

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 September 30, 2021

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

(State or other jurisdiction of
incorporation or organization)

2970 Wilderness Place, Suite 100
Boulder, Colorado 80301
(Address of principal executive offices)

20-3986492
(I.R.S. Employer
Identification No.)

80301
(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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 November 11, 2021, the registrant had 27,020,576 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 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, 2020, which was filed on March 16, 2021. 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, 2020, regarding, among other things:

- the impact of a pandemic, epidemic, or outbreak of an infectious disease in the United States or worldwide, including the continuing spread of COVID-19 (including notable and severe mutations of the virus) may have a material adverse effect on our operations, our ability to generate revenues and income, and our ability to maintain compliance with our debt covenants and, under certain circumstances, remain a going concern.
- our inability to achieve or sustain profitability;
- 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;
- the demand for our Biodesix WorkSafe™ testing program and our ability to meet such demand;
- 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;
- natural or man-made disasters and other similar events, including the COVID-19 pandemic, 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 and warehousing providers;
- 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)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 47,913	\$ 62,126
Accounts receivable, net of allowance for doubtful accounts of \$168 and \$180	2,784	15,304
Other current assets	5,748	8,710
Total current assets	56,445	86,140
Non-current assets		
Property and equipment, net	4,432	3,178
Intangible assets, net	11,992	13,260
Other long-term assets	2,097	3,461
Goodwill	15,031	15,031
Total non-current assets	33,552	34,930
Total assets	\$ 89,997	\$ 121,070
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,600	\$ 8,964
Accrued liabilities	6,279	7,789
Deferred revenue	1,760	3,532
Current portion of contingent consideration	13,128	—
Current portion of notes payable	20	11,840
Total current liabilities	22,787	32,125
Non-current liabilities		
Long-term notes payable, net of current portion	29,975	15,926
Contingent consideration	19,722	29,932
Other long-term liabilities	1,480	1,921
Total non-current liabilities	51,177	47,779
Total liabilities	73,964	79,904
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; 0 (2021 and 2020) shares issued and outstanding	—	—
Common stock, \$0.001 par value, 200,000,000 shares authorized; 27,020,070 (2021) and 26,561,504 (2020) shares issued and outstanding	27	27
Additional paid-in capital	304,697	299,953
Accumulated deficit	(288,691)	(258,814)
Total stockholders' equity	16,033	41,166
Total liabilities and stockholders' equity	\$ 89,997	\$ 121,070

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 6,531	\$ 9,193	\$ 47,282	\$ 18,528
Operating expenses:				
Direct costs and expenses	2,722	3,891	28,025	7,346
Research and development	3,293	2,706	9,937	7,713
Sales, marketing, general and administrative	13,607	7,879	36,959	22,793
Change in fair value of contingent consideration	—	957	1,622	957
Total operating expenses	19,622	15,433	76,543	38,809
Loss from operations	(13,091)	(6,240)	(29,261)	(20,281)
Other income (expense):				
Interest expense	(1,546)	(2,658)	(3,012)	(6,899)
Change in fair value of warrant liability	—	(24)	—	31
Gain on debt extinguishment, net	3,123	—	2,395	—
Other income, net	—	77	1	332
Total other expense	1,577	(2,605)	(616)	(6,536)
Net loss	\$ (11,514)	\$ (8,845)	\$ (29,877)	\$ (26,817)
Net loss per share, basic and diluted	\$ (0.41)	\$ (31.93)	\$ (1.09)	\$ (99.69)
Weighted-average shares outstanding, basic and diluted	28,051	277	27,467	269

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

BIODESIX, INC.

Condensed Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance - December 31, 2020	—	\$ —	26,562	\$ 27	\$ 299,953	\$ (258,814)	\$ 41,166
Exercise of stock options	—	—	223	—	475	—	475
Stock-based compensation	—	—	—	—	1,752	—	1,752
Net loss	—	—	—	—	—	(6,961)	(6,961)
Balance - March 31, 2021	—	—	26,785	27	302,180	(265,775)	36,432
Exercise of stock options	—	—	164	—	204	—	204
Stock-based compensation	—	—	—	—	539	—	539
Net loss	—	—	—	—	—	(11,402)	(11,402)
Balance - June 30, 2021	—	—	26,949	27	302,923	(277,177)	25,773
Issuance of common stock under employee stock purchase plan	—	—	43	—	328	—	328
Exercise of stock options	—	—	28	—	60	—	60
Stock-based compensation	—	—	—	—	1,386	—	1,386
Net loss	—	—	—	—	—	(11,514)	(11,514)
Balance - September 30, 2021	—	\$ —	27,020	\$ 27	\$ 304,697	\$ (288,691)	\$ 16,033

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - December 31, 2019	118,766	\$ 193,959	255	\$ 1	\$ 2,324	\$ (227,464)	\$ (225,139)
Exercise of stock options	—	—	20	—	11	—	11
Stock-based compensation	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	(9,706)	(9,706)
Balance - March 31, 2020	118,766	193,959	275	1	2,335	(237,170)	(234,834)
Exercise of stock options	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	55	—	55
Net loss	—	—	—	—	—	(8,266)	(8,266)
Balance - June 30, 2020	118,766	193,959	275	1	2,390	(245,436)	(243,045)
Exercise of stock options	—	—	15	—	14	—	14
Stock-based compensation	—	—	—	—	100	—	100
Net loss	—	—	—	—	—	(8,845)	(8,845)
Balance - September 30, 2020	118,766	\$ 193,959	290	\$ 1	\$ 2,504	\$ (254,281)	\$ (251,776)

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

BIODESIX, INC.

Condensed Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (29,877)	\$ (26,817)
Adjustments to reconcile net loss to net cash, cash equivalents, and restricted cash used in operating activities		
Depreciation and amortization	2,323	2,174
Amortization of convertible notes debt discount	—	4,389
Gain on debt extinguishment, net	(2,395)	—
Stock-based compensation expense	3,677	155
Change in contingent consideration	1,622	957
Provision for doubtful accounts	193	113
Accrued interest, amortization of debt issuance costs and other	1,607	1,165
Changes in operating assets and liabilities:		
Accounts receivable	12,327	(217)
Other current assets	2,866	(4,283)
Other long-term assets and liabilities	665	(5)
Accounts payable and other accrued liabilities	(9,262)	5,369
Deferred revenue	(1,772)	4,390
Net cash and cash equivalents and restricted cash used in operating activities	(18,026)	(12,610)
Cash flows from investing activities		
Purchases of property and equipment	(1,711)	(1,483)
Patent costs and intangible asset acquisition, net	(195)	(151)
Payment to acquire Oncimmune assets	—	(750)
Net cash and cash equivalents and restricted cash used in investing activities	(1,906)	(2,384)
Cash flows from financing activities		
Proceeds from issuance of convertible debt payable	—	12,955
Proceeds from issuance of common stock under employee stock purchase plan	328	—
Proceeds from exercise of stock options	739	25
Proceeds from term loan and notes payable	30,078	3,085
Repayment of term loan and notes payable	(25,424)	—
Payment of debt issuance costs	(96)	—
Other	—	(10)
Net cash and cash equivalents and restricted cash provided by financing activities	5,625	16,055
Net (decrease) increase in cash and cash equivalents and restricted cash	(14,307)	1,061
Cash, cash equivalents, and restricted cash - beginning of period	62,306	5,469
Cash, cash equivalents, and restricted cash - end of period	\$ 47,999	\$ 6,530

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

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, with laboratories in Colorado and Kansas. The Company conducts all of its operations within a single legal entity. Biodesix is a data-driven diagnostic solutions company leveraging state of the art technologies with its proprietary artificial intelligence platform to discover, develop, and commercialize solutions for clinical unmet needs, with a primary focus in lung disease. In addition to diagnostic tests, the Company provides biopharmaceutical companies with services that include diagnostic research, clinical trial testing, and the discovery, development, and commercialization of companion diagnostics.

The Company performs its blood-based diagnostic tests in its laboratory facilities, which are located in Boulder, Colorado and De Soto, Kansas. In May 2020, the Federal Drug Administration (FDA) granted Emergency Use Authorization (EUA) of the Bio-Rad SARS-CoV-2 Droplet Digital™ polymerase chain reaction (ddPCR) test to detect Coronavirus Disease 2019 (COVID-19) infection. In April 2020, the FDA authorized the Platelia SARS-CoV-2 Total Ab test to detect COVID-19 antibodies. Medical products that are granted an EUA are only permitted to commercialize their products under the terms and conditions provided in the authorization. The FDA may revoke an EUA where it is determined that the underlying health emergency no longer exists or warrants such authorization, if the conditions for the issuance of the EUA are no longer met, or if other circumstances make revocation appropriate to protect the public health or safety.

Blood-Based Lung Tests

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

- *Nodify XL2®* and *Nodify CDT™* tests, marketed as our Nodify Lung® Nodule Risk Assessment testing strategy, assess the risk of lung cancer to help identify the most appropriate treatment pathway. 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.
- *GeneStrat®* and *VeriStrat®* tests, marketed as our Biodesix Lung Reflex® 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 a 36-hour average turnaround time, providing physicians with timely results to facilitate treatment decisions.

COVID-19 Tests

We operate and have commercialized the Biodesix WorkSafe testing program, under which the Company offers three SARS-CoV-2 tests:

- *Bio-Rad SARS-CoV-2 ddPCR* test, which is authorized by the FDA to be performed by Clinical Laboratory Institute Amendments (CLIA) authorized laboratories that perform high complexity tests. The ddPCR test is designed to detect the presence of infection by the SARS-CoV-2 virus.
- *Platelia SARS-CoV-2 Total Ab* test, which is an antibody test, authorized by the FDA, intended for detecting a B-cell immune response to SARS-CoV-2, indicating recent or prior infection.
- *cPass™ SARS-CoV-2 Neutralization Antibody* test, which is the first blood-based surrogate neutralizing antibody test with FDA EUA and uses ELISA technology to qualitatively detect circulating neutralizing antibodies to the receptor binding domain (RBD) in the spike protein of SARS-CoV-2 that are produced in response to vaccination or a previous SARS-CoV-2 infection. This test was commercially introduced during the second quarter 2021 in partnership with GenScript Biotech Corporation.

These tests under the Biodesix WorkSafe testing program are utilized by healthcare providers, including hospitals and nursing homes, and are also offered to businesses and educational systems to assist in their back-to-work or back-to-school strategies, a crucial element of restarting economic activity.

In developing the Company’s products, the Company has built or gained access to unique biorepositories, proprietary technology, 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.

Notes to Condensed Financial Statements

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 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, 2020. 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, 2020 was derived from the audited financial statements.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The COVID-19 pandemic negatively affected, and we expect will continue to negatively affect, our lung diagnostic testing-related revenue and our clinical studies.

As of September 30, 2021, we maintained cash and cash equivalents of \$47.9 million and we are fully drawn under our \$30 million 2021 Term Loan. 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 in our initial public offering (IPO) in October 2020, the issuance of notes payable, and from our two primary revenue sources: (i) diagnostic testing, which include lung diagnostic testing and COVID-19 testing, and (ii) providing biopharmaceutical companies with development and testing services. 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 needs 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 (November 15, 2021). Management considered the Company's current projections of future cash flows, current financial condition, sources of liquidity and debt obligations due on or before November 15, 2022 in considering whether it has the ability to meet its obligations for at least one year from the date of issuance of this Form 10-Q.

Our ability to meet our obligations as they come due may be impacted by our ability to remain compliant with financial covenants in our 2021 Term Loan (see *Note 6 – Debt*) or to obtain waivers or amendments that impact the related covenants. Due to the continued uncertainty caused by the COVID-19 pandemic, significant risks remain with respect to our ability to meet these thresholds and any material adverse effect on our revenues, income and expenses could impact our ability to maintain compliance with these covenants.

Based on our current operating plan, unless we raise additional capital (debt or equity) or obtain a waiver from complying with such financial covenants, we expect that we will be unable to maintain our minimum liquidity covenant under our 2021 Term Loan during the next twelve months, which could result in an Event of Default, as defined, causing an acceleration and repayment of the outstanding balance. We have taken steps to improve our liquidity through our recent amendment to our 2021 Term Loan and have also undertaken several proactive measures to mitigate the financial and operational impacts of the COVID-19 pandemic through the reduction of planned capital expenditures and certain operating expenses but we do not expect that these actions alone will be sufficient to maintain our minimum liquidity covenant. To maintain an adequate amount of available liquidity and execute our current operating plan, we will need to continue to raise additional funds from external sources, such as through the issuance of equity or debt securities; however, we have not secured such funding at the time of this filing and any such financing activities are subject to market conditions. If we do raise additional capital through public or private 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. If adequate capital resources are not available on a timely basis, we intend to consider limiting our operations substantially. This limitation of operations could include a hiring freeze, reductions in our workforce, reduction in cash compensation, deferring capital expenditures, and reducing other operating costs.

The Company's revenues, results of operations and cash flows have been materially adversely impacted by the items noted above. Our current operating plan, which is in part determined based on our most recent historical actual results and trends, along with the items noted above, raises substantial doubt about the Company's ability to continue as a going concern. 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.

Notes to Condensed Financial Statements

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.

Concentration of Credit Risk and Other Uncertainties

Substantially all of the Company’s cash and cash equivalents are deposited with two major financial institutions 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 accounts in excess of federally insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents. Restricted cash consists of deposits related to the Company’s corporate credit cards and prior to March 31, 2021, also included a letter of credit related to an operating lease agreement. As of September 30, 2021 and December 31, 2020, the Company had \$0.1 million and \$0.2 million in restricted cash, respectively, which was included in ‘Other current assets’ in the accompanying balance sheets.

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, it 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 September 30, 2021 and 2020, see Note 9 – Revenue and Accounts Receivable Credit Concentration.

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 balance sheet and was \$2.6 million and \$3.2 million as of September 30, 2021 and December 31, 2020, respectively.

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, 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 February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASC Topic 842). The new guidance maintains two classifications of leases: finance leases, which replace capital leases, and operating leases. Lessees will need to recognize a right-of-use asset and a lease liability on the balance sheet for those leases previously classified as operating leases under the old guidance. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for direct costs. The accounting standard will be effective for the Company beginning January 1, 2022. Based on our current analysis we expect the adoption to result in the recognition of approximately \$1.5 million of right of use assets and associated lease liabilities in our balance sheet and

Notes to Condensed Financial Statements

do not expect any material impact to our statement of operations or statement of cash flows. We are implementing new processes and internal controls over lease recognition, which will ultimately assist in the application of the new lease standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC Topic 326). This ASU requires measurement and recognition of expected credit losses for financial assets. This guidance will become effective for the Company beginning January 1, 2023 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 balance sheets, which may differ from their respective fair values. The fair values of outstanding borrowings, which are classified as Level 2, approximate their carrying values as of September 30, 2021 and December 31, 2020, based on interest rates currently available for similar borrowings and were (in thousands):

	As of			
	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Borrowings	\$ 29,995	\$ 29,995	\$ 27,766	\$ 27,766

The financial liabilities that are measured and recorded at estimated fair value on a recurring basis consist of our contingent consideration associated with our acquisition of Integrated Diagnostics, Inc. (Indi), and prior to the completion of our IPO in October 2020, the warrant liability, put option liability and contingent value rights granted to certain holders of our convertible preferred stock and debt instruments, which were accounted for as liabilities and remeasured through our statements of operations.

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

Description	September 30, 2021	December 31, 2020
Current portion of contingent consideration	\$ 13,128	\$ —
Contingent consideration	19,722	29,932
Total contingent consideration	<u>\$ 32,850</u>	<u>\$ 29,932</u>

The following table presents the changes in contingent consideration for the nine months ended September 30, 2021 (in thousands):

Level 3 Rollforward	For the Nine Months Ended September 30, 2021	
Beginning balances - January 1, 2021	\$	29,932
Changes in fair value		1,622
Interest expense		1,296
Ending balances - September 30, 2021	<u>\$</u>	<u>32,850</u>

The following table presents the changes in these financial liabilities for the nine months ended September 30, 2020 (in thousands):

Level 3 Rollforward	For the Nine Months Ended September 30, 2020			
	Contingent Consideration	Put Option Liability	Warrant Liability	Contingent Value Rights
Beginning balances - January 1, 2020	\$ 29,114	\$ 3,261	\$ 372	\$ 60
Additions	—	3,389	—	—
Changes in fair value	957	—	31	(60)
Ending balances - September 30, 2020	<u>\$ 30,071</u>	<u>\$ 6,650</u>	<u>\$ 403</u>	<u>\$ —</u>

Notes to Condensed Financial Statements

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 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. Under the terms of the original agreement, when the gross margin target was met 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.

The Company met the gross margin target of \$2.0 million for three consecutive months during the three months ended June 30, 2021. The Company entered into an amendment to the original agreement in August 2021 in which all parties agreed to forgo the issuance of common stock and agreed that the Company will 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 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. Our ability to make these payments are subject to consent from our lender under the 2021 Term Loan and 2021 Term Loan Amendment for which we are currently in discussions with our lender.

The significant unobservable inputs used in the measurement of 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 13.5%. As a result of the achievement of the gross margin target, the only significant unobservable input used in the measurement of fair value includes the discount rate since all other inputs became fixed and determinable. Significant increases or decreases in the discount rate would result in a significantly higher or lower fair value measurement.

Contingent consideration expected to be paid in the next twelve months is recorded in the balance sheets as 'Current portion of contingent consideration' while the remaining amount to be paid is recorded as 'Contingent consideration' within non-current liabilities. The net change to contingent consideration through the date the gross margin target was met is recorded as operating expenses in the statements of operations. Subsequent changes to the contingent consideration following the achievement of the gross margin target are recorded as 'Interest expense' in the statements of operations resulting from the passage of time and fixed payment schedule. The net change to contingent consideration recorded as operating expenses during the three and nine months ended September 30, 2021 was zero and a loss of \$1.6 million, respectively. The amount recorded as 'Interest expense' during the three and nine months ended September 30, 2021 was \$1.0 million and \$1.3 million, respectively. The net change to contingent consideration recorded as operating expenses during both the three and nine months ended September 30, 2020 was an expense of \$1.0 million.

Put Option Liability

The put option liability was valued based on the calculated returns as a result of the various discounts included in the Company's convertible notes payable and the related probability assessments of the various settlement scenarios. During the nine months ended September 30, 2020, the Company recognized an addition to the put option liability of \$3.4 million in connection with a favorable conversion rate granted to holders of issued convertible debt. The put option liability was settled upon the closing of the Company's IPO in October 2020 and reclassified to additional paid-in capital.

Warrant Liability

In connection with entering into the 2018 Notes (see *Note 6 – 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. The estimated fair value of the warrant on the issuance date of \$0.3 million was recorded as a debt discount and as a preferred stock warrant liability. Through the effective date of the Company's 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. During the nine months ended September 30, 2020, the Company recorded an increase in the value of the warrant liability of \$31 thousand.

Notes to Condensed Financial Statements

Contingent Value Rights

In addition to the shares of Series F Preferred Stock that were issued in January 2016, investors who purchased more than their pro-rata amount in the financing described above received a calculated number of contingent value rights (CVRs). In connection with the Series F financing, the Company issued 3,999 CVRs originally valued at \$0.5 million. One CVR represents 0.00375% of the Company's interest in the drug ficlatuzumab. The initial estimated value of the CVRs were recorded as a liability and as a reduction to the Series F proceeds. Upon receipt by the Company or a milestone, royalty, or any other type of payment from the Company's ownership rights in the drug, the Company was required to make a cash payment to the CVR holders equal to 15% of net proceeds, as defined. In September 2020, the Company exercised its opt-out right with AVEO Oncology (AVEO) for the payment of 50% of development and regulatory costs for ficlatuzumab. As a result, the CVRs were settled effective December 2, 2020. See Note 13 – Commitments and Contingencies for a discussion of the Co-Development Agreement with AVEO.

Non-Financial Assets and Liabilities

Our non-financial assets, which primarily consist of property and equipment, goodwill, and other intangible assets, are not required to be carried at fair value on a recurring basis and are reported at carrying value. There were no changes to the valuation methods during the periods presented.

Note 5 – Supplementary Balance Sheet Information

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

	September 30, 2021	December 31, 2020
Lab equipment	\$ 7,475	\$ 5,730
Leasehold improvements	2,037	1,845
Computer equipment	871	871
Furniture and fixtures	424	424
Software	655	651
Vehicles	97	—
Construction in process	268	381
	11,827	9,902
Less: accumulated depreciation	(7,395)	(6,724)
Total property and equipment, net	<u>\$ 4,432</u>	<u>\$ 3,178</u>

Depreciation expense for the three and nine months ended September 30, 2021 was \$0.3 million and \$0.8 million, respectively, compared to \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2020, respectively. Noncash purchases of property and equipment included in 'Accounts payable' as of September 30, 2021 totaled \$0.4 million.

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

	September 30, 2021			December 31, 2020		
	Cost	Accumulated Amortization	Net Carrying Value	Cost	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization						
Patents	\$ 1,667	\$ (550)	\$ 1,117	\$ 1,474	\$ (494)	\$ 980
Purchased technology	16,900	(6,102)	10,798	16,900	(4,694)	12,206
Intangible assets not subject to amortization						
Trademarks	77	—	77	74	—	74
Total	<u>\$ 18,644</u>	<u>\$ (6,652)</u>	<u>\$ 11,992</u>	<u>\$ 18,448</u>	<u>\$ (5,188)</u>	<u>\$ 13,260</u>

Amortization expense related to definite-lived intangible assets was \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2021 and \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2020, respectively.

Notes to Condensed Financial Statements

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

	As of September 30, 2021
Remainder of 2021	\$ 490
2022	1,959
2023	1,955
2024	1,948
2025	1,944
2026 and thereafter	3,619
Total	\$ 11,915

Accrued liabilities consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Compensation related accruals	\$ 2,624	\$ 3,975
Accrued clinical trial expense	909	715
Other expenses	2,746	3,099
Total accrued liabilities	\$ 6,279	\$ 7,789

Note 6 – Debt

Our long-term debt consists of notes payable associated with our 2021 Term Loan, 2018 Notes and Paycheck Protection Program, each of which is described in further detail below. Long-term notes payable were as follows (in thousands):

	September 30, 2021	December 31, 2020
2021 Term Loan	\$ 30,000	\$ —
2018 Notes	—	24,972
Paycheck Protection Program	—	3,107
Other	80	—
Unamortized debt discount and issuance costs	(85)	(313)
	29,995	27,766
Less: current maturities	20	11,840
Long-term notes payable	\$ 29,975	\$ 15,926

2021 Term Loan

On March 19, 2021 (Effective Date), the Company entered into a Loan and Security Agreement (the 2021 Term Loan) by and between Silicon Valley Bank, a California corporation (SVB or Lender) and the Company, as borrower, whereby subject to the terms and conditions of the 2021 Term Loan, SVB advanced to the Company an original principal amount of \$30 million.

The 2021 Term Loan provides for an “interest-only” period from the Effective Date through February 28, 2023, with interest due and payable monthly on the first calendar day of each month. However, the Company achieved a revenue milestone of at least \$65 million on a trailing twelve-month basis during the three months ended March 31, 2021 which automatically extended the interest-only period through February 28, 2024. Beginning on the first calendar day of the month following the end of the interest-only period, the 2021 Term Loan shall be payable in (i) consecutive equal installments of principal through March 1, 2026, plus (ii) monthly payments of accrued interest. The principal amount outstanding under the 2021 Term Loan shall accrue interest at a floating per annum rate equal to the greater of (i) 2.00% above the prime rate, or (ii) 5.25%, which interest, in each case, shall be payable monthly. Changes to the interest rate applicable to the 2021 Term Loan based on changes to the prime rate shall be effective on the effective date of any change to the prime rate.

The Company’s final payment, due at maturity on March 1, 2026, shall include all outstanding principal and accrued and unpaid interest, lender fees and expenses, of which the majority will include a final payment of \$2.7 million, and all other sums, if any, that shall have become due and payable hereunder with respect to the 2021 Term Loan. The \$2.7 million final payment will be amortized as interest expense over the term of the loan. The Company has the option to prepay, prior to maturity, the total outstanding principal amount plus accrued and unpaid interest, subject to a prepayment penalty of 3% of the principal amount if paid prior to the first anniversary of the

Notes to Condensed Financial Statements

Effective Date, 2% of the principal amount if paid on or after the first anniversary but prior to the second anniversary of the Effective Date, 1% of the principal amount if paid on or after the second anniversary but prior to October 19, 2025, and 0% thereafter.

The Company granted the Lender a security interest in substantially all of the Company's assets. The 2021 Term Loan requires the Company to comply with a minimum liquidity ratio covenant (as defined) by the 2021 Term Loan of not less than 0.95 to 1.00, and has a trailing six month rolling minimum revenue requirement of not less than 70% of the Company's projected revenue performed at the end of each reporting period. On September 30, 2021, we entered into the Consent and First Amendment to Loan and Security Agreement (the 2021 Term Loan Amendment) to, among other things, amend our 2021 Term Loan to eliminate the revenue covenant for the period ended September 30, 2021 and modify the revenue covenant threshold for the three month period ended December 31, 2021. In addition, we agreed to establish a restricted cash collateral account for \$15 million for the benefit of our lender if the balance of our cash and cash equivalents declines below \$40 million. The 2021 Term Loan contains certain covenants limiting the ability of the Company to, among other things, incur future debt, transfer assets except for the ordinary course of business, make acquisitions, pay dividends or make other certain restricted payments, or sell assets, subject to certain exceptions, without the prior written consent of the Lender. Failure to comply with the covenants and loan requirements may result in an event of default. As of September 30, 2021, the Company was in compliance with all restrictive and financial covenants associated with its borrowings. In the event of a default, including, among other things, our failure to make any payment when due or our failure to comply with any covenant under the 2021 Term Loan, the Lender may elect to declare all amounts outstanding to be immediately due and payable, and may proceed against the collateral granted to them to secure such indebtedness, including a royalty-free license or other right to use all of our intellectual property without charge.

2018 Notes

In February 2018, the Company issued long-term debt of \$23.0 million to Innovatus Life Sciences Lending Fund (Innovatus or Lender) (the 2018 Notes). Innovatus is also a holder of the Company's common stock.

At the time of issuance, the Company paid a facility fee of \$0.2 million and issued a warrant to Innovatus, with an initial estimated fair value of \$0.3 million, for the purchase of 613,333 shares of Series G preferred stock. The facility fee and the estimated warrant fair value were recorded as debt discount and is amortized to interest expense over the term of the 2018 Notes. The 2018 Notes bore annual interest at 10%, of which 7.5% was payable in cash, with the remaining 2.5% added to principal through December 31, 2020. Total interest added to principal was \$1.7 million as of March 31, 2021 and December 31, 2020.

On March 19, 2021, in connection with entering into the 2021 Term Loan agreement with SVB, the Company repaid all outstanding principal, accrued and unpaid interest, and prepayment fees in the amount of \$25.9 million due under the 2018 Notes and contemporaneously terminated the related Loan and Security Agreement, dated as of February 23, 2018, as amended, between Innovatus and the Company. As a result of the extinguishment of the 2018 Notes, the Company recognized a loss on debt extinguishment of \$0.7 million during the three months ended March 31, 2021.

Paycheck Protection Program Note Payable

In April 2020, the Company entered into a loan pursuant to the Paycheck Protection Program under the CARES Act, as administered by the U.S. Small Business Administration (the SBA). The loan, in the principal amount of \$3.1 million (the PPP Loan), was disbursed by JPMorgan Chase Bank (JPM) pursuant to a Paycheck Protection Program Promissory Note and Agreement (the Note and Agreement).

The PPP Loan had a maturity date on the two-year anniversary of the funding date, April 2022, and included a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (as discussed below), were scheduled to commence in September 2021. The Company did not provide any collateral or guarantees in connection with the PPP Loan, nor did the Company pay any facility charge to obtain the PPP Loan. The Note and Agreement contained customary events of default, including those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects.

All or a portion of the PPP Loan may be forgiven by the SBA upon application by the Company. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, and covered utilities during the eight-week period beginning on the approval date of the PPP Loan. For purposes of the CARES Act, payroll costs exclude compensation of an individual employee earning more than \$100,000, prorated annually. Not more than 40% of the forgiven amount may be for non-payroll costs. Forgiveness is reduced if full-time headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. During the second quarter 2021, the Company determined that it would apply for forgiveness under the SBA's Loan Forgiveness program, a change from its previous intent to repay. Subsequently, in July 2021 the Company applied for loan forgiveness and on August 17, 2021, the Company received legal release and formal notification that the PPP Loan was forgiven in full. As of and for the three months ended September 30, 2021, the Company reduced the 'Current portion of notes payable' and recorded a gain on extinguishment in the statements of operations for the \$3.1 million forgiven.

Notes to Condensed Financial Statements

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

	As of September 30, 2021
Remainder of 2021	\$ 5
2022	19
2023	15
2024	13,217
2025	14,418
2026 and thereafter	2,406
Total	\$ 30,080

Cash paid for interest was \$1.3 million and \$1.4 million for the nine months ended September 30, 2021 and 2020, respectively.

Note 7 - Convertible Preferred Stock

Prior to its IPO in October 2020, the Company had issued convertible preferred stock from time to time to fund its operations and to make acquisitions. The Company's convertible preferred stock was reported as temporary equity in the Company's balance sheet because the preferred shareholders held a majority of the Company's Board of Directors seats and as a result could have caused certain events to occur outside of the Company's control, with the result the Company could have been obligated to redeem the convertible preferred stock.

Immediately prior to the Company's IPO and as of September 30, 2020, the Company had issued 118,766,273 convertible preferred shares. On October 27, 2020, upon closing of the Company's IPO, each outstanding share of Series A-1 Preferred Stock, Series A-2 Preferred Stock, Series A-3 Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock, Series F Preferred Stock, Series G Preferred Stock and Series H Preferred Stock automatically converted into 0.1684664 share of common stock; and each share of Series B-1 Preferred Stock automatically converted into 0.196 shares of common stock. In the aggregate, all series of preferred stock were converted into 20,090,745 shares of common stock. Subsequent to the Company's IPO, there are no longer any series of convertible preferred stock outstanding.

Note 8 – Warrants to Purchase Convertible Preferred Stock

The Company issued warrants to purchase shares of convertible preferred stock in conjunction with the sale of certain of the convertible preferred shares and issuance of debt. As of September 30, 2020 and through the closing of the Company's IPO in October 2020, the preferred warrants were classified as liabilities with estimated fair value remeasured at each reporting date reported within in the accompanying statements of operations.

The following table presents the activity for convertible preferred stock warrants outstanding as of September 30, 2020 (in thousands, except weighted average exercise price):

	Series E		Series G (1)	
	Warrants	Weighted Average Exercise price	Warrants	Weighted Average Exercise price
Outstanding - January 1, 2020	925	\$ 5.00	613	\$ 0.75
Granted	—	—	—	—
Forfeited/canceled	(925)	(5.00)	—	—
Exercised	—	—	—	—
Outstanding - September 30, 2020	—	—	613	\$ 0.75

The warrants to purchase Series E convertible preferred stock were not exercised and expired during the three months ended June 2020.

(1) On October 27, 2020, all convertible preferred stock converted to common stock at the completion of our IPO, and as a consequence, the warrants to purchase Series G convertible preferred stock were converted to 103,326 warrants to purchase common stock, which have an expiration date of February 23, 2028. All common stock warrants remain outstanding as of September 30, 2021.

Notes to Condensed Financial Statements

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 generally provided outside the clinical setting and governed by individual contracts with third parties as well as development and commercialization of companion diagnostics (Services).

Diagnostic test revenues consist of blood-based lung tests and COVID-19 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 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).

Revenues consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Diagnostic tests	\$ 5,039	\$ 8,552	\$ 43,072	\$ 15,798
Services	1,492	641	4,210	2,730
Total revenue	\$ 6,531	\$ 9,193	\$ 47,282	\$ 18,528

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 statements of operations. Of the \$3.5 million in 'Deferred revenue' recorded in the balance sheet as of December 31, 2020, \$2.7 million was recognized in revenues. During the nine months ended September 30, 2021, \$1.0 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 \$1.8 million recorded in the balance sheet as of September 30, 2021 is expected to be recognized in revenues over the next twelve months as test results are delivered and services are performed. As of September 30, 2021 and December 31, 2020, the Company had \$1.0 million and \$1.4 million in non-current deferred revenue, respectively, recorded within 'Other long-term liabilities' in the 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
The Big Ten Conference	—	—	46%	—
Merck	10%	—	1%	—
Centura Healthcare	—	26%	6%	19%
Percent of total revenue	10%	26%	53%	19%

In addition to the above table, we collect reimbursement on behalf of customers covered by Medicare, which accounted for 36% and 14% of the Company's total revenue for the three and nine months ended September 30, 2021, respectively, and 63% and 61% of total revenue for the three and nine months ended September 30, 2020. The Company is subject to credit risk from its accounts receivable related to services provided to its customers. The Company does not perform evaluations of customers' financial condition and does not

Notes to Condensed Financial Statements

require collateral. 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	
	September 30, 2021	December 31, 2020
Medicare	28%	6%
Merck	21%	—
The Big Ten Conference	—	35%
Centura Healthcare	—	24%
Percent of total accounts receivable	49%	65%

Note 10 – Share-Based Compensation

The Company's share-based compensation awards are issued under the 2020 Equity Incentive Plan (2020 Plan) and 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 September 30, 2021, 691,918 shares of common stock remained available for future issuance under the 2020 Plan.

Share-Based Compensation Expense

Pre-tax share-based compensation expense reported in the Company's statements of operations was (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Direct costs and expenses	\$ 18	\$ —	\$ 37	\$ —
Research and development	141	10	465	20
Sales, marketing, general and administrative	1,227	90	3,175	135
Total	\$ 1,386	\$ 100	\$ 3,677	\$ 155

Stock Option Activity

Stock option activity during the nine months ended September 30, 2021, 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, 2021	2,321	\$ 1.82	7.4	\$ 42,580
Granted	1,104	18.80	9.5	—
Forfeited/canceled	(163)	6.33	—	—
Exercised	(396)	1.48	—	—
Outstanding - September 30, 2021	2,866	\$ 8.16	7.9	\$ 11,312
Exercisable - September 30, 2021	1,349	\$ 4.83	6.8	\$ 6,606

Restricted Stock Units and Restricted Stock Activity

As of September 30, 2021, there were 119,192 restricted stock units (RSUs) outstanding, with a weighted average grant date fair value of \$5.13 per share.

The remaining unrecognized stock-based compensation expense for options and RSUs was approximately \$8.6 million as of September 30, 2021, and is expected to be amortized to expense over the next 3.9 years.

Notes to Condensed Financial Statements

Bonus-to-Options Program

As part of the Bonus-to-Options Program (Bonus Option Program), the Company recorded the following activity during the nine months ended September 30, 2021 (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, 2021	173	\$ 11.11	4.9	\$ 1,723
Granted	266	20.67	9.4	—
Forfeited/canceled	(46)	19.73	—	—
Exercised	(20)	7.69	—	—
Outstanding - September 30, 2021	<u>373</u>	<u>\$ 17.00</u>	<u>7.7</u>	<u>\$ 343</u>
Exercisable - September 30, 2021	<u>373</u>	<u>\$ 17.00</u>	<u>7.7</u>	<u>\$ 343</u>

During the three and nine months ended September 30, 2021, the Company accrued an insignificant amount and \$0.7 million related to the estimate of the Bonus Option Program, respectively. During the three and nine months ended September 30, 2020, the Company did not accrue any amounts 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

A total of 338,106 shares of our common stock have been reserved for issuance under the Employee Stock Purchase Plan (ESPP). The initial offering period under the ESPP was from January 1, 2021 and concluded August 31, 2021. On a go-forward basis, the ESPP provides for successive six-month offering periods beginning on September 1st and March 1st of each year. As of September 30, 2021, 42,855 shares have been issued under the ESPP leaving 295,251 shares remaining for future issuance.

Note 11 – Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net loss attributable to the Company's stockholders by the weighted-average shares outstanding during the period. Diluted EPS 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. The number of common shares issuable upon assumed conversion of convertible debt was based on the Company's estimated common stock price as of September 30, 2020 as determined by the Company's Board of Directors with assistance from a valuation firm.

In connection with the acquisition of Indi in 2018, the Company recorded contingent consideration (See *Note 4 – Fair Value*) for amounts contingently payable to Indi's selling shareholders pursuant to the terms of the asset purchase agreement. The contingent consideration arrangement requires additional consideration to be paid by the Company to Indi upon attainment of a three-consecutive month gross margin target of \$2.0 million within the seven-year period after the acquisition date. If the gross margin target was met, the Company was required to issue 2,520,108 shares of common stock. The Company met the gross margin target of \$2.0 million for three consecutive months during the three months ended June 30, 2021. In August 2021, the Company entered into an amendment of the original agreement in which all parties agreed to forgo the issuance of common stock. As a result of the achievement of the gross margin target, the Company included the 2,520,108 shares of common stock in the calculation of weighted-average shares outstanding used in computing basic and diluted net loss per share from the date the gross margin target was met until the amendment was executed. These shares are not included in the statements of convertible preferred stock and stockholders' equity (deficit) or shares issued and outstanding in the balance sheets.

Notes to Condensed Financial Statements

Basic and diluted loss per share for the three and nine months ended September 30, 2021 and 2020 were (in thousands, except per share amounts):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Numerator				
Net loss attributable to common stockholders	\$ (11,514)	\$ (8,845)	\$ (29,877)	\$ (26,817)
Denominator				
Weighted-average shares outstanding used in computing net loss per share, basic and diluted	28,051	277	27,467	269
Net loss per share, basic and diluted	<u>\$ (0.41)</u>	<u>\$ (31.93)</u>	<u>(1.09)</u>	<u>(99.69)</u>

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):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Options to purchase common stock	2,866	2,843	2,866	2,843
Shares committed under ESPP	5	—	5	—
Convertible preferred stock	—	119,257	—	119,257
Warrants	103	613	103	613
Restricted stock units	119	79	119	79
Convertible debt	—	20,746	—	20,746
Total	<u>3,093</u>	<u>143,538</u>	<u>3,093</u>	<u>143,538</u>

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 nine months ended September 30, 2021 and 2020.

Note 13 – Commitments and Contingencies

Leases

The Company leases facilities under non-cancelable operating leases. Rent expense was \$0.3 million and \$0.9 million for the three and nine months ended September 30, 2021, respectively, and \$0.4 million and \$1.5 million for the three and nine months ended September 30, 2020, respectively.

Future minimum lease payments for operating lease obligations are as follows (in thousands):

	As of
	September 30, 2021
Remainder of 2021	\$ 187
2022	767
2023	140
Total	<u>\$ 1,094</u>

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.

Notes to Condensed Financial Statements

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. 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. The Company had \$0.2 million in remaining obligations related to the AVEO agreement as of September 30, 2021. Following the 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 expenses related to this agreement for the three and nine months ended September 30, 2021. Expenses related to this agreement for the three and nine months ended September 30, 2020 were \$0.3 million and \$1.0 million, respectively.

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. As further consideration for the non-exclusive license, the Company agreed to pay a royalty of 2.5% on the net revenue received for the performance of such ddPCR testing collected from third parties. On May 24, 2021, the Company entered into the First Amendment to the Non-Exclusive License Agreement with Bio-Rad which amended the Bio-Rad License such that, effective May 1, 2021, the Company will no longer pay a royalty of 2.5% on the net revenue received for the performance of such ddPCR testing collected from third parties. The Bio-Rad License expires in August 2024. 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. Royalty expense under the Bio-Rad License for the three and nine months ended September 30, 2021 and 2020 were not significant.

On May 13, 2021 (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 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 for the three and nine months ended September 30, 2021 was insignificant and \$0.1 million, respectively.

Revenue Share Agreement

As part of the acquisition of the assets of Oncimmune USA, the Company entered into several agreements to govern the relationship between the parties. The Company agreed to a revenue share payment related to an acquired diagnostic test of 8% of recognized revenue for non-screening tests up to an annual minimum volume and 5% thereafter, with an escalating minimum through the first four years of sales. Revenue share expenses of \$0.2 million and \$0.5 million were incurred for the three and nine months ended September 30, 2021, respectively, and \$0.1 million and \$0.2 million for the three and nine months ended September 30, 2020, 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. In September 2021, we reached a settlement agreement with plaintiffs, which received preliminary approval from the Circuit Court of the City of St. Louis, State of Missouri on November 10th, regarding a dispute involving the Telephone Consumer Protection Act (TCPA) in which we estimate payment to third parties to be approximately \$230,000 which has been accrued as a legal contingency. We are not presently a party to any other 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 September 30, 2021 (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, 2020 (Form 10-K) and the Condensed Financial Statements as of September 30, 2021 and 2020 and for the three and nine months then ended, 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, 2020, which was filed on March 16, 2021.

The following MD&A discussion is provided to supplement the Condensed Financial Statements as of September 30, 2021 and 2020 and for the three and nine 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 nine months ended September 30, 2021 and 2020 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 data-driven diagnostic solutions company leveraging state of the art technologies with our proprietary AI platform to discover, develop, and commercialize solutions for clinical unmet needs, with a primary focus in lung disease. By combining a technology agnostic 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.

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, and radiomics, and leverage our proprietary AI-based Diagnostic Cortex® platform to discover innovative diagnostic tests for clinical use. The Diagnostic Cortex is an extensively validated deep learning platform optimized for the discovery of diagnostic tests, which we believe overcomes standard machine learning challenges faced in life sciences research. Our data-driven and technology agnostic approach is designed to enable us to discover diagnostic tests that answer critical clinical questions faced by physicians, researchers, and biopharmaceutical companies.

We continuously incorporate new market insights and patient data to enhance our platform through a data-driven learning loop. 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 academic partnerships, to continue to advance our platform. We have over 150,000 samples and 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 seven diagnostic tests which are currently available for use by physicians. Our Nodify XL2 and Nodify CDT tests, marketed as part of the Nodify Lung Nodule Risk Assessment testing strategy, assess the risk of lung cancer to help identify the most appropriate treatment pathway. 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 and VeriStrat tests, marketed as the Biodesix Lung Reflex 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 now have a less than 36-hour average turnaround time, down from the previous 72-hour average turnaround time, providing physicians with timely results to facilitate treatment decisions. In response to the COVID-19 pandemic, through our partnership with Bio-Rad, we commercialized the Biodesix WorkSafe™ testing program. Our scientific diagnostic expertise, technologies, and existing commercial infrastructure enabled us to rapidly commercialize two FDA EUA authorized tests, a part of our customizable program. Both diagnostic tests are owned and were developed by Bio-Rad and Bio-Rad has granted us permission to utilize both tests for commercial diagnostic services. Then U.S. Health and Human Services Secretary Azar declared a public health emergency for COVID-19 in February 2020 which justified the authorization of emergency use of diagnostic tests for the detection and/or diagnosis of COVID-19. The Bio-Rad SARS-CoV-2 ddPCR test and the Platelia SARS-CoV-2 Total Ab test have been granted FDA EUA pursuant to the current emergency declaration. The Bio-Rad SARS-CoV-2 ddPCR test was FDA EUA

authorized on May 1, 2020, authorizing performance of the test in laboratories certified under Clinical Laboratory Improvement Amendments (CLIA) to perform high complexity tests. The second test is the Platelia SARS-CoV-2 Total Ab test, which is an antibody test intended for detecting a B-cell immune response to SARS-CoV-2, indicating recent or prior infection. The Platelia SARS-CoV-2 Total Ab test was FDA EUA authorized on April 29, 2020. Medical products that are granted an EUA are only permitted to commercialize their products under the terms and conditions provided in the authorization. The FDA may revoke an EUA where it is determined that the underlying health emergency no longer exists or warrants such authorization, if the conditions for the issuance of the EUA are no longer met, or if other circumstances make revocation appropriate to protect the public health or safety, and we cannot predict how long the EUAs for the SARS-CoV-2 tests will remain in place. In addition to the seven tests currently available to physicians, the Company launched the GeneStrat Next Generation Sequencing™ (NGS) test, our 72-hour blood-based NGS test, in November 2021 to a select group of physicians, with broad US launch anticipated for the first quarter 2022.

Prior to using the Bio-Rad SARS-CoV-2 tests as part of our testing program, we performed feasibility, verification, and validation studies, including developing software for process automation, sample accessioning, data management and reporting, all required to demonstrate the test operated as claimed by the manufacturer and as required by our certifying regulatory agencies for high complexity laboratory testing. We secured independent reference specimens run with EUA tests to validate these tests as fit for diagnostic use in our laboratories. Post-launch development support for these tests have included improvements in on-boarding new personnel, logistics of sample collection, sample receipt and data reporting, all required to support our testing program. Additional releases of the laboratory data management software are ongoing and planned for the foreseeable future.

Beginning in the period ended June 30, 2021, we partnered with GenScript Biotech Corporation to commercialize the blood-based cPass SARS-CoV-2 Neutralizing Antibody testing as a service. The test is the first surrogate neutralizing antibody test with FDA EUA and uses ELISA technology to qualitatively detect circulating neutralizing antibodies to the receptor binding domain (RBD) in the spike protein of SARS-CoV-2 that are produced in response to vaccination or previous SARS-CoV-2 infection.

These tests under the Biodesix WorkSafe testing program are utilized by healthcare providers, including hospitals and nursing homes, and are also offered to businesses and educational systems to assist in their back-to-work or back-to-school strategies. We have announced multiple partnerships for COVID-19 testing, and maintain an agreement with the State of Colorado to be one of the diagnostic companies to support widespread COVID-19 testing for the State. Additionally, we have overseen and managed onsite testing and validating testing for the Big Ten Conference athletic competitions through the term of our contract which expired on June 30, 2021.

In addition to the seven diagnostic tests currently on the market, we perform over 30 assays for research use as part of our laboratory services that have been used by over 50 biopharmaceutical companies and academic partners. All of our diagnostic testing is performed at one of our two accredited, high-complexity clinical laboratories in Boulder, Colorado and De Soto, Kansas.

Since our inception, we have performed over 450,000 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 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 targeted 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.

We have funded our operations to date principally from net proceeds from an initial public offering (IPO) of our common stock, the sale of convertible preferred stock, revenue from diagnostic testing and services, and the incurrence of indebtedness. We had cash and cash equivalents of \$47.9 million and \$62.1 million as of September 30, 2021 and December 31, 2020, respectively.

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. Our operating revenues and costs significantly increased beginning in 2020 due to the increase in demand for COVID-19 testing.

- **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. 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.

- **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 which seeks to enroll up to 5,000 patients to continue our clinical understanding of the predictive and prognostic value of the VeriStrat test. The ALTITUDE study, launched during the fourth quarter 2020, seeks to further demonstrate the efficacy of the Nodify XL2 and Nodify CDT 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.

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. We believe these studies 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, 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. As a result of the successful capital raise associated with our IPO, we plan to invest heavily in the field sales force to increase the total number of sales representatives and thereby reduce the geographic footprint each representative must cover. This investment will allow the larger sales force to maximize their education and selling efforts and achieve greater returns. Additionally, we plan to invest in the Boulder-based marketing and customer support teams to continue to provide the field team with the resources to be successful in the field. Furthermore, as testing volumes increased over the last twelve months for our COVID-19 testing program, we hired additional project support members to assist us in managing testing capacity.

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, 2020 for more information.

COVID-19 Pandemic

The COVID-19 pandemic has disrupted, and we expect will continue to disrupt, our lung diagnostic testing operations. To protect the health and well-being of our workforce, partners, vendors and customers, we provide voluntary COVID-19 testing for employees working on-site, implemented social distance and building entry policies at work, restricted travel and facility visits, and followed the States of Colorado and Kansas' public health orders and the guidance from the Centers for Disease Control and Prevention (CDC). Employees who can perform their duties remotely are asked to work from home and those on site are asked to follow our social distance guidelines. Our sales, marketing and business development efforts have also been constrained by our operational response to the COVID-19 pandemic. We expect to continue to adjust our operational norms to help slow the spread of COVID-19 in the coming months, including complying with government directives and guidelines as they are modified and supplemented.

On September 9, 2021, President Biden signed two new Executive Orders that would require vaccinations for all federal workers and contractors. In addition, it was also announced that the Department of Labor's Occupational Safety and Health Administration (OSHA) and the Centers for Medicare and Medicaid Services (CMS) would each be releasing emergency rules that would respectively require (i) employers with 100 or more employees and (ii) workers in health care setting that receive Medicare and Medicaid reimbursement to implement vaccination and testing protocols. We are currently a party to several federal contracts and in order to remain compliant with President Biden's Executive Orders, all Biodesix teammates will be required to have received an effective dose of the COVID-19 vaccine no later than January 4, 2022. Exemptions may be requested for qualifying medical reasons or sincerely held religious belief, subject to review and approval.

The COVID-19 pandemic and the surge associated with the Delta variant has negatively affected, and we expect will continue to negatively affect, our lung diagnostic testing-related revenue and our clinical studies. For example, cancer patients may have more limited access to hospitals, healthcare providers and medical resources as they take steps to control the spread of COVID-19. Our biopharmaceutical customers are facing challenges in recruiting patients and in conducting clinical trials to advance their pipelines, for which our tests could be utilized. As a result of the COVID-19 pandemic, beginning in the latter half of March 2020, we saw a decline in business with existing and new biopharmaceutical customers. We began to see recovery during the fourth quarter 2020 as our delivered tests exceeded first quarter 2020 delivered tests and we expect to continue to see the recovery extending into 2022; however, the rate of growth experienced since we began to see recovery is below our expectations and has been impacted by ongoing surges, such as the surge in the Delta variant, which has negatively impacted patients willingness or ability to gain access to healthcare providers and medical resources. Further, our clinical studies, such as our ongoing INSIGHT and ALTITUDE studies, as well as our arrangements including contracted clinical studies with our biopharmaceutical customers, are expected to take longer to complete than what we expected before the outbreak of the COVID-19 pandemic. While our biopharmaceutical revenue for the third quarter 2021 grew in comparison to the third quarter 2020, we are continuing to experience delays in clinical studies from across the country and world due to COVID-19 restrictions through the third quarter of 2021; however, we expect continued recovery in our biopharmaceutical activities assuming continued economic recovery from the pandemic and its variants.

Conversely, we have experienced a significant increase in revenues related to an increase in the demand for our Biodesix WorkSafe testing program, our COVID-19 testing program, during the fourth quarter of 2020 through the second quarter of 2021. The first quarter 2021 was our peak for COVID-19 testing revenue, while we have experienced a substantial decline in COVID-19 testing revenue subsequently as immunizations in the U.S. accelerated. We are uncertain at this time how President Biden's Executive Orders and regulatory changes will impact our COVID-19 testing revenue in future periods as we stand ready to provide this essential testing service to assist employers with the implementation of these regulations. There is no assurance that our COVID-19 testing program will continue to be accepted by the market or that other diagnostic tests will become more accepted, produce quicker results or are more accurate. Further, the longevity and extent of the COVID-19 pandemic is uncertain. If the pandemic were to dissipate, whether due to a significant decrease in new infections, due to acquiring herd immunity based on previous natural infection, and the availability and rapid distribution of vaccines, the evolution of variant strains that impact diagnostic test performance, or otherwise, the need for COVID-19 testing could decrease significantly and this could have an adverse effect on our results of operations and profitability. As a result, the increase in revenue due to any increase in demand for these diagnostic tests may not be indicative of our future revenue. See Item 1A "Risk Factors" of Part II in this Quarterly Report on Form 10-Q and those discussed in our other filings with the 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, 2020, which was filed on March 16, 2021, for a description of how the COVID-19 pandemic may adversely affect our business, financial condition and results of operations.

Third Quarter 2021 Financial and Operational Highlights

Net revenues for the quarter declined as compared to the comparable quarter in 2020 primarily as a result of the expected continued decline in our COVID-19 testing revenue while partially offset by growth in our highest margin product areas, lung diagnostics and biopharmaceutical services. We generated revenue during the three months ended September 30, 2021 of \$6.5 million, representing a decrease of 29% as compared to the three months ended September 30, 2020.

The following were significant developments affecting our business, capital structure and liquidity during the three months ended September 30, 2021 as compared to the same period in 2020 unless otherwise noted:

- Lung diagnostic revenue of \$4.5 million, an increase of 51% driven primarily by our focus on improvement in adoption of the newly launched, high value Nodify Lung Nodule Risk Assessment diagnostic tests and sales force expansion;
- Services revenue of \$1.5 million, an increase of 133% driven by the recovery in testing volumes from clinical studies and services;
- COVID-19 testing revenue of \$0.5 million, a decline of 91% driven primarily from the reduction in COVID-19 testing demand, which we outlined in our most recent previous fiscal quarter.
- Lung diagnostic sales growth was driven by a greater percentage of overall sales of the Company's Nodify Lung Nodule Risk Assessment diagnostic tests which consist of two blood-based tests that help physicians reclassify risk of malignancy in patients with suspicious lung nodules;
- The Company continues to see a shift in lung diagnostic testing demand that suggests the pulmonologists are beginning to see more non-COVID-19 patients; however, the improvement in sales continue to be impacted by geographic areas in which there are significant variant surges, such as the Delta variant. While we continue to experience a recovery from the start of the pandemic and associated shutdowns in the first quarter 2020 and most recently due to the Delta variant wave, the rate of growth has been negatively impacted by geographic areas with significant impacts to the health care systems from variant surges;
- Remains on track to double the size of the direct and dedicated sales force in 2021;
- Cash and cash equivalents of \$47.9 million, representing a reduction of approximately \$8.4 million from June 30, 2021.

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 (Services).

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 provide diagnostic tests in two primary categories: (i) lung diagnostics testing and (ii) COVID-19 testing.

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, the historical amount of time until payment by a payer and historical price concessions granted to groups of customers.

Services

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 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 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 dramatic swings in our overall net revenue line from quarter to quarter.

Operating Expenses

Direct costs and expenses

Cost of diagnostic testing generally consists of cost of materials, direct labor, including bonus, employee benefits, 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 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 and benefits, reagents and supplies used in research and development laboratory work, infrastructure expenses, including allocated facility occupancy and information technology costs, contract services, clinical studies, 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 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 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, 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 extent 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, 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.

Change in Fair Value of Contingent Consideration

In connection with the purchase transaction of Integrated Diagnostics, Inc. (Indi), we recorded contingent consideration pertaining to the amounts potentially payable to Indi shareholder pursuant to the terms of the asset purchase agreement. The fair value of contingent consideration is assessed at each balance sheet date and changes, if any, to the fair value are recognized as operating expenses within the statement of operations. The estimated fair value of the contingent consideration is based upon significant assumptions including probability of successful achievement of a product gross margin target, the estimated timing in which the gross margin target is achieved, and discount rates. The estimated fair value could materially differ from actual values or fair values determined using different assumptions.

Non-Operating Expenses

Interest Expense and Interest Income

Interest expense consists of cash and non-cash interest from our 2021 Term Loan, the 2018 Notes, Paycheck Protection Program loan, convertible debt and changes in the value of our contingent consideration associated with the passage of time subsequent to the achievement of the contingency in the second quarter 2021. Our convertible debt, along with the related accrued interest, was automatically converted to 1,848,280 shares of our common stock upon completion of our IPO in October 2020. Interest income, which is included in 'Other income, net' in the 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				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
Revenues	\$ 6,531	\$ 9,193	\$ (2,662)	(29)%	\$ 47,282	\$ 18,528	\$ 28,754	155%
Operating expenses:								
Direct costs and expenses	2,722	3,891	(1,169)	(30)%	28,025	7,346	20,679	282%
Research and development	3,293	2,706	587	22%	9,937	7,713	2,224	29%
Sales, marketing, general and administrative	13,607	7,879	5,728	73%	36,959	22,793	14,166	62%
Change in fair value of contingent consideration	—	957	(957)	(100)%	1,622	957	665	69%
Total operating expenses	19,622	15,433	4,189	27%	76,543	38,809	37,734	97%
Loss from operations	(13,091)	(6,240)	(6,851)	(110)%	(29,261)	(20,281)	(8,980)	(44)%
Other income (expense):								
Interest expense	(1,546)	(2,658)	(1,112)	(42)%	(3,012)	(6,899)	(3,887)	(56)%
Change in fair value of warrant liability	—	(24)	24	100%	—	31	(31)	(100)%
Gain on debt extinguishment, net	3,123	—	3,123	100%	2,395	—	2,395	100%
Other income, net	—	77	(77)	(100)%	1	332	(331)	(100)%
Total other expense	1,577	(2,605)	(4,182)	(161)%	(616)	(6,536)	(5,920)	(91)%
Net loss	<u>\$ (11,514)</u>	<u>\$ (8,845)</u>	<u>\$ (2,669)</u>	<u>(30)%</u>	<u>\$ (29,877)</u>	<u>\$ (26,817)</u>	<u>\$ (3,060)</u>	<u>(11)%</u>

Revenues

We generate revenue from our diagnostic tests and services that we provide. Our revenues for the periods indicated were as follows (in thousands, except percentages):

	Three Months Ended		Change		Nine Months Ended		Change	
	September 30,				September 30,			
	2021	2020	\$	%	2021	2020	\$	%
Diagnostic revenue	\$ 5,039	\$ 8,552	\$ (3,513)	(41)%	\$ 43,072	\$ 15,798	\$ 27,274	173%
Services revenue	1,492	641	851	133%	4,210	2,730	1,480	54%
Total revenue	\$ 6,531	\$ 9,193	\$ (2,662)	(29)%	\$ 47,282	\$ 18,528	\$ 28,754	155%

Total revenue decreased \$2.7 million or 29%, and increased \$28.8 million or 155% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020.

Diagnostic test revenue decreased \$3.5 million or 41%, and increased \$27.3 million or 173% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The \$3.5 million decrease for the three months ended September 30, 2021 compared to the same period in 2020 is due to a \$5.0 million reduction in COVID-19 revenue resulting from a decrease in delivered COVID-19 diagnostic tests, which was partially offset by an increase in our lung diagnostic revenue of \$1.5 million driven primarily from an increase in Nodify XL2 and Nodify CDT tests delivered.

The \$27.3 million increase in revenue for the nine months ended September 30, 2021 compared to the same period in 2020 is primarily driven by a \$22.9 million increase in COVID-19 revenue due to the delivery of our COVID-19 tests which were released during the second quarter of 2020 and a \$4.4 million increase in our lung diagnostic revenue driven primarily from an increase in Nodify XL2 and Nodify CDT tests delivered. We began to see recovery during the fourth quarter 2020 in lung diagnostic testing as our delivered tests exceeded first quarter 2020 delivered tests as health care practitioners, including pulmonologists, increasingly returned to pre-pandemic related care. However, the Company's sales efforts continued to be impacted by the COVID-19 pandemic and the surge associated with the Delta variant which has negatively affected, and we expect will continue to negatively affect, the growth rate of our lung diagnostic testing-related revenue and our clinical studies.

Services revenue increased \$0.9 million or 133%, and \$1.5 million or 54% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020 driven by the recovery in testing volumes from clinical studies and services.

Operating Expenses

Direct costs and expenses

Direct costs and expenses related to revenue decreased \$1.2 million or 30%, and increased \$20.7 million or 282% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The decrease for the three months ended September 30, 2021 compared to the same period in 2020 is due to the overall decline in COVID-19 testing as vaccinations increase. The increase in direct costs and expenses for the nine months ended September 30, 2021 compared to the same period in 2020 is primarily driven by costs associated with the delivery of our COVID-19 tests which were released during the second quarter of 2020.

Research and Development

Research and development expenses increased \$0.6 million or 22%, and \$2.2 million or 29% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The increase in cost was due primarily to increased employee compensation and benefits costs associated with stock-based compensation as a result of the transition from a private to a public company and increased headcount of our research and development personnel, partially offset by decreased spending on clinical trials.

The following table summarizes our external and internal costs for the three and nine months ended September 30, 2021 and 2020 (in thousands, except percentages).

	Three Months Ended				Nine Months Ended			
	September 30,		Change		September 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
External expenses:								
Clinical trials and associated costs	\$ 364	\$ 729	\$ (365)	(50)%	\$ 1,671	\$ 2,021	\$ (350)	(17)%
Other external costs	1,039	758	281	37%	3,049	2,002	1,047	52%
Total external costs	1,403	1,487	(84)	(6)%	4,720	4,023	697	17%
Internal expenses	1,890	1,219	671	55%	5,217	3,690	1,527	41%
Total research and development expenses	\$ 3,293	\$ 2,706	\$ 587	22%	\$ 9,937	\$ 7,713	\$ 2,224	29%

Sales, Marketing, General and Administrative

Sales, marketing, general and administrative expenses increased \$5.7 million or 73%, and \$14.1 million or 62% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. This increase was driven primarily by increases in employee compensation and benefits for the three and nine months ended September 30, 2021, respectively, associated with expansion of the Company's workforce and increased share-based compensation expense. This increase is also the result of increases in non-employee costs for the three and nine months ended September 30, 2021, respectively, associated with legal and other fees as a result of the transition from a private to a public company.

Change in Fair Value of Contingent Consideration

Change in fair value of contingent consideration decreased \$1.0 million or 100%, and increased \$0.7 million or 69% for the three and nine months ended September 30, 2021, respectively compared to the same periods in 2020. The decrease of \$1.0 million for the three months ended September 30, 2021 compared to the same period in 2020 is a result of the gross margin target being met during the three months ended June 30, 2021. The net change to contingent consideration through the date the gross margin target was met is recorded as operating expenses in the statements of operations. Subsequent changes to the contingent consideration following the achievement of the gross margin target are recorded as 'Interest expense' in the statements of operations resulting from the passage of time and fixed payment schedule. The increase of \$0.7 million for the nine months ended September 30, 2021 compared to the same period in 2020 is a result of the change in fair value to reflect the passage of time, changes in discount rate, as well as estimates regarding the period in which targets that trigger the payment of contingent consideration will be achieved and subsequently paid.

Non-Operating Expenses

Interest Expense

Interest expense decreased \$1.1 million or 42%, and \$3.9 million or 56% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. This decline was due to a decrease of interest expense related to convertible notes, which were converted to common stock upon the successful completion of our IPO in October 2020, and a decrease resulting from the refinancing of our term loan, reducing near-term interest costs. Partially offsetting this decline is the increase to contingent consideration recorded as 'Interest expense' resulting from the passage of time and fixed payment schedule during both the three and nine months ended September 30, 2021 of \$1.0 million and \$1.3 million.

Gain on Debt Extinguishment, net

On March 19, 2021, the Company entered into a new Loan and Security Agreement (2021 Term Loan) for an original principal amount of \$30 million with a maturity date of March 1, 2026. In connection with entering into the 2021 Term Loan, the Company repaid all outstanding principal and unpaid interest in the amount of \$25.9 million due under the secured promissory note (2018 Notes) and contemporaneously terminated the Loan and Security Agreement, dated as of February 23, 2018, as amended. As a result of the extinguishment of the 2018 Notes, the Company recorded a loss on debt extinguishment of \$0.7 million during the three months ended March 31, 2021.

During the second quarter 2021, the Company determined that it would apply for forgiveness under the SBA's Loan Forgiveness program, a change from its previous intent to repay. Subsequently, in July 2021 the Company applied for loan forgiveness and on August 17, 2021, the Company received legal release and formal notification that the PPP Loan was forgiven in full. As a result of the extinguishment of the PPP Loan, the Company recorded a gain on debt extinguishment of \$3.1 million during the three months ended September 30, 2021.

Other Income, net

Other income, net, decreased \$0.1 million or 100%, and \$0.3 million or 100% for the three and nine months ended September 30, 2021, respectively, compared to the same periods in 2020. The decrease is primarily attributable to a reduction in sublease income from two subleases that expired in the second and third quarter of 2020.

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 operating activities primarily through financing activities, which include both debt and equity offerings. In October 2020, we completed an IPO, resulting in net proceeds of approximately \$63.8 million after deducting offering costs, underwriting discounts and commissions.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). As a result of the pandemic, the Company diversified its diagnostic testing beyond lung diagnostic testing to include the critical service of COVID-19 diagnostic testing. Beginning in the third quarter 2020, the Company's COVID-19 testing services began to experience rapid growth with a peak in the first quarter 2021; however, subsequent to this peak, we have experienced a rapid decline in COVID-19 testing revenue primarily as a result of a few significant contracts that have expired as well as the ongoing increase in COVID-19 vaccination rates across the United States. In addition, the COVID-19 pandemic negatively affected, and we expect will continue to negatively affect, our lung diagnostic testing-related revenue and our clinical studies. We began to see recovery during the fourth quarter 2020 as our lung diagnostics delivered tests exceeded first quarter 2020 delivered tests and we expect to continue to see the recovery extending into 2022. However, given the continuation of the pandemic through COVID-19 variants, including the associated hospitalization surges and the impact on the medical ecosystem, which include clinical studies and pulmonary practices, the demand for our lung diagnostic testing and biopharma services has not recovered in line with our expectation from the time of our IPO.

On September 9, 2021, President Biden announced the implementation of a six-pronged, comprehensive national strategy to combat variants of COVID-19 (COVID-19 Action Plan). Among the six prongs are plans to increase COVID-19 testing including requiring all employers with 100 or more employees to ensure their workers are vaccinated or tested weekly. OSHA is developing a rule that will require all employers with 100 or more employees to ensure their workforce is fully vaccinated or require any workers who remain unvaccinated to produce a negative test result on at least a weekly basis before coming to work. OSHA will issue an Emergency Temporary Standard (ETS) to implement this requirement. This requirement will impact over 80 million workers in private sector businesses with more than 100 employees. Further, the Biden administration is calling on all schools to set up regular testing for students, teachers, and staff consistent with CDC guidelines. At this time, we are uncertain as to the potential incremental revenues, if any, that would be generated as a result of our participation in providing support to the COVID-19 Action Plan. While the full outcome of the COVID-19 pandemic is unknown, it continues to negatively impact our ability to grow and scale our business in line with our expectations and disclosures at the time of our IPO. As a result, the items identified above have had an adverse effect on our revenue, results of operations and cash flows.

In March 2021, we completed the closing of our 2021 Term Loan for a principal amount of \$30 million and extinguished our prior 2018 term loan for \$25.9 million. The 2021 Term Loan contains customary affirmative covenants, including covenants regarding compliance with applicable laws and regulation, payment of taxes, insurance coverage, notice of certain events, and reporting requirements. Further, the 2021 Term Loan contains customary negative covenants limiting the ability to, among other things, incur future debt, transfer assets except for the ordinary course of business, make acquisitions, make certain restricted payments, and sell assets, subject to certain exceptions. The 2021 Term Loan requires the Company to comply with a minimum liquidity ratio covenant (as defined in the 2021 Term Loan) of not less than 0.95 to 1.00, and has a trailing six-month rolling revenue requirement of not less than 70% of the Company's projected revenue performed at the end each reporting period. On September 30, 2021, we entered into the Consent and First Amendment to Loan and Security Agreement (the 2021 Term Loan Amendment) to, among other things, amend our 2021 Term Loan to eliminate the revenue covenant for the period ended September 30, 2021 and modify the revenue covenant threshold for the three month period ended December 31, 2021. In addition, we agreed to establish a restricted cash collateral account for \$15 million for the benefit of our lender if the balance of our cash and cash equivalents declines below \$40 million. As of September 30, 2021, the Company was in compliance with all restrictive and financial covenants associated with its borrowings.

During the second quarter 2021, the Company determined that it would apply for forgiveness under the SBA's Loan Forgiveness program, a change from its previous intent to repay. Subsequently, in July 2021 the Company applied for loan forgiveness and on August 17, 2021, the Company received legal release and formal notification that the PPP Loan was forgiven in full. As of and for the three months ended September 30, 2021, the Company reduced the 'Current portion of notes payable' and recorded a gain on extinguishment in the statements of operations for the \$3.1 million forgiven.

As of September 30, 2021, we maintained cash and cash equivalents of \$47.9 million and we are fully drawn under our \$30 million 2021 Term Loan. 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 in our IPO in October 2020, the issuance of notes payable, and from our two primary revenue sources: (i) diagnostic testing, which include lung diagnostic testing and COVID-19 testing, and (ii) providing biopharmaceutical companies

with development and testing services. 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 needs 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 (November 15, 2021). Management considered the Company's current projections of future cash flows, current financial condition, sources of liquidity and debt obligations due on or before November 15, 2022 in considering whether it has the ability to meet its obligations for at least one year from the date of issuance of this Form 10-Q.

Our ability to meet our obligations as they come due may be impacted by our ability to remain compliant with financial covenants in our 2021 Term Loan or to obtain waivers or amendments that impact the related covenants. Due to the continued uncertainty caused by the COVID-19 pandemic, significant risks remain with respect to our ability to meet these thresholds and any material adverse effect on our revenues, income and expenses could impact our ability to maintain compliance with these covenants.

Based on our current operating plan, unless we raise additional capital (debt or equity) or obtain waiver from complying with such financial covenants, we expect that we will be unable to maintain our minimum liquidity covenant under our 2021 Term Loan during the next twelve months, which could result in an Event of Default, as defined, causing an acceleration of the outstanding balance. We have taken steps to improve our liquidity through our recent amendment to our 2021 Term Loan and have also undertaken several proactive measures to mitigate the financial and operational impacts of COVID-19 through the reduction of planned capital expenditures and certain operating expenses but we do not expect that these actions alone will be sufficient to maintain our minimum liquidity covenant. We plan to raise additional funding through the issuance of equity or debt securities; however, we have not secured such funding at the time of this filing and any such financing activities are subject to market conditions. If we do raise additional capital through public or private 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. 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. 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 nor can there be any assurance that the Company will be a beneficiary of the COVID-19 Action Plan. If adequate capital resources are not available on a timely basis, we intend to consider limiting our operations substantially. This limitation of operations could include a hiring freeze, reductions in our workforce, reduction in cash compensation, deferring capital expenditures, and reducing other operating costs.

The Company's revenues, results of operations and cash flows have been materially adversely impacted by the items noted above. We expect to continue to incur significant expenses for the foreseeable future and to incur operating losses in the near term while we make investments to support our anticipated growth. Our current operating plan, which is in part determined based on our most recent historical actual results and trends, along with the items noted above, raises substantial doubt about the Company's ability to continue as a going concern. 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):

	Nine Months Ended September 30,	
	2021	2020
Net cash flows (used in) provided by:		
Operating activities	\$ (18,026)	\$ (12,610)
Investing activities	(1,906)	(2,384)
Financing activities	5,625	16,055
Net (decrease) increase in cash and cash equivalents and restricted cash	<u>\$ (14,307)</u>	<u>\$ 1,061</u>

Our cash flows resulted in a net decrease in cash and cash equivalents of \$14.3 million during the nine months ended September 30, 2021 as compared to the net increase in cash of \$1.1 million for the nine months ended September 30, 2020. For the nine months ended September 30, 2021, net cash used in operating activities increased by approximately \$5.4 million, primarily due to a year-over-year increase in net loss of \$3.1 million and decrease in non-cash adjustments to net loss of \$1.9 million driven primarily by a decrease in amortization of convertible notes debt discount in 2020 of \$4.4 million and an increase in net gain on debt extinguishment in 2021 of \$2.4 million. This is partially offset by an increase in stock-based compensation expense of \$3.5 million, increase in contingent consideration of \$0.7 million, and increase in other non-cash items of \$0.7 million.

Net cash used in investing activities during the nine months ended September 30, 2021 totaled \$1.9 million, a decrease of \$0.5 million compared to the same period in 2020. The decrease in net cash used in investing activities was primarily due to payments in 2020 to acquire Oncimmune assets, partially offset by an increase in purchases of property and equipment in support of our operations in 2021.

Net cash provided by financing activities during the nine months ended September 30, 2021 totaled \$5.6 million, a decrease of \$10.4 million compared to the same period in 2020 driven primarily by the proceeds of the convertible debt issuance in 2020. The net cash provided by financing activities for the nine months ended September 30, 2021 primarily resulted from the net proceeds from our 2021 Term Loan of \$4.6 million and proceeds from the issuance of common stock under the ESPP and exercise of stock options of approximately \$1.0 million. The net cash provided by financing activities for the nine months ended September 30, 2020 of \$16.1 million primarily resulted from proceeds from the issuance of convertible notes and the PPP loan.

Contractual Obligations and Commitments

As a result of the closing of our 2021 Term Loan, repayment of our 2018 Notes, and forgiveness of our PPP Loan, our non-cancelable contractual obligations and commitments for borrowings and interest as presented in our Form 10-K have been modified. The following table provides an update as follows as of September 30, 2021 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Borrowings and interest (1)	\$ 38,291	\$ 1,597	\$ 11,485	\$ 25,209	\$ —
Fair value of contingent consideration (2)	37,000	13,875	23,125	—	—
Total	\$ 75,291	\$ 15,472	\$ 34,610	\$ 25,209	\$ —

(1) Includes the 2021 Term Loan payments of principal, interest and final payment fee of \$2.7 million payment due upon loan maturity.

(2) The gross margin target associated with the purchase transaction of Indi was achieved in the quarter ending June 30, 2021, giving rise to the previously disclosed contingent obligations of \$37.0 million in the aggregate payable through the issuance of Company's shares of common stock subject to a fixed price put option. The Company entered into an amendment in August 2021 to the original agreement in which all parties agreed to forgo the issuance of shares of common stock of the Company that would otherwise be issued to it, and the Company will instead make six quarterly installment payments of \$4.6 million beginning in January 2022 and a final payment of approximately \$9.3 million in July 2023 for a total of \$37.0 million. 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.

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, 2020.

Off-Balance Sheet Arrangements

As of September 30, 2021, 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 primarily relate to our fair value estimates, and 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.

Revenue Recognition

We recognize revenue upon delivery of promised diagnostic test results and testing services, in an amount that reflects the consideration which we expect to receive in exchange for our 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.

Diagnostic service revenues are recognized upon completion of our performance obligation to the deliver test results to our customer, either the prescribing physician or third-party to which we contracted for services to be performed. Testing services revenues are recognized upon completion of our performance obligation to deliver testing results for assay development and testing services.

Share-based Compensation and Grant Date Fair Value

Share-based compensation related to stock options granted to our employees, directors and non-employees is measured at the grant date based on the fair value of the award. For our service-based awards, the fair value of each award is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period of the respective awards. Compensation expense for share-based awards with performance conditions is recognized based upon the probability the performance conditions will be met as defined in the grant. Restricted stock unit option awards are measured at their grant date fair value using the closing price of our common stock on the date of grant and recognized to expense on a straight-line basis over the vesting period of each award. We estimate forfeitures and adjust these estimates to actual forfeitures as they occur.

We use the Black-Scholes option-pricing model to estimate the fair value of our share-based option awards, which requires assumptions to be made related to expected term of an award, expected volatility, the risk-free rate and expected dividend yield. Following the completion of our IPO, our Board of Directors has determined the fair value of our common stock is based on our closing price as reported on the date of grant on the primary stock exchange on which our common stock is traded.

Prior to our IPO in October 2020, the fair value of our common stock was determined by our Board of Directors in accordance with the methodologies outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation Practice Aid (Practice Aid). In doing so, our Board of Directors determined the best estimate of fair value of our common stock, exercising reasonable judgment and considering numerous objective and subjective factors, by first determining the enterprise value of our business, and then allocating the value among the various classes of our equity securities to derive a per share value of our common stock.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASC Topic 842). The new guidance maintains two classifications of leases: finance leases, which replace capital leases, and operating leases. Lessees will need to recognize a right-of-use asset and a lease liability on the balance sheet for those leases previously classified as operating leases under the old guidance. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for direct costs. The accounting standard will be effective for the Company beginning January 1, 2022. Based on our current analysis expect the adoption to result in the recognition of approximately \$1.5 million of right of use assets and associated lease liabilities in our balance sheet and do not expect any material impact to our statement of operations or statement of cash flows. We are implementing new processes and internal controls over lease recognition, which will ultimately assist in the application of the new lease standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments* (ASC Topic 326). This ASU requires measurement and recognition of expected credit losses for financial assets. This guidance will become effective for the Company beginning January 1, 2023 with early adoption permitted. The Company is currently evaluating this guidance and assessing the overall impact on its financial statements.

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 \$1.07 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 2021 Term Loan. As of September 30, 2021, we had \$30 million outstanding on the 2021 Term Loan subject to a floating per annum rate equal to the greater of (i) 2.00% above the prime rate, or (ii) 5.25%. 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 two U.S. financial institutions. 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 September 30, 2021, a hypothetical 100 basis point increase in interest rates would not have a material impact on our investment portfolio, financial position or results of operations.

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 September 30, 2021, that have materially affected, or are reasonable likely to materially effect, our internal controls over financial reporting.

This Quarterly Report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

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. In September 2021, we reached a settlement agreement with plaintiffs, which received preliminary approval from the Circuit Court of the City of St. Louis, State of Missouri on November 10th, regarding a dispute involving the Telephone Consumer Protection Act (TCPA) in which we estimate payment to third parties to be approximately \$230,000 which has been accrued as a legal contingency. We are not presently a party to any other 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, 2020, filed March 16, 2021, 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 risks could materially and adversely affect our business, financial condition and results of operations.

The continuing spread of COVID-19 and the impact to our business may continue to have a material and adverse effect on our ability to generate revenues, maintain compliance with our financial covenants and result in our inability to continue as a going concern. Any such impacts could have a material and adverse effect on the price of our common stock.

Our financial statements as of and for the period ended September 30, 2021 were prepared on the assumption that we would continue as a going concern. These financial statements did not include any adjustments that might result from the outcome of this uncertainty. As a result of the impact of the COVID-19 pandemic on our operations as described in this report, and our obligation to remain in compliance with our financial covenants under our 2021 Term Loan, our management has determined that there is a substantial doubt about our ability to continue as a going concern over the next twelve months. Although we have taken steps to improve our liquidity through our recent amendment to our 2021 Term Loan to modify certain financial covenants and have taken measures to reduce planned capital expenditures and operating expenses, these actions alone will not be sufficient to mitigate our liquidity concerns in the wake of the material impact to our revenues, income and cash flows from the continued spread of COVID-19. In addition, if we are not able to improve our operating results, we may need to limit our operations substantially. We will need to raise additional capital in the form of equity or debt to increase our liquidity but there is no assurance that we will be able to secure any such funding in a sufficient amount or on terms that are acceptable to us. If we do raise additional capital through public or private 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. Furthermore, the reaction of investors to the inclusion of a going concern statement in this report, and our potential inability to continue as a going concern, could materially adversely affect the price of our common stock.

We are exposed to significant future payments and other obligations associated with our acquisitions of Integrated Diagnostics and Oncimmune, U.S.A., and may not realize the advantages we expect from these acquisitions.

We purchased select assets and liabilities from Integrated Diagnostics, Inc. and IND Funding, LLC (collectively, the Seller or Indi) which included the Clinical Laboratory Improvement Amendments (CLIA) lab in Seattle, Washington, and all rights to the Nodify XL2 test and intellectual property rights related to that test. The purchase was made for total consideration of \$27.6 million, consisting of \$8.0 million (10,649,604 shares) of our Series G Preferred Stock and contingent consideration with an initial fair market value of \$19.6 million.

The acquisition of Indi included a contingent consideration arrangement that requires additional consideration to be paid by us to the Seller based on the milestone of the attainment of a three consecutive month gross margin target of \$2 million within a seven-year period. Under the terms of the original agreement, when the gross margin target was met, the Company was required to issue 2,520,108 shares of common stock. For the six months following the achievement of the milestone, the Indi had the option to require the Company to redeem the common shares for \$37.0 million in cash over eight equal installments. If Indi elected not to exercise this option, we had 12 months to repurchase the common stock in two equal quarterly cash installments totaling \$37 million.

The Company met the gross margin target of \$2.0 million for three consecutive months during the three months ended June 30, 2021. The Company entered into an amendment to the original agreement in August 2021 in which all parties agreed to forgo the issuance of common stock and agreed that the Company will 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 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. The amendment to the original agreement is subject to consent from our

lender under the 2021 Term Loan and 2021 Term Loan Amendment for which we are in discussions with our lender. As of September 30, 2021, we have not made any payments in connection with the contingent consideration.

Our acquisitions may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. We cannot be certain that, following the realization of these acquisitions, we will achieve the revenue or specific net income that justifies our entry into them. This could delay our sales and marketing efforts, which would harm our business prospects, financial condition and results of operations.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
10.39*	Consent and First Amendment to Loan and Security Agreement
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 Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† Previously filed.

+ Management contract or compensatory plan.

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: November 15, 2021

By: _____
/s/ RYAN H. SIUREK
Ryan H. Siurek
Chief Accounting Officer

**CONSENT AND FIRST AMENDMENT
TO LOAN AND SECURITY AGREEMENT**

This **CONSENT AND FIRST AMENDMENT** to Loan and Security Agreement (this “Agreement”) is entered into this 30th day of September, 2021, by and between **SILICON VALLEY BANK**, a California corporation (“**Bank**”) and **BIODESIX, INC.**, a Delaware corporation (“**Borrower**”).

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of March 19, 2021 (as the same may from time to time be amended, modified, supplemented or restated, the “**Loan Agreement**”). Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

B. Borrower has requested that Bank consent to modify Section 6.7(b) of the Loan Agreement to remove the requirement to satisfy Section 6.7(b) for the measuring period ending September 30, 2021 (the “**Consent**”).

C. Borrower has further requested that Bank amend the Loan Agreement to (1) add a cash collateralization trigger, (2) modify the financial covenants, and (3) make certain other revisions to the Loan Agreement as more fully set forth herein. Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

Definitions. Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Loan Agreement.

1. Consent. Bank hereby agrees to the Consent. Bank’s Consent with respect to Section 6.7(b) of the Loan Agreement shall apply only with respect to the measuring periods ending September 30, 2021. Accordingly, hereinafter, Borrower shall be in compliance with such section. Bank’s agreement to the Consent (a) in no way shall be deemed an agreement by Bank to consent or otherwise waive Borrower’s compliance with the above-referenced section as of any other date, and (b) shall not limit or impair the Bank’s right to demand strict performance of such section as of all other dates.

2. Amendments to Loan Agreement.

2.1 Section 6.6 (Operating Accounts). Section 6.6(a) of the Loan Agreement hereby is amended and restated in its entirety to read as follows:

“(a) Other than the Permitted Other Accounts, maintain its and all of its Subsidiaries’ primary banking relationship with Bank and Bank’s Affiliates, which relationship shall include maintaining account balances in any operating and other deposit

accounts at or through Bank or Bank's Affiliates, and which accounts shall represent at least ninety percent (90%) of the dollar value of Borrower's and its Subsidiaries' account balances at all financial institutions. All amounts in the Permitted Lockbox Account shall be transferred to Borrower's account no. xxxxx93903 at Chase on a daily basis. All amounts in excess of Two Hundred Thousand Dollars (\$200,000) in Borrower's account no. xxxxx93903 at Chase shall be transferred into the Cash Collateral Account at Bank no less frequently than weekly. All amounts in each Payment Processor Account shall be transferred to Borrower's accounts at Bank no less frequently than weekly (or if Bank, in its good faith business judgment determines that conditions warrant, following written notice thereof to Borrower, more frequently). In addition, Borrower shall at all times maintain the Pledged Account in accordance with the terms hereof and of the Pledge Agreement. Any Guarantor shall maintain all depository or operating and deposit accounts at Bank."

2.2 Section 6.7 (Financial Covenants). Sections 6.7 of the Loan Agreement hereby is amended and restated in its entirety to read as follows:

"6.7 Financial Covenants.

(a) Minimum Liquidity Ratio. Maintain a Liquidity Ratio of not less than 0.95:1.00.

(b) Minimum Revenue (Performance to Plan).

(i) Achieve revenue (measured in accordance with GAAP and tested as of the last day of each calendar quarter on a trailing three (3) month basis for the quarter ending December 31, 2021 and on a trailing six (6) month basis for all quarters thereafter), of not less than eighty-five percent (85%) of the projected revenue numbers for each such quarter set forth in Borrower's projections delivered to Bank on September 25, 2021 and titled "Biodesix, Inc. - Income Statement - 2021".

(ii) The required minimum revenue (performance to plan) covenant levels for the quarterly measuring periods ending after December 31, 2021, shall, unless Borrower and Bank shall otherwise agree in writing, (i) be set at seventy percent (70%) of the Borrower's projections delivered to Bank in accordance with Section 6.2(e) hereof, (ii) reflect year-over-year revenue growth (determined in accordance with GAAP) for each measuring period and (iii) be documented pursuant to an amendment to this Agreement to be entered into on or prior to December 31 of each calendar year (commencing with December 31, 2021). So long as Borrower shall have been provided a copy of such amendment not less than ten (10) Business Days prior to December 31st of any applicable calendar year and an opportunity to review and provide comment on such amendment, and the terms and conditions of such amendment shall not otherwise be prohibited as a matter of contract or applicable law, Borrower's failure to enter into such amendment to this Agreement to reset such covenant levels on or prior to December 31st of any applicable year shall be an immediate and non-curable Event of Default hereunder."

2.3 Section 6.14 (Cash Collateralization Trigger). New Section 6.14 hereby is added to the Loan Agreement to read in its entirety as follows:

“6.14 Cash Collateralization Trigger. If, at any time during the term of this Agreement, the sum of Borrower’s unrestricted cash and CashEquivalents maintained in Borrower’s Collateral Accounts at Bank falls below Forty Million Dollars (\$40,000,000) (the **“Collateralization Trigger”**), Borrower hereby agrees that Bank shall immediately, with no further action required by the parties hereto, be directed to transfer to the Pledged Account (from any one or a combination of Borrower’s accounts at Bank) an amount of cash equal to Fifteen Million Dollars (\$15,000,000)(the **“Term Loan Cash Collateral”**) to cash collateralize the Secured Obligations. It shall be an immediate and non-curable Event of Default hereunder if the Term Loan Cash Collateral is not transferred to the Pledged Account within two (2) Business Days of the date on which any Collateralization Trigger occurs.”

2.4 Section 7.7 (Distributions; Investments). Section 7.7 of the LoanAgreement hereby is amended and restated in its entirety to read as follows:

“7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capitalstock, including but not limited to any payments under or in connection with the Integrated Diagnostics APA, except:

(i) Borrower may convert any of its convertible securities or Subordinated Debt into other securities pursuant to the terms of such convertible securities or Subordinated Debt or otherwise in exchange thereof;

(ii) Borrower or any Subsidiary may pay dividends solely in Equity Interests of Borrower or Subsidiary, and any Subsidiary may pay cash distributions to Borrower or any other Subsidiary;

(iii) Borrower may repurchase the stock of former employees or consultants pursuant to stock repurchase agreements so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase, provided that the aggregate amount of all such repurchases does not exceed One Hundred Thousand Dollars (\$100,000) per fiscal year;

(iv) Borrower or any Subsidiary may make cash payments in lieu of fractional shares;

(v) Borrower may purchase, redeem, retire, or otherwise acquire its Equity Interests with the proceeds received from a substantially concurrent issue of new Equity Interests, provided that no Event of Default has occurred or would result therefrom;

(vi) Intentionally Omitted;

(vii) Intentionally Omitted;

(viii) Borrower may repurchase from managers, officers or employees pursuant to the terms of share purchase plans, restricted share purchase agreements or other similar agreements in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000) in any fiscal year;

(b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so; or (c) amend, restate or otherwise modify the Integrated Diagnostics APA.”

2.5 Section 13 (Definitions). The following terms and their respective definitions hereby are added or amended and restated in their entirety, as applicable in Section 13.1 of the Loan Agreement, as follows:

“**Collateralization Trigger**” is defined in Section 6.14 hereof. “**Final Payment**” is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) in an amount equal to Two Million Seven Hundred Thousand Dollars (\$2,700,000) and due on the earliest to occur of (a) the Term Loan Maturity Date, (b) the acceleration of the Term Loan Advance, or (c) the prepayment of the Term Loan Advance pursuant to Section 2.2.1(c).

“**First Amendment Effective Date**” means September 30, 2021.

“**Integrated Diagnostics APA**” means that certain Asset Purchase Agreement and Plan of Reorganization, dated as of June 30, 2018, by and between Borrower, Integrated Diagnostics and the stockholders of Integrated Diagnostics set forth on Exhibit A thereto as amended by that certain Amendment No. 1 to Asset Purchase Agreement and Plan of Reorganization dated as of July 29, 2021.

“**Liquidity**” means, as of any date of determination, the sum of (a) Borrower’s unrestricted cash held at Bank or Bank’s Affiliates (subject to a Control Agreement in favor of Bank) as of such date, plus (b) Borrower’s net billed Accounts receivable, as of the last day of the most recently completed calendar month, plus (c) any Term Loan Cash Collateral held by Bank in the Pledged Account.

“**Liquidity Ratio**” means, as of any date of determination, a ratio of (a) Liquidity divided by (b) the aggregate outstanding principal amount of the Term Loan Advance as of such date.

“**Loan Documents**” are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Pledge Agreement, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement, all as amended, restated, or otherwise modified.

“**Pledged Account**” means restricted account number xxx-xxxx- 0880 established and maintained by Borrower at Bank.

“**Pledge Agreement**” means that certain Cash Pledge Agreement and Annex I attached thereto executed by Borrower in favor of Bank and dated as of the First Amendment Effective Date.

“**Term Loan Cash Collateral**” is defined in Section 6.14 hereof.

2.6 Exhibit B (Compliance Statement) to the Loan Agreement hereby is replaced with Exhibit B (Compliance Statement) attached hereto.

3. Representations and Warranties. Borrower represents and warrants to Bank as follows:

3.1 the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct in all material respects as of such date), and (b) no Event of Default has occurred and is continuing;

3.2 Borrower has the power and authority to execute and deliver this Agreement and to perform its obligations under the Loan Agreement;

3.3 The organizational documents of Borrower delivered to Bank on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

3.4 The execution and delivery by Borrower of this Agreement and the performance by Borrower of its obligations under the Loan Agreement have been duly authorized by all necessary action on the part of Borrower;

3.5 The execution and delivery by Borrower of this Agreement and the performance by Borrower of its obligations under the Loan Agreement do not (i) conflict with any of Borrower’s organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict with or violate any applicable order, writ, judgment, injunction, decree, termination or award of any Governmental Authority which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except (x) such Governmental Approvals which have already been obtained and are in full force and effect (or are being obtained pursuant to Section 6.1(b) of the Loan Agreement) and (y) filings and recordings in respect of the Liens created pursuant to the applicable Loan Documents), or (v) conflict with, contravene constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower is bound;

3.6 This Agreement has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors’ rights.

4. Prior Agreement. The Loan Documents (as modified hereby) are hereby ratified and reaffirmed and shall remain in full force and effect. This Agreement is not a novation and the terms and conditions of this Agreement shall be in addition to and supplemental to all terms and conditions set forth in the Loan Documents. In the event of any conflict or inconsistency between this Agreement and the terms of such documents, the terms of this Agreement shall be controlling, but such document shall not otherwise be affected or the rights therein impaired.

5. Ratification of Perfection Certificate. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate dated on or prior to the Effective Date and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not changed, as of the date hereof.

6. Integration. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

7. Counterparts. This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

8. Conditions to Effectiveness. This Amendment shall be deemed effective upon (a) the due execution and delivery to Bank of (i) this Amendment by each party hereto, (ii) the Pledge Agreement, (b) evidence that Borrower has established the Pledged Account, and (c) payment by Borrower of all Bank Expenses due and owing as of the date hereof, which, in each case, may be debited from any of Borrower's accounts at Bank.

9. Miscellaneous.

9.1 This Agreement shall constitute a Loan Document under the Loan Agreement; the failure to comply with the covenants contained herein shall constitute an Event of Default under the Loan Agreement; and all obligations included in this Agreement (including, without limitation, all obligations for the payment of principal, interest, fees, and other amounts and expenses) shall constitute obligations under the Loan Agreement and secured by the Collateral.

9.2 Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

10. Governing Law. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be dulyexecuted and delivered as of the date first written above.

BANK:

SIICON VALLEY BANK

By: KRISTINE ROHMER
Name: Kristine Rohmer
Title: Director

BORROWER:

BIODESIX, INC.

By: /s/ SCOTT HUTTON
Name: Scott Hutton
Title: Chief Executive Officer

EXHIBIT B

COMPLIANCE STATEMENT

TO: **SILICON VALLEY BANK**
FROM: **BIODESIX, INC.**

Date: _____

Under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"); Borrower is in compliance in all material respects for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenants</u>	<u>Required</u>	<u>Complies</u>
Quarterly financial statements with ComplianceStatement	Within 5 Business Days following the date Borrower is required to file its Form 10-Q	Yes No
Annual financial statements (CPA Audited)	Within 5 Business Days following the date Borrower is required to file its Form 10-K	Yes No
A/R & A/P Agings and a Detailed Listing of Borrower's Account Debtors	Monthly within 10 Business Days	Yes No
Inventory Reports	Monthly within 30 days	Yes No
10-Q, 10-K and 8-K	Within 5 Business Days after filing with SEC	Yes No
Board approved projections	Within 75 days after FYE, or, if earlier, the 7th Business Day following approval by the Borrower's board of directors, and within seven (7) Business Days of any material updates/amendments thereto	Yes No

<u>Financial Covenants</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Minimum Liquidity Ratio (maintain at all times)	0.95:1.0	:1.0	Yes No
Minimum Revenue (measured on a trailing three (3) month basis for the quarter ending December 31, 2021 and trailing six (6) month basis thereafter) (tested quarterly)	See Schedule 1	\$	Yes No

Other Matters

Have there been any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents of Borrower or any of its Subsidiaries? If yes, provide copies of any such amendments or changes with this Compliance Statement. Yes No

The following financial covenant analysis and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Compliance Statement.

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

Schedule 1 to Compliance Statement

In the event of a conflict between this Schedule and the Agreement, the terms of the Agreement shall govern.

Dated: _____

I. Minimum Revenue (Section 6.7(a))

Required: _____ (85% of board approved projections for December 31, 2021 and 70% of board approved projections for all periods thereafter)

Actual:

A. Borrower's revenue (determined in accordance with GAAP) measured on a trailing 3 month basis (December 31, 2021) and trailing 6-month basis (all quarters ending after December 31, 2021) \$ _____

Is line A equal to or greater than the required revenue set forth above for the corresponding measuring period?

_____ No, not in compliance

_____ Yes, in compliance

II. Liquidity Ratio (Section 6.7(b))

Required: >0.95 to 1.00

- A. Aggregate value of Borrower's unrestricted cash held at Bank or Bank's Affiliates (subject to a Control Agreement in favor of Bank) \$ _____
- B. Aggregate value of Borrower's net billed Accounts receivable \$ _____
- C. Aggregate value of Term Loan Cash Collateral in the Pledged Account
- D. Aggregate outstanding principal amount of the Term Loan Advance \$ _____
- E. Liquidity Ratio (the sum of line A plus line B plus line C divided by line D) _____

Actual:

Is line F greater than 0.95:1.00?

_____ No, not in compliance

_____ Yes, in compliance

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) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];
 - (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: November 15, 2021

By: _____ /s/ Robin Harper Cowie

Robin Harper Cowie
Chief Financial Officer

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 September 30, 2021 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: November 15, 2021

By:

/s/ Scott Hutton
Scott Hutton
Chief Executive Officer

**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 September 30, 2021 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: November 15, 2021

By:

/s/ Robin Harper Cowie

Robin Harper Cowie
Chief Financial Officer