our blood-based NGS test and has an established average turnaround time of three business days. The 52-gene panel includes guideline recommended mutations to help physicians treating advanced-stage lung cancer patients identify all four major mutation classes and genes, such as EGFR, ALK, KRAS, MET, NTRK, ERBB2, and others, and delivers them in an expedited timeframe so patient treatment can begin sooner.

In addition to the five diagnostic tests currently on the market, we offer over 30 assays for research use as part of our laboratory services which have been used by over 65 biopharmaceutical companies and academic partners. All of our diagnostic and services testing is performed at one of our two accredited, high-complexity clinical laboratories in Louisville, Colorado and De Soto, Kansas.

Since our inception, we have performed over 600,000 clinical diagnostic tests, and continue to generate a large and growing body of clinical evidence consisting of over 300 clinical and scientific peer-reviewed publications, presentations, and abstracts. Through ongoing study of each of our tests, we continue to grow our depth of understanding of disease biology and the broad utility of each of our tests. We believe we are poised for rapid growth by leveraging our scientific and clinical development and laboratory operations expertise along with our commercial infrastructure which includes sales, marketing, reimbursement, and regulatory affairs.

In the United States, we market our tests to clinical customers through our direct sales organization, which includes sales representatives that are engaged in sales efforts and promotional activities primarily to pulmonologists, oncologists, cancer centers and nodule clinics. We market our tests and services to biopharmaceutical companies globally through our targeted business development team, which promotes the broad utility of our tests and testing capabilities throughout drug development and commercialization which is of value to pharmaceutical companies and their drug-development process.

Factors Affecting Our Performance

We believe there are several important factors that have impacted our operating performance and results of operations, including:

- **Testing volume and customer mix.** Our revenues and costs are affected by the volume of testing and mix of customers from period to period. We evaluate both the volume of our commercial tests, or the number of tests that we perform for patients on behalf of clinicians, as well as tests for biopharmaceutical companies. Our performance depends on our ability to retain and broaden adoption with existing customers, as well as attract new customers. We believe that the test volume we receive from clinicians and biopharmaceutical companies are indicators of growth in each of these customer verticals. Customer mix for our tests has the potential to significantly impact our results of operations, as the average selling price for biopharmaceutical sample testing is currently significantly greater than our average selling price for clinical tests since we are not a contracted provider for, or our tests are not covered by all clinical patients' insurance. We evaluate our average selling price for tests that are covered by Medicare, Medicare Advantage and commercial payers to understand the trends in reimbursement and apply those trends to our revenue recognition policies.

- **Reimbursement for clinical diagnostic testing.** Our revenue depends on achieving broad coverage and reimbursement for our tests from third-party payers, including both commercial and government payers. All five Biodesix blood-based lung diagnostic tests within Nodify Lung Nodule Risk Assessment testing and IQLung strategy for lung cancer patients are covered by Medicare. Payment from third-party payers differs depending on whether we have entered into a contract with the payers as a "participating provider" or do not have a contract and are considered a "non-participating provider." Payers will often reimburse non-participating providers, if at all, at a lower rate than participating providers.

  Historically, we have experienced situations where commercial payers proactively reduced the amounts they were willing to reimburse for our tests, and in other situations, commercial payers have determined that the amounts they previously paid were too high and have sought to recover those perceived excess payments by deducting such amounts from payments otherwise being made. When we contract to serve as a participating provider, reimbursements are made pursuant to a negotiated fee schedule and are limited to only covered indications. Becoming a participating provider generally results in higher reimbursement for covered indications and lack of reimbursement for non-covered indications. As a result, the impact of becoming a participating provider with a specific payer will vary. If we are not able to obtain or maintain coverage and adequate reimbursement from third-party payers, we may not be able to effectively increase our testing volume and revenue as expected. Additionally, retrospective reimbursement adjustments can negatively impact our revenue and cause our financial results to fluctuate.

  On July 6, 2023, the Company announced that the Centers for Medicare & Medicaid Services (CMS) has designated the Nodify CDT Test as an Advanced Diagnostic Laboratory Test (ADLT) effective June 30, 2023. Obtaining ADLT status is a recognition that the Nodify CDT test meets the stringent criteria established under the Protecting Access to Medicare Act of 2014. ADLT status is reserved for innovative tests with Medicare coverage that provide new clinical diagnostic information that cannot be obtained from any other test or combination of tests.

- **Investment in clinical studies and product innovation to support growth.** A significant aspect of our business is our investment in research and development, including the development of new products and our investments in clinical utility studies. We have invested heavily in clinical studies for our on market and pipeline products. Our studies focus primarily on the clinical utility of our tests including the ongoing INSIGHT study to continue our clinical understanding of the predictive and prognostic value of the VeriStrat test. On June 27, 2023, we completed enrollment of 5,000 patients with non-small cell lung cancer. The ALTITUDE randomized control study, launched during the fourth quarter 2020, seeks to further demonstrate the efficacy of the Nodify CDT and XL2 tests. A secondary focus of our studies is understanding the economic impact of our

tests in assisting with decisions related to patient management and the potential impact of our tests in reducing overall healthcare costs.

On July 12, 2023, we announced the prospective, real-world ORACLE study (An Observational Registry Study to Evaluate the Performance of the Nodify XL2 Test) achieved the primary endpoint of a statistically significant change in the proportion of benign lung nodules managed by Nodify XL2 experiencing invasive procedures. The ORACLE study showed patients with benign nodules managed with the Nodify XL2 test were 74% less likely to undergo an unnecessary invasive procedure compared to the control group. Additionally, the proportion of patients sent to CT surveillance with malignant nodules did not differ between the Nodify XL2 group and the control group. The ORACLE study officially closed on May 28, 2024.

Our clinical research has resulted in approximately 90 peer-reviewed publications for our tests. In addition to clinical studies, we are collaborating with investigators from multiple academic cancer centers. On June 3, 2022, we announced the intent to develop a new novel molecular minimal residual disease (MRD) test as a part of a master sponsored research agreement (MSRA) with Memorial Sloan Kettering Cancer Center (MSK). In addition, the MSRA between MSK and the Company also includes the potential future development of other diagnostic tests aimed at improving the treatment of cancer. On March 25, 2024, we announced a new master collaborative research agreement (MCRA) with MSK under which the teams will collaborate on a development plan for diagnostic tests aimed at improving the treatment of cancer. Biodesix will utilize its array of genomics, proteomics, and data mining capabilities with the aim of developing and commercializing oncology biomarker assays in collaboration with MSK. Bio-Rad will provide its industry-leading digital PCR assay technology in support of this important work. We believe these studies and collaborative arrangements are critical to gaining physician adoption and driving favorable coverage decisions by payers and expect our investments in research and development to increase. Further we also expect to increase our research and development expenses to fund further innovation and develop new clinically relevant tests.

- **Ability to attract new biopharmaceutical customers and maintain and expand relationships with existing customers**. Our business development team promotes the broad utility of our products for biopharmaceutical companies in the United States and internationally. Our revenue, business opportunities and growth depend in part on our ability to attract new biopharmaceutical customers and to maintain and expand relationships with existing biopharmaceutical customers. We expect to increase our sales and marketing expenses in furtherance of this as we continue to develop these relationships, and we expect to support a growing number of investigations and clinical trials. If our relationships expand, we believe we may have opportunities to offer our platform for companion diagnostic development, novel target discovery and validation efforts, and to grow into other commercial opportunities. For example, we believe our multi-omic data including genomic and proteomic data, in combination with clinical outcomes or claims data, has revenue-generating potential, including for novel target identification and companion diagnostic discovery and development.
- **Motivating and expanding our field sales force and customer support team**. Our field sales force is the primary point of contact in the clinical setting. These representatives of the Company must cover expansive geographic regions which limits their time for interaction and education of our products in the clinical setting. We plan to continue investing in the field sales force through select expansion and provide them with tools that maximize their education and selling efforts in order to achieve greater returns. Additionally, we plan to invest in the marketing and customer support teams to continue to provide the field sales force with the resources to be successful.

While each of these areas present significant opportunities for us, they also pose significant risks and challenges that we must address. See Part II, Item 1A. “Risk Factors” within this Form 10-Q and Item 1A. “Risk Factors” of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 for more information.

Second Quarter 2024 Financial and Operational Highlights

The following were significant developments affecting our business, capital structure and liquidity during the three months ended June 30, 2024 as compared to the same period in 2023 unless otherwise noted:

- Total revenue of $17.9 million, an increase of 51% over the second quarter 2023. This results in now eight consecutive quarters of over 40% revenue growth and is driven by strong year-over-year growth in both lines of business:
  - *Lung Diagnostic revenue of $16.5 million reflected a year-over-year increase of 44% driven primarily by the continued adoption of Nodify Lung® nodule risk assessment tests;*
  - *Biopharmaceutical Services of $1.4 million increased 228% year-over-year, a result of both delivering against the Company’s book of contracted business and securing new agreements;*
- Second quarter 2024 gross profit of $14.0 million, or 78.4% gross margin compared to 72.7% gross margin in the comparable prior year period, primarily driven by growth in Lung Diagnostic testing and optimization of testing workflows that resulted in improvements in costs per test, and increased process efficiencies in the Company’s Biopharmaceutical Services business;

- Operating expenses (excluding direct costs and expenses) of $22.3 million, an increase of approximately $2.7 million, or 14% as compared to the second quarter 2023 (includes $2.7 million of non-cash stock compensation expense, depreciation and amortization, and asset impairment as compared to $1.9 million). This increase is primarily attributable to an increase in sales and marketing costs to support lung diagnostic sales growth to enhance product awareness and drive adoption, an increase in depreciation expense related to the leasehold improvements in the Company's new Louisville, Colorado offices and laboratory, partially offset by a decrease in research and development and general and administrative costs;
- Net loss of $10.8 million, an improvement of approximately $2.5 million, or 19% as compared to the same period of 2023. Net loss included $0.6 million of one-time cash and non-cash Other Expenses, net primarily related to our probability of not utilizing the Lincoln Park Capital Equity Line of Credit prior to expiration and costs associated with debt-extinguishment;
- Cash and cash equivalents of $42.2 million as of June 30, 2024, an increase of $30.7 million from March 31, 2024;
    - *Cash and cash equivalents as of June 30, 2024, includes $55.0 million in gross proceeds raised from an oversubscribed and upsized offering of common stock and concurrent private placement completed on April 5, 2024.*
    - *Includes the second quarter scheduled milestone payment of $5.3 million and pre-payment of the third quarter $8.4 million scheduled milestone payment paid in April 2024 for the acquisition of Integrated Diagnostics in 2018. The pre-payment of the third quarter milestone resulted in cash savings from interest that was eliminated by the pre-payment. The Company has one final payment of $6.1 million remaining, which does not accrue interest and is expected to be paid at the end of the third quarter 2024.*

Components of Operating Results

Revenues

We derive our revenue from two primary sources: (i) providing diagnostic testing in the clinical setting (Diagnostic Tests); and (ii) providing biopharmaceutical companies with services that include diagnostic research, clinical research, clinical trial testing, development and testing services generally provided outside the clinical setting and governed by individual contracts with third parties as well as development and commercialization of companion diagnostics. We also recognize revenue from other services, including amounts derived from licensing our technologies (Biopharmaceutical Services and other).

Diagnostic Tests

Diagnostic test revenue is generated from delivery of results from our diagnostic tests. In the United States, we performed tests as both an in-network and out-of-network service provider depending on the test performed and the contracted status of the insurer. We consider diagnostic testing to be completed upon the delivery of test results to our customer, either the prescribing physician or third-party to which we contracted for services to be performed, which is considered the performance obligation. The fees for such services are billed either to a third party such as Medicare, medical facilities, commercial insurance payers, or to the patient. We determine the transaction price related to our contracts by considering the nature of the payer, test type, the historical amount of time until payment by a payer and historical price concessions granted to groups of customers.

Biopharmaceutical Services and other

Biopharmaceutical Services revenue is generated from the delivery of our on-market tests, pipeline tests, custom diagnostic testing, and other scientific services for a purpose as defined by any individual customer. At times we collaborate with large biopharmaceutical companies in an attempt to discover biomarkers that would be helpful in their drug development or marketing. The performance obligations and related revenue for these sales is defined by a written agreement between us and our customer. These services are generally completed upon the delivery of testing results, or other contractually defined milestone(s), to the customer, which is considered the performance obligation. Customers for these services are typically large pharmaceutical companies where collectability is reasonably assured and therefore revenue is accrued upon completion of the performance obligations. Revenue derived from services is often unpredictable and can cause significant swings in our overall net revenue line from quarter to quarter.

In addition, other revenue includes amounts derived from licensing our digital sequencing technologies to our international laboratory partners. We are compensated through royalty-based payments for the licensed technology, and depending on the nature of the technology licensing arrangements, and considering factors including, but not limited to: enforceable right to payment and payment terms, and if an asset with alternative use is created, these revenues are recognized in the period when royalty-bearing sales occur.

Operating Expenses

Direct costs and expenses

Cost of diagnostic testing generally consists of cost of materials, direct labor, including bonuses, employee benefits, share-based compensation, equipment and infrastructure expenses associated with acquiring and processing test samples, including sample accessioning, test performance, quality control analyses, charges to collect and transport samples; curation of test results for physicians; and in some cases, license or royalty fees due to third parties. Costs associated with performing our tests are recorded as the tests are

processed regardless of whether revenue was recognized with respect to the tests. Infrastructure expenses include allocated depreciation of laboratory equipment, rent costs, amortization of leasehold improvements and information technology costs. Royalties for licensed technology are calculated as a percentage of revenues generated using the associated technology and recorded as expense at the time the related revenue is recognized. One-time royalty payments related to signing of license agreements or other milestones, such as issuance of new patents, are amortized to expense over the expected useful life of the patents. While we do not believe the technologies underlying these licenses are necessary to permit us to provide our tests, we do believe these technologies are potentially valuable and of possible strategic importance to us or our competitors. Under these license agreements, we are obligated to pay aggregate royalties ranging from 1% to 8% of sales in which the patents or know-how are used in the product or service sold, sometimes subject to minimum annual royalties or fees in certain agreements.

We expect the aggregate cost of diagnostic testing to increase in line with the increase in the number of tests we perform, but the cost per test to decrease modestly over time due to the efficiencies we may gain as test volume increases, and from automation and other cost reductions. Cost of services includes costs incurred for the performance of development services requested by our customers. Costs of development services will vary depending on the nature, timing and scope of customer projects.

Research and development

Research and development expenses consist of costs incurred to develop technology and include salaries, share-based compensation and benefits, reagents and supplies used in research and development laboratory work, clinical trials infrastructure expenses, including allocated facility occupancy and information technology costs, contract services, quality and regulatory support, other outside costs and costs to develop our technology capabilities. Research and development expenses account for a significant portion of our operating expenses and consist primarily of external and internal costs incurred in connection with the discovery and development of our product candidates.

External expenses include: (i) payments to third parties in connection with the clinical development of our product candidates, including contract research organizations and consultants; (ii) the cost of manufacturing products for use in our preclinical studies and clinical trials, including payments to contract manufacturing organizations (CMOs) and consultants; (iii) scientific development services, consulting research fees and for sponsored research arrangements with third parties; (iv) laboratory supplies; and (v) allocated facilities, depreciation and other expenses, which include direct or allocated expenses for IT, rent and maintenance of facilities. External expenses are recognized based on an evaluation of the progress to completion of specific tasks using information provided to us by our service providers or our estimate of the level of service that has been performed at each reporting date. We track external costs by the stage of program, clinical or preclinical.

Internal expenses include employee-related costs, including salaries, share-based compensation and related benefits for employees engaged in research and development functions. We do not track internal costs by product candidate because these costs are deployed across multiple programs and, as such, are not separately classified.

Research and development costs are expensed as incurred. Payments made prior to the receipt of goods or services to be used in research and development are deferred and recognized as expense in the period in which the related goods are received or services are rendered. Costs to develop our technology capabilities are recorded as research and development.

We expect our research and development expenses to increase as we continue to innovate and develop additional products and expand our data management resources. As our services revenue grows, an increasing portion of research and development dollars are expected to be allocated to cost of services for biopharmaceutical service contracts. This expense, though expected to increase in dollars, is expected to decrease as a percentage of revenue in the long term, though it may fluctuate as a percentage of our revenues from period to period due to the timing and extent of these expenses.

Sales, marketing, general and administrative

Our sales and marketing expenses are expensed as incurred and include costs associated with our sales organization, including our direct sales force and sales management, client services, marketing, communications and reimbursement, as well as business development personnel who are focused on our biopharmaceutical customers. These expenses consist primarily of salaries, commissions, bonuses, employee benefits, share-based compensation, and travel, as well as marketing and educational activities and allocated overhead expenses. We expect our sales and marketing expenses to increase in dollars as we expand our sales force, increase our presence within the United States, and increase our marketing activities to drive further awareness and adoption of our tests and our future products. These expenses, though expected to increase in dollars, are expected to decrease as a percentage of revenue in the long term, though they may fluctuate as a percentage of our revenues from period to period due to the timing and nature of these expenses.

Our general and administrative expenses include costs for our executive, accounting, finance, legal and human resources functions. These expenses consist principally of salaries, bonuses, employee benefits, share-based compensation, and travel, as well as professional services fees such as consulting, audit, tax and legal fees, and general corporate costs and allocated overhead expenses. We expect that our general and administrative expenses will continue to increase in dollars, primarily due to increased headcount and costs associated with operating as a public company, including expenses related to legal, accounting, regulatory, maintaining compliance with exchange listing and requirements of the SEC, director and officer insurance premiums and investor relations. These expenses, though expected

to increase in dollars, are expected to decrease as a percentage of revenue in the long term, though they may fluctuate as a percentage from period to period due to the timing and extent of these expenses.

Non-Operating Expenses

Interest Expense and Interest Income

For the three and six months ended June 30, 2024 and 2023, interest expense consists of cash and non-cash interest from the Perceptive Term Loan Facility and changes in the value of our contingent consideration associated with the passage of time subsequent to the achievement of the gross margin target in the second quarter 2021. Interest income, which is included in 'Other income, net' in the condensed statements of operations consists of income earned on our cash and cash equivalents.

Results of Operations

The following table sets forth the significant components of our results of operations for the periods presented (in thousands, except percentages):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Revenues	$ 17,925	$ 11,872	$ 6,053	51 %	$ 32,743	$ 20,928	$ 11,815	56 %
Operating expenses								
Direct costs and expenses	3,877	3,238	639	20 %	7,052	6,407	645	10 %
Research and development	2,558	2,910	(352)	(12)%	4,598	6,161	(1,563)	(25)%
Sales, marketing, general and administrative	19,660	16,651	3,009	18 %	40,216	35,640	4,576	13 %
Impairment loss on intangible assets	67	—	67	—%	135	20	115	575 %
Total operating expenses	26,162	22,799	3,363	15 %	52,001	48,228	3,773	8 %
Loss from operations	(8,237)	(10,927)	2,690	25 %	(19,258)	(27,300)	8,042	29 %
Other (expense) income								
Interest expense	(1,936)	(2,430)	494	20 %	(4,465)	(4,821)	356	7 %
Loss on extinguishment of liabilities	(248)	—	(248)	(100)%	(248)	—	(248)	(100)%
Change in fair value of warrant liability, net	—	—	—	—%	—	61	(61)	(100)%
Other (expense) income, net	(387)	1	(388)	(38,800)%	(451)	2	(453)	(22,650)%
Total other expense	(2,571)	(2,429)	(142)	(6)%	(5,164)	(4,758)	(406)	(9)%
Net loss	$ (10,808)	$ (13,356)	$ 2,548	19 %	$ (24,422)	$ (32,058)	$ 7,636	24 %
Share-based compensation [1]	$ 1,218	$ 1,057	$ 161	15 %	$ 3,858	$ 3,338	$ 520	16 %

[1] Amounts represent share-based compensation expense reported in the Company's results of operations above.

Revenues

We generate revenue by providing laboratory testing of our diagnostic tests and services. Our revenues for the periods indicated were as follows (in thousands, except percentages):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
Revenues								
Diagnostic Testing revenue	16,539	11,449	5,090	44 %	$ 30,335	$ 20,094	$ 10,241	51 %
Biopharmaceutical Services and other revenue	1,386	423	963	228 %	2,408	834	1,574	189 %
Total revenues	$ 17,925	$ 11,872	$ 6,053	51 %	$ 32,743	$ 20,928	$ 11,815	56 %

Total revenue increased $6.1 million or 51%, and increased $11.8 million or 56% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023.

Diagnostic test revenue increased $5.1 million or 44%, and increased $10.2 million or 51% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The increases are primarily due to an increase of $5.3 million and $11.1 million, respectively, in the Nodify Lung Nodule Risk Assessment testing strategy driven by an increase in tests delivered as our sales efforts continue to focus on Nodify CDT and XL2 tests. These increases were partially offset by $0.2 million and $0.8 million decreases, respectively, in the IQLung testing strategy. The Company's diagnostic testing sales efforts continued to gain momentum during the

three and six months ended June 30, 2024 as the number of tests delivered reached the highest in Company history for six consecutive quarters.

Biopharmaceutical Services and other revenue increased $1.0 million or 228%, and increased $1.6 million or 189% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The increases in revenue for the three and six months ended June 30, 2024 was primarily a result of delivering against our expanding book of business and securing new agreements.

Operating Expenses

Direct costs and expenses

Direct costs and expenses related to revenue increased $0.6 million or 20%, and increased $0.6 million or 10% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023, primarily driven by the increase in testing volume compared to the same periods in 2023, partially offset by the optimization of testing workflows that resulted in improvements in costs per test.

Research and development

Research and development expenses decreased $0.4 million or 12%, and decreased $1.6 million or 25% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The decrease in costs for the three and six months ended June 30, 2024 was due primarily to a decrease in internal expenses associated with compensation and benefit costs and other external costs associated with clinical trials and data acquisition costs.

The following table summarizes our external and internal costs for the three and six months ended June 30, 2024 and 2023 (in thousands, except percentages):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
External expenses:								
Clinical trials and associated costs	$ 447	$ 679	$ (232)	(34)%	$ 643	$ 1,216	$ (573)	(47)%
Other external costs	645	677	(32)	(5)%	1,314	1,668	(354)	(21)%
Total external costs	1,092	1,356	(264)	(19)%	1,957	2,884	(927)	(32)%
Internal expenses	1,466	1,554	(88)	(6)%	2,641	3,277	(636)	(19)%
Total research and development expenses	$ 2,558	$ 2,910	$ (352)	(12)%	$ 4,598	$ 6,161	$ (1,563)	(25)%

Sales, marketing, general and administrative

Sales, marketing, general and administrative expenses increased $3.0 million or 18%, and increased $4.6 million or 13% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The increase for the three and six months ended June 30, 2024 was driven primarily by increases in employee compensation and benefits associated with an increase in headcount and variable compensation as well as increases in non-employee costs associated with increased spending on various sales meetings and sales fulfillment during 2024 as compared to 2023. Of the $3.0 million and $4.6 million increase, $0.7 million and $1.3 million, respectively, is associated with the increase in depreciation expense related to the leasehold improvements in our new Louisville headquarters and laboratory.

Non-operating Expenses

Interest expense

Interest expense decreased $0.5 million or 20%, and decreased $0.4 million or 7% for the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. The decrease in interest expense for the three and six months ended June 30, 2024 is primarily related to the decrease in interest associated with the contingent consideration as Milestone Payments are made.

Loss on extinguishment of liabilities

Loss on extinguishment of liabilities increased $0.2 million or 100% for both the three and six months ended June 30, 2024, respectively, compared to the same periods in 2023. On April 22, 2024, the Company obtained consent from Perceptive and prepaid the July 1, 2024 contingent consideration Milestone Payment of $8.4 million to Indi. As a result of prepaying the Milestone Payment, the Company performed a fair value analysis through April 22, 2024 and recorded a loss on early extinguishment of $0.2 million.

Change in fair value of warrant liability, net

During the three and six months ended June 30, 2024, the Company recorded no change in fair value of warrant liability in the condensed statement of operations. During the three and six months ended June 30, 2023, the Company recorded zero and a $0.1 million gain, respectively, as a change in fair value through the condensed statement of operations due to changes in unobservable inputs. This was a result of changes in the probability of our ability to draw on Tranche B and C loans.

Other (expense) income, net

During the three and six months ended June 30, 2024, the Company recorded other expense, net of $0.4 million and $0.5 million, respectively. The expense primarily consists of deferred offering costs of approximately $0.6 million and $0.7 million, respectively, as a result of changes in the probability of our ability to fully utilize the LPC Facility prior to the termination date. Partially offsetting this expense during the three and six months ended June 30, 2024 is $0.3 million of interest and other income.

Liquidity and Capital Resources

We are an emerging growth company and, as such, have yet to generate positive cash flows from operations. We have funded our operations to date principally from net proceeds from the sale of our common stock, the sale of convertible preferred stock, revenue from diagnostic testing and services, and the incurrence of indebtedness.

The Company amended the Indi APA agreement in April 2022 in which all parties agreed to restructure the Milestone Payments whereby the Company will make five quarterly installments of $2.0 million each beginning in April 2022, three quarterly installments of $3.0 million beginning in July 2023, one installment of $5.0 million in April 2024, and one installment of approximately $8.4 million in July 2024. In addition, the Company agreed to an exit fee of approximately $6.1 million in October 2024. Interest shall accrue on the difference between the payment schedule as agreed in the August 2021 amendment and the April 2022 amended payment schedule, at an aggregate per annum rate equal to 10%, with such interest to be payable quarterly on the following installment payment date. Our ability to make these payments is subject to ongoing compliance under the Perceptive Term Loan and commencing January 1, 2024, consent from Perceptive. On April 22, 2024, the Company obtained consent from Perceptive and prepaid the July 1, 2024 Milestone Payment of $8.4 million to Indi. The Company has one $6.1 million Milestone Payment remaining which is due October 1, 2024.

On November 21, 2022, the Company entered into a Credit Agreement and Guaranty (the Credit Agreement) with Perceptive Credit Holdings IV, LP (Perceptive) as lender and administrative agent (the Lender) for up to $50.0 million, with funding of $30.0 million and the issuance of warrants exercisable into 3,000,000 shares of the Company's common stock occurring on November 21, 2022, and two additional contingently issuable tranches of $10.0 million each subject to certain terms and conditions, including revenue milestones.

On April 7, 2023, the Company entered into a limited waiver under which the Lender agreed to waive the minimum revenue requirement for the three months ended March 31, 2023 (Limited Waiver). In addition, on May 10, 2023, the Company entered into the First Amendment to the Credit Agreement (First Amendment) with Perceptive as lender and administrative agent and the Company, as borrower, whereby subject to the terms and conditions of the First Amendment, the Minimum Net Revenue Covenant, as defined in the Credit Agreement, was modified to reduce the threshold through the twelve month period ended March 31, 2024.

On August 3, 2023, the Company entered into subscription agreements (the Subscription Agreements) with all of the members of our Board of Directors, all Section 16 officers, and additional members of the Biodesix leadership team for the issuance and sale by the Company of an aggregate of 16,975,298 of the Company's common stock for an aggregate purchase price of approximately $27.5 million. During the three months ended September 30, 2023, the Company received $15.3 million in proceeds and issued 9,454,927 shares of common stock. On September 27, 2023, the Company entered into an amendment to delay final closing on one subscription agreement. The remaining $12.2 million in proceeds was received and 7,520,371 shares of common stock was issued during the three months ended December 31, 2023.

On August 4, 2023, the Company entered into the Second Amendment to the Credit Agreement (the Second Amendment) with Perceptive as lender and administrative agent and the Company, as borrower, whereby subject to the terms and conditions of the Second Amendment, the Minimum Net Revenue Covenant (as defined in the Credit Agreement) was amended to reduce the relevant threshold as of the last day of each fiscal quarter commencing on the fiscal quarter ending June 30, 2024 through and including the fiscal quarter ending December 31, 2025.

Pursuant to the original terms of the Credit Agreement entered into on November 21, 2022, the Perceptive Term Loan Facility includes an additional Tranche B Loan, in an aggregate amount of up to $10.0 million, which is accessible by the Company so long as the Company satisfies certain customary conditions precedent, including revenue milestones. Under the terms of the Second Amendment, the conditions precedent for drawing on the Tranche B Loan were amended to (i) reduce the trailing-twelve month revenue milestone and (ii) add the receipt of aggregate cash proceeds of at least $27.5 million from an equity offering of the Company's common stock. During the three months ended December 31, 2023, the Company met the remaining conditions precedent associated with the Tranche B Loan and, on December 15, 2023, the Company exercised its ability to draw the Tranche B loan for $10.0 million (the Tranche B Loan).

On February 29, 2024 (the Third Amendment Effective Date), the Company entered into the Third Amendment to the Credit Agreement (the Third Amendment) with Perceptive as lender and administrative agent and the Company, as borrower, whereby subject to the terms and conditions of the Third Amendment, the Minimum Net Revenue Covenant (as defined in the Credit Agreement) was amended to reduce the relevant threshold as of the last day of each fiscal quarter commencing on the fiscal quarter ending March 31, 2024 through and including the fiscal quarter ending December 31, 2025.

On April 9, 2024, the Company closed an underwritten offering of common stock and a concurrent private placement. Collectively, the Company raised net proceeds of approximately $51.3 million.

As of June 30, 2024, the Company had remaining available capacity for share issuances of up to $46.9 million under the LPC Facility, subject to the restrictions and limitations of the underlying facilities. On April 5, 2024, the Company filed Supplement No. 1 to the ATM Prospectus Supplement dated December 22, 2021. To comply with volume limitations under applicable SEC rules and regulations, Supplement No. 1 reduced the aggregate offering price to up to $100,000 of shares in order to maximize the amount the Company could offer under the April 2024 Offering. Following the successful completion of the Company's April 2024 Offering, the Company is no longer subject to volume limitations under applicable SEC rules and regulations that limit their availability as sources of funding. Subsequent to June 30, 2024, the Company intends to file Supplement No. 2 to the ATM Prospectus Supplement dated December 22, 2021 to increase the aggregate offering price under the ATM facility to $50.0 million of shares.

As of June 30, 2024, we maintained cash and cash equivalents of $42.2 million and we have $40.0 million in outstanding aggregate principal amount on our Perceptive Term Loan Facility. We have incurred significant losses since inception and, as a result, we have funded our operations to date primarily through the sale of common stock, the sale of convertible preferred stock, the issuance of notes payable, and from our two primary revenue sources: (i) diagnostic testing, which includes lung diagnostic testing and (ii) providing biopharmaceutical companies with development and testing services and licensing our technologies. In accordance with Accounting Standards Update 2014-15 (ASC Topic 205-40), *Presentation of Financial Statements - Going Concern: Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, the Company is required to evaluate whether there is substantial doubt about its ability to continue as a going concern each reporting period, including interim periods. In evaluating the Company's ability to continue as a going concern, management projected its cash flow sources and evaluated the conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these financial statements were issued. Management considered the Company's current projections of future cash flows, our ability to execute our current operating plan, current financial condition, sources of liquidity and debt obligations for at least one year from the date of issuance of this Form 10-Q in considering whether it has the ability to meet its obligations.

Our ability to meet our obligations as they come due may be impacted by our ability to remain compliant with financial covenants in our Perceptive Term Loan Facility or to obtain waivers or amendments that impact the related covenants. As of June 30, 2024, the Company was in compliance with all restrictive and financial covenants associated with its borrowings.

Our ability to maintain our financial covenants under our Perceptive Term Loan Facility during the next twelve months is, in part, dependent upon executing our current operating plan. If we do not execute our current operating plan and maintain our financial covenants, this could result in an Event of Default (as defined in the Perceptive Term Loan Facility), causing an acceleration and repayment of the outstanding balances. The Perceptive Term Loan Facility requires the Company to meet certain Minimum Net Revenue threshold amounts agreed to between the Company and Perceptive as of the last day of each fiscal quarter, which commenced with the fiscal quarter ending March 31, 2023. We have taken steps to improve our liquidity through raising debt and equity capital and have also undertaken several proactive measures including, among other things, the reduction of planned capital expenditures and certain operating expenses. If we do not execute our current operating plan, we may need to consider further measures to reduce our operating expenses. These measures would limit or reduce our operations and could include a hiring freeze, reductions in our workforce, reduction in cash compensation, deferring capital expenditures, and reducing other operating costs.

If we do not execute our current operating plan we may need to continue to raise additional funds from external sources, such as through the issuance of debt or equity securities. We may also raise additional capital to restructure our existing debt or for general working capital purposes, or both. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we do raise additional capital through equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our existing stockholders' rights. There can be no assurance that additional capital will be available to us or, if available, will be available in sufficient amounts or on terms acceptable to us or on a timely basis.

We expect to continue to incur operating losses in the near term while we make investments to support our anticipated growth. Our ability to maintain our financial covenants is, in part, dependent upon executing our current operating plan and, along with the items noted above, raises substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. Our unaudited financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Cash Flows

The following summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2024	2023
Net cash flows (used in) provided by:		
Operating activities	$ (33,882)	$ (6,749)
Investing activities	(2,270)	(14,178)
Financing activities	52,087	(4,751)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ 15,935	$ (25,678)

Our cash flows resulted in a net increase in cash and cash equivalents and restricted cash of $15.9 million during the six months ended June 30, 2024 as compared to the net decrease in cash of $25.7 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, net cash used in operating activities totaled $33.9 million, an increase of approximately $27.1 million compared to the same period in 2023 primarily due to unfavorable changes in net working capital of $34.5 million, which includes $17.2 million of payments made for contingent consideration during the six months ended June 30, 2024, a $13.0 million decrease in tenant improvement allowances received for capital expenditures and leasehold improvements related to the CVP Lease, and $3.2 million change in accounts receivable due to an increase in revenue. This is partially offset by a year-over-year decrease in net loss from operations of $7.6 million.

Net cash used in investing activities during the six months ended June 30, 2024 totaled $2.3 million, a decrease of $11.9 million compared to the same period in 2023. The decrease in net cash used in investing activities was primarily due to decreases in purchases of property and equipment and capital expenditures for leasehold improvements related to the CVP Lease. These leasehold improvements are tenant improvements and have been reimbursed from the Landlord.

Net cash provided by financing activities during the six months ended June 30, 2024 totaled $52.1 million compared to a use of cash of $4.8 million in the same period of 2023. The net cash provided by financing activities for the six months ended June 30, 2024 primarily resulted from $51.3 million in net proceeds from the issuance of common stock from an underwritten offering of common stock and a concurrent private placement, $0.6 million from the issuance of common stock from our ATM facility, and $0.3 million from our ESPP, partially offset by repayment of notes payable, debt issuance costs and financing leases of $0.2 million. The net cash used in financing activities for the six months ended June 30, 2023 primarily resulted from milestone payments to Indi of $4.3 million and payments of debt issuance costs of $0.8 million, partially offset by $0.5 million in proceeds from the issuance of common stock under the ESPP and exercise of stock options.

Contractual Obligations and Commitments

The following table summarizes our non-cancelable contractual obligations and commitments as of June 30, 2024 (in thousands):

	Payments due by period [1]				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Borrowings and interest [2]	$ 59,957	$ 5,862	$ 11,655	$ 42,440	$ —
Contingent consideration	6,075	6,075	—	—	—
Operating lease obligations	45,799	3,161	8,332	8,303	26,003
Finance lease obligations	976	468	508	—	—
Total	$ 112,807	$ 15,566	$ 20,495	$ 50,743	$ 26,003

(1) Royalty payments that we may owe are not included as the amount and timing of such payments is uncertain.

(2) Includes the Perceptive Term Loan payments of principal and interest. Interest amounts associated with the Perceptive Term Loan are variable and estimated based on the interest rate in effect on June 30, 2024.

There have been no other significant changes to our future contractual obligations as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Off-Balance Sheet Arrangements

As of June 30, 2024, we have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Significant Judgments and Estimates

In accordance with accounting principles generally accepted in the United States, we are required to make estimates and assumptions that affect the amounts reported in the condensed financial statements and accompanying notes. Certain of these estimates significantly influence the portrayal of our financial condition and results of operations and require us to make difficult, subjective or complex

judgments. Our critical accounting policies are described in greater detail below and in Note 2 to our condensed financial statements in Part 1 of this Quarterly Report on Form 10-Q as well as Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on March 1, 2024.

Revenue Recognition

We recognize revenue when our customers obtain control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for our goods or services. To determine revenue recognition for our arrangements with our customers, we perform a five-step process, which includes: (i) identifying the contract(s) with a customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the contract; and (v) recognizing revenue when (or as) we satisfy our performance obligations. The Company generates revenues from (i) Diagnostic Tests and (ii) assay development, testing services, and licensing our technologies (Biopharmaceutical Services and other revenue).

The Company recognizes revenues related to blood-based lung diagnostic billings based on estimates of the amounts ultimately expected to be collected from customers on a portfolio approach. In determining the amount to accrue for a delivered test, the Company considers factors such as test type, payment history, payer coverage, whether there is a reimbursement contract between the payer and the Company, payment as a percentage of agreed upon rate (if applicable), amount paid per test and any current developments or changes that could impact reimbursement. Variable consideration, if any, is estimated based on an analysis of historical experience and adjusted as better estimates become available. These estimates require significant judgment by management.

The Company also provides services to patients with whom the Company does not have contracts as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification 606 (ASC 606). The Company recognizes revenue for these patients when contracts, as defined in ASC 606, are established at the amount of consideration to which it expects to be entitled, or when the Company receives substantially all of the consideration subsequent to satisfaction and delivery of the performance obligations.

In addition, other revenue includes amounts derived from licensing our digital sequencing technologies to our international laboratory partners. We are compensated through royalty-based payments for the licensed technology, and depending on the nature of the technology licensing arrangements and considering factors including but not limited to enforceable right to payment and payment terms, and if an asset with alternative use is created, these revenues are recognized in the period when royalty-bearing sales occur.

Implications of Being an Emerging Growth Company and Smaller Reporting Company

We are an "emerging growth company" within the meaning of the Jumpstart Our Business Startups Act (JOBS Act). As an emerging growth company, we may take advantage of certain exemptions from various public company reporting requirements, including the requirement that our internal control over financial reporting be audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), certain requirements related to the disclosure of executive compensation in our periodic reports and proxy statements, the requirement that we hold a nonbinding advisory vote on executive compensation and any golden parachute payments. We may take advantage of these exemptions until we are no longer an emerging growth company. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies, which may make comparison of our financials to those of other public companies more difficult.

We will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which we have more than $1.24 billion in annual revenue; (ii) the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates; (iii) the date on which we have issued, in any three-year period, more than $1.0 billion in non-convertible debt securities; and (iv) until December 31, 2025 (the year ended December 31st following the fifth anniversary of our initial public offering).

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which: (i) the market value of our common shares held by non-affiliates exceeds $250 million as of the end of that year's second fiscal quarter, or (ii) our annual revenues exceeded $100 million during such completed fiscal year and the market value of our common shares held by non-affiliates exceeds $700 million as of the end of that year's second fiscal quarter.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates.

Interest Rate Risk

We are exposed to market risk for changes in interest rates related primarily to our cash and cash equivalents, marketable securities and our indebtedness, including our outstanding Perceptive Term Loan. As of June 30, 2024, we had $40.0 million outstanding on the Perceptive Term Loan Facility which has an annual rate equal to the greater of (a) forward-looking one-month term SOFR as posted by CME Group Inc. and (b) 3.0% per annum, plus an applicable margin of 9.0%. Historically, we have not entered into derivative agreements such as interest rate caps and swaps to manage our floating interest rate exposure.

Periodically throughout the year, we have maintained balances in various operating accounts in excess of federally insured limits. Our cash and cash equivalents are funds held in checking and bank savings accounts, primarily at one U.S. financial institution. We consider all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. We continually monitor our positions with, and the credit quality of, the financial institutions with which we invest.

As of June 30, 2024, a hypothetical 100 basis point increase in interest rates would have an estimated $0.4 million impact per year on our financial position and results of operations, based on the current Perceptive Term Loan principal remaining outstanding through maturity.

Item 4. Controls and Procedures.

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 Chief Executive Officer and Chief 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 and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes to our internal control over financial reporting during the three months ended June 30, 2024 that have materially affected, or are reasonable likely to materially effect, our internal controls over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings or investigations which could have an adverse impact on our reputation, business and financial condition and divert the attention of our management from the operation of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows.

Item 1A. Risk Factors.

"Item 1A. Risk Factors" of our Annual Report on Form 10-K as of and for the year ended December 31, 2023, filed March 1, 2024, and subsequent quarterly reports on Form 10-Q, if applicable, include a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information we previously disclosed and, except as presented below, there have been no material changes from the risk factors described in our Annual Report on Form 10-K and subsequent quarterly reports on Form 10-Q. These risk factors may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could materially and adversely affect our business, financial condition and results of operations.

FDA is phasing out its general policy of enforcement discretion and will regulate laboratory developed tests as medical devices.

On September 29, 2023, FDA announced a proposed rule to amend its regulations to explicitly regulate laboratory developed tests (LDTs) as in vitro diagnostic tests in accordance with the agency's regulatory authority over medical devices. The FDA finalized its rule on May 6, 2024 and announced that the agency will phase-out its LDT enforcement discretion policy in gradual stages over a total period of four years. LDTs that fall within targeted enforcement discretion policies may be exempt from some of these requirements.

Under the final rule, our tests that are currently offered as LDTs could become subject to certain statutory and regulatory provisions that are applicable to medical devices, including but not limited to, medical device reporting and correction and removal reporting requirements, quality systems regulations, registration and listing requirements, and premarket review requirements. Laboratories offering "high-risk tests that will be subject to premarket authorization application requirements or licensure under Section 351 of the Public Health Service Act, will need to ensure that the appropriate submission is received by the FDA before November 6, 2027. Laboratories offering "moderate-risk" or "low-risk" tests that will be subject to De Novo authorization or premarket notification submissions will need to ensure that the appropriate submission is received by the FDA before May 6, 2028. Other regulatory requirements will be gradually phased in beginning on May 6, 2025.

Failure to comply with applicable requirements under the relevant timeframes could cause us to lose the ability to perform our tests, experience disruptions to our business, or become subject to administrative or judicial enforcement actions, which in turn may have an adverse impact on our business, financial condition, and results of operations. For more information regarding these risks, see Item 1A "Risk Factors" of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed on March 1, 2024, under the heading "— Risks Related to our Governmental Regulation—Our current line of diagnostic tests is covered under CLIA and CMS, but the FDA may end its general policy of enforcement discretion and regulate laboratory developed tests as medical devices. Changes in the way the FDA regulates tests performed by laboratories like ours could result in delay or additional expense in offering our tests and tests that we may develop in the future."

Legal challenges have been filed in federal district court over the agency's authority to regulate LDTs as medical devices, and the outcome of such litigation and its impact on FDA's plan to implement the requirements are uncertain. Congress has also considered legislation to establish a new comprehensive regulatory framework that would provide oversight over LDTs.

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

On April 5, 2024, we entered into the Securities Purchase Agreements, pursuant to which we sold 760,857 shares of our Series A Preferred Stock, which, subject to stockholder approval and certain beneficial ownership limitations set by each holder pursuant to the Series A Certificate of Designation, would automatically convert into 40 shares of Common Stock for each share of Series A Preferred Stock, for an aggregate of up to 30,434,280 shares of our common stock and an aggregate purchase price of $35.0 million. The Private Placement Preferred Shares were offered and sold in transactions exempt from registration under the Securities Act, in reliance on Section 4(a)(2) thereof. Each of the investors represented that it was an "accredited investor," as defined in Regulation D, and acquired the securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof. The Private Placement Preferred Shares have not been registered under the Securities Act and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act and any applicable state securities laws. The Company expects to use the net proceeds from the Concurrent Private Placement for commercial expansion of sales, supporting its product pipeline, research and development and for general corporate purposes.

In connection with the Concurrent Private Placement, the Company also entered into a Registration Rights Agreement, dated April 5, 2024 (the Registration Rights Agreement), with the Investors, which provides that the Company will register the resale of the shares of Common Stock issuable upon conversion of the Preferred Stock. Pursuant to the Registration Rights Agreement, the Company was

required to prepare and file an initial registration statement with the SEC as soon as reasonably practicable, but in no event later than April 23, 2024 (the Filing Deadline), and to use reasonable best efforts to have the registration statement declared effective within 50 days after the closing of the Concurrent Private Placement, subject to the approval of the conversion of the Concurrent Private Placement Shares being received at the Company's 2024 annual meeting of stockholders.

On May 21, 2024, the Company held its 2024 annual meeting of stockholders in which the Conversion Proposal and Issuance Proposal were approved by the Company's stockholders. Upon approval, each share of Series A Preferred Stock automatically converted into 40 shares of Common Stock and, on May 23, 2024, the Company issued 30,434,280 shares of Common Stock in exchange for all Series A Preferred Stock.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None of our directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement during the quarter ended June 30, 2024.

Item 6. Exhibits.

Exhibit Number	Description
10.1*	Second Amendment to Supply Agreement between Bio-Rad Laboratories, Inc., and Biodesix, Inc., dated May 22, 2024.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.
** Furnished herewith.
*** Previously filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Biodesix, Inc.

Date: August 7, 2024

By: /s/ CHRISTOPHER C. VAZQUEZ

Christopher C. Vazquez
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

SECOND AMENDMENT TO THE NON-EXCLUSIVE LICENSE AGREEMENT

This second amendment ("Amendment") is effective May 22, 2024 ("Amendment Effective Date"), and is made pursuant to the Non-Exclusive License Agreement dated August 1, 2019, as amended ("Agreement") by and between **BIO-RAD LABORATORIES, INC.,** having an address at 1000 Alfred Nobel Drive, Hercules, California 94547 ("Bio-Rad") and **BIODESIX, INC.,** a Delaware corporation, with a principal business address at 2970 Wilderness Place, Suite 100 Boulder, CO 80301, USA ("**Biodesix**") (individually, a "Party"; collectively, the "Parties").

WHEREAS, the Parties have agreed to extend the term of the Agreement,

NOW THEREFORE, for good and valuable consideration, the Parties agree as follows:

1. The Term of the Agreement is extended through August 1, 2026.
2. The Bio-Rad contact in 13.1 b is hereby amended to: Life Science Group
   Bio-Rad Laboratories, Inc. 2000 Alfred Nobel
   Drive Hercules, CA, USA 94547 Attn:
   Email:

3. Capitalized terms used in this Amendment and not defined herein, have the definitions found in the Agreement.

4. All other terms of the Agreement remain in full force and effect. Except as explicitly stated in this Amendment, this Amendment shall not act as a waiver of any other right or claim held by either party. This Amendment may only be modified by a written instrument executed by both Parties. If there is an inconsistency between the Agreement and this Amendment, the terms of this Amendment shall control.

IN WITNESS HEREOF, the Parties executed this Amendment as of the Amendment Effective Date.

BIO-RAD LABORATORIES, INC.

/s/ STEVE KULISCH

By: STEVE KULISCH
Its: VP, PRODUCT MANAGEMENT

BIODESIX, INC.

/s/ ROBIN HARPER COWIE

By: ROBIN HARPER COWIE
Its: CHIEF FINANCIAL OFFICER

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Scott Hutton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biodesix, Inc.;

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.

Date: August 7, 2024

By: /s/ Scott Hutton

Scott Hutton

Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Robin Harper Cowie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Biodesix, Inc.;

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.

Date: August 7, 2024

By: /s/ Robin Harper Cowie

Robin Harper Cowie

Chief 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 Biodesix, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my 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.

Date: August 7, 2024

By: /s/ Scott Hutton

Scott Hutton

Chief 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 Biodesix, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my 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.

Date: August 7, 2024

By: /s/ Robin Harper Cowie

Robin Harper Cowie

Chief Financial Officer