

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

**FORM 10-Q**

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

For the quarterly period ended June 30, 2021

**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: 001-35756

**NEOGENOMICS, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

74-2897368

(I.R.S. Employer Identification No.)

12701 Commonwealth Drive, Suite 9, Fort Myers,  
Florida

(Address of principal executive offices)

33913

(Zip Code)

(239) 768-0600

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock (\$0.001 par value)	NEO	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input 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

As of August 5, 2021, the registrant had 122,816,314 shares of Common Stock, par value \$0.001 per share outstanding.

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## FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q contains “forward-looking statements” and information within the meaning of Section 27A of the Securities Act of 1933, as amended, or the “Securities Act”, and Section 21E of the Securities Exchange Act of 1934, as amended, or the “Exchange Act”, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, changing reimbursement levels from government payers and private insurers, projected costs, prospects and plans and objectives of management. The words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission (the “SEC”) on February 25, 2021.

Forward-looking statements include, but are not limited to, statements about:

- Our ability to respond to rapid scientific change;
- The risk of liability in conducting clinical trials and providing research services and the sufficiency of our insurance to cover such claims;
- Our ability to implement our business strategy;
- The potential impact to our business operations, customer demand and supply chain due to the ongoing global COVID-19 coronavirus pandemic and its related variants;
- The expected reimbursement levels from governmental payers and private insurers and proposed changes to those levels;
- The application, to our business and the services we provide, of existing laws, rules and regulations, including without limitation, Medicare laws, anti-kickback laws, Health Insurance Portability and Accountability Act of 1996 regulations, state medical privacy laws, international privacy laws, federal and state false claims laws and corporate practice of medicine laws;
- Regulatory developments in the United States including downward pressure on health care reimbursement;
- Our ability to maintain our license under the Clinical Laboratory Improvement Amendments of 1988 (“CLIA”);
- Food and Drug Administration, or FDA regulation of Laboratory Developed Tests (“LDTs”);
- Failure to timely or accurately bill for our services;
- Our ability to expand our operations and increase our market share;
- Our ability to expand our service offerings by adding new testing capabilities and overcome capacity constraints;
- Our ability to develop or acquire licenses for new or improved testing technologies;
- Our ability to meet our future capital requirements;
- Our ability to manage our indebtedness;
- Our ability to manage the quality of our investment portfolio;
- Our expectations regarding the conversion of our outstanding 1.25% Convertible Senior Notes due May 2025 (the “2025 Convertible Notes”) or our outstanding 0.25% Convertible Senior Notes due January 2028 (the “2028 Convertible Notes”) in the aggregate principal amount of \$201.3 million and \$345 million, respectively, and our ability to make debt service payments under the 2025 Convertible Notes or 2028 Convertible Notes if such notes are not converted;
- Our ability to protect our intellectual property from infringement;
- Our ability to integrate acquisitions and costs related to such acquisitions;
- The effects of seasonality on our business;
- Our ability to maintain service levels and compete with other diagnostic laboratories;

- Our ability to hire and retain sufficient managerial, sales, clinical and other personnel to meet our needs;
- Our ability to successfully scale our business, including expanding our facilities, our backup systems and infrastructure;
- Our handling, storage and disposal of biological and hazardous materials;
- The accuracy of our estimates regarding reimbursement, expenses, future revenues and capital requirements;
- Our ability to manage expenses and risks associated with international operations, including anti-corruption and trade sanction laws and other regulations, and economic, political, legal and other operational risks associated with foreign jurisdictions;
- Our ability to have sufficient cash to pay our obligations under the 2025 Convertible Notes or the 2028 Convertible Notes; and
- The dilutive impact of the conversion of the 2025 Convertible Notes or the 2028 Convertible Notes.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

**PART I — FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**NEOGENOMICS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	June 30, 2021 (unaudited)	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 368,796	\$ 228,713
Marketable securities, at fair value	202,950	67,546
Accounts receivable, net	106,284	106,843
Inventories	21,384	29,526
Prepaid assets	13,959	11,547
Other current assets	8,422	4,555
Total current assets	721,795	448,730
Property and equipment (net of accumulated depreciation of \$105,194 and \$92,895, respectively)	112,208	85,873
Operating lease right-of-use assets	54,558	45,786
Intangible assets, net	471,038	120,653
Goodwill	499,977	211,083
Restricted cash	4,103	21,919
Investment in non-consolidated affiliate	—	29,555
Prepaid lease asset	24,958	20,229
Other assets	7,674	4,503
Total non-current assets	\$ 1,174,516	\$ 539,601
Total assets	\$ 1,896,311	\$ 988,331
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 23,056	\$ 24,965
Accrued compensation	38,719	24,727
Accrued expenses and other liabilities	25,304	11,654
Current portion of equipment financing obligations	1,913	2,841
Current portion of operating lease liabilities	5,642	4,967
Pharma contract liabilities	4,497	4,029
Total current liabilities	99,131	73,183
<b>Long-term liabilities</b>		
Convertible senior notes, net	531,077	168,120
Equipment financing obligations	448	967
Operating lease liabilities	49,624	42,296
Deferred income tax liabilities, net	63,877	5,415
Other long-term liabilities	3,796	4,056
Total long-term liabilities	648,822	220,854
Total liabilities	747,953	294,037
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value, (250,000,000 shares authorized; 122,711,352 and 112,075,474 shares issued and outstanding, respectively)	123	112
Additional paid-in capital	1,101,298	701,357
Accumulated other comprehensive (loss) income	(333)	10
Retained earnings (accumulated deficit)	47,270	(7,185)
Total stockholders' equity	1,148,358	694,294
Total liabilities and stockholders' equity	\$ 1,896,311	\$ 988,331

See the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>NET REVENUE:</b>				
Clinical Services	\$ 101,405	\$ 73,884	\$ 197,892	\$ 166,866
Pharma Services	20,319	13,093	39,365	26,141
Total revenue	121,724	86,977	237,257	193,007
<b>COST OF REVENUE</b>	<b>68,734</b>	<b>58,971</b>	<b>142,693</b>	<b>118,632</b>
<b>GROSS PROFIT</b>	<b>52,990</b>	<b>28,006</b>	<b>94,564</b>	<b>74,375</b>
Operating expenses:				
General and administrative	54,638	34,613	95,114	70,957
Research and development	3,495	2,105	5,951	4,165
Sales and marketing	17,224	10,195	30,973	23,453
Total operating expenses	75,357	46,913	132,038	98,575
<b>LOSS FROM OPERATIONS</b>	<b>(22,367)</b>	<b>(18,907)</b>	<b>(37,474)</b>	<b>(24,200)</b>
Interest expense, net	902	1,548	2,079	2,367
Other income, net	(171)	(7,405)	(341)	(7,628)
Gain on investment in and loan receivable from non-consolidated affiliate, net	(96,534)	—	(91,510)	—
Loss on extinguishment of debt	—	1,400	—	1,400
Loss on termination of cash flow hedge	—	3,506	—	3,506
Income (loss) before taxes	73,436	(17,956)	52,298	(23,845)
Income tax benefit	(2,437)	(11,132)	(1,461)	(10,043)
<b>NET INCOME (LOSS)</b>	<b>\$ 75,873</b>	<b>\$ (6,824)</b>	<b>\$ 53,759</b>	<b>\$ (13,802)</b>
<i>Adjustment to net income (loss) for convertible notes in diluted EPS<sup>(1)</sup></i>				
<b>NET INCOME (LOSS)</b>	<b>\$ 75,873</b>	<b>\$ (6,824)</b>	<b>\$ 53,759</b>	<b>\$ (13,802)</b>
Convertible note accretion, amortization, and interest, net of tax	1,552	—	2,997	—
<b>NET INCOME (LOSS) USED IN DILUTED EPS</b>	<b>\$ 77,425</b>	<b>\$ (6,824)</b>	<b>\$ 56,756</b>	<b>\$ (13,802)</b>
<b>NET INCOME (LOSS) PER SHARE</b>				
Basic	\$ 0.64	\$ (0.06)	\$ 0.46	\$ (0.13)
Diluted	\$ 0.59	\$ (0.06)	\$ 0.44	\$ (0.13)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	118,287	107,887	117,249	106,209
Diluted	131,237	107,887	130,247	106,209

<sup>(1)</sup>This adjustment compensates for the effects of the if-converted impact of convertible notes in adjusted net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income (loss) is adjusted to reverse any recognized interest expense (including any amortization of discounts).

See the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>NET INCOME (LOSS)</b>	\$ 75,873	\$ (6,824)	\$ 53,759	\$ (13,802)
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Net unrealized loss on marketable securities, net of tax	(183)	—	(343)	—
Unrealized gain (loss) on effective cash flow hedge, net of tax	—	38	—	(1,000)
Cash flow hedge termination reclassified to earnings	—	2,661	—	2,661
Total other comprehensive (loss) income, net of tax	(183)	2,699	(343)	1,661
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 75,690</u>	<u>\$ (4,125)</u>	<u>\$ 53,416</u>	<u>\$ (12,141)</u>

See the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	(Accumulated Deficit) Retained Earnings	Total
	Shares	Amount				
<b>Balance, December 31, 2020</b>	112,075,474	\$ 112	\$ 701,357	\$ 10	\$ (7,185)	\$ 694,294
Cumulative-effect adjustment from change in accounting principle	—	—	(23,271)	—	696	(22,575)
Premiums paid for capped call confirmations	—	—	(29,291)	—	—	(29,291)
Common stock issuance ESPP Plan	23,917	—	1,024	—	—	1,024
Issuance of restricted stock, net of forfeitures	83,220	—	(614)	—	—	(614)
Issuance of common stock for stock options	260,167	—	2,239	—	—	2,239
Issuance of common stock - public offering, net of underwriting discounts	4,693,876	5	218,495	—	—	218,500
Stock issuance fees and expenses	—	—	(242)	—	—	(242)
ESPP expense	—	—	241	—	—	241
Stock-based compensation expense - options and restricted stock	—	—	2,412	—	—	2,412
Net unrealized loss on marketable securities, net of tax	—	—	—	(160)	—	(160)
Net loss	—	—	—	—	(22,114)	(22,114)
<b>Balance, March 31, 2021</b>	117,136,654	\$ 117	\$ 872,350	\$ (150)	\$ (28,603)	\$ 843,714
Common stock issuance ESPP Plan	31,839	—	1,245	—	—	1,245
Issuance of restricted stock, net of forfeitures	146,392	—	(163)	—	—	(163)
Issuance of common stock for stock options	354,310	1	4,429	—	—	4,430
Issuance of common stock - private placement, net of private placement fees	4,444,445	4	189,859	—	—	189,863
Issuance of common stock for acquisition	597,712	1	29,174	—	—	29,175
Stock issuance fees and expenses	—	—	(102)	—	—	(102)
ESPP expense	—	—	298	—	—	298
Stock-based compensation expense - options and restricted stock	—	—	4,208	—	—	4,208
Net unrealized loss on marketable securities, net of tax	—	—	—	(183)	—	(183)
Net income	—	—	—	—	75,873	75,873
<b>Balance, June 30, 2021</b>	122,711,352	\$ 123	\$ 1,101,298	\$ (333)	\$ 47,270	\$ 1,148,358

See the accompanying notes to the unaudited Consolidated Financial Statements.



**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
	Shares	Amount				
<b>Balance, December 31, 2019</b>	104,781,236	\$ 105	\$ 520,278	\$ (1,618)	\$ (11,357)	\$ 507,408
Common stock issuance ESPP Plan	34,330	—	796	—	—	796
Issuance of restricted stock, net of forfeitures	76,618	—	(212)	—	—	(212)
Issuance of common stock for stock options	503,873	—	2,897	—	—	2,897
Stock issuance fees and expenses	—	—	(15)	—	—	(15)
ESPP expense	—	—	194	—	—	194
Stock based compensation expense - options and restricted stock	—	—	1,991	—	—	1,991
Loss on effective cash flow hedge	—	—	—	(1,038)	—	(1,038)
Net loss	—	—	—	—	(6,978)	(6,978)
<b>Balance, March 31, 2020</b>	105,396,057	\$ 105	\$ 525,929	\$ (2,656)	\$ (18,335)	\$ 505,043
Common stock issuance ESPP Plan	41,058	—	928	—	—	928
Issuance of restricted stock, net of forfeitures	24,786	—	(824)	—	—	(824)
Issuance of common stock for stock options	183,443	—	2,014	—	—	2,014
Issuance of common stock - public offering, net of underwriting discounts	4,751,500	5	127,288	—	—	127,293
Stock issuance fees and expenses	—	—	(317)	—	—	(317)
ESPP expense	—	—	211	—	—	211
Stock based compensation expense - options and restricted stock	—	—	2,424	—	—	2,424
Equity component of convertible note issuance	—	—	30,912	—	—	30,912
Tax liability related to convertible note issuance	—	—	(9,330)	—	—	(9,330)
Gain on effective cash flow hedge	—	—	—	38	—	38
Cash flow hedge termination reclassified to earnings	—	—	—	2,661	—	2,661
Net loss	—	—	—	—	(6,824)	(6,824)
<b>Balance, June 30, 2020</b>	110,396,844	\$ 110	\$ 679,235	\$ 43	\$ (25,159)	\$ 654,229

See the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 53,759	\$ (13,802)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	13,629	12,177
Amortization of intangibles	6,209	4,919
Non-cash stock-based compensation	7,159	4,821
Non-cash operating lease expense	3,750	4,113
Amortization of convertible debt discount	1,247	864
Amortization of debt issue costs	88	112
Loss on debt extinguishment	—	1,400
Loss on termination of cash flow hedge	—	3,506
Gain on investment in and loan receivable from non-consolidated affiliate, net	(91,510)	—
Interest receivable on loan receivable from non-consolidated affiliate	(391)	—
Write-off of COVID-19 PCR testing inventory and equipment	6,061	—
Other non-cash items	790	263
Changes in assets and liabilities, net		
Accounts receivable, net	1,155	6,498
Inventories	3,645	(6,688)
Prepaid lease asset	(4,730)	(6,084)
Prepaid and other assets	(4,681)	(5,975)
Accounts payable, accrued and other liabilities	4,640	(11,175)
Net cash provided by (used in) operating activities	820	(5,051)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(162,769)	—
Proceeds from sales and maturities of marketable securities	26,253	—
Purchases of property and equipment	(37,178)	(9,734)
Business acquisitions, net of cash acquired	(419,404)	(37,000)
Loan receivable from non-consolidated affiliate	(15,000)	—
Investment in non-consolidated affiliate	—	(13,137)
Net cash used in investing activities	(608,098)	(59,871)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of equipment financing obligations	(1,892)	(3,059)
Repayment of term loan	—	(97,540)
Cash flow hedge termination	—	(3,317)
Issuance of common stock, net	8,045	5,469
Proceeds from issuance of convertible debt, net of issuance costs	334,410	194,376
Premiums paid for capped call confirmations	(29,291)	—
Proceeds from equity offerings, net of issuance costs	418,273	127,288
Net cash provided by financing activities	729,545	223,217
Net change in cash, cash equivalents and restricted cash	122,267	158,295
Cash, cash equivalents and restricted cash, beginning of period	250,632	173,016
Cash, cash equivalents and restricted cash, end of period	\$ 372,899	\$ 331,311

	Six Months Ended June 30,	
	2021	2020
<b>Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets:</b>		
Cash and cash equivalents	\$ 368,796	\$ 295,281
Restricted cash, non-current	4,103	36,030
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 372,899</b>	<b>\$ 331,311</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 1,329	\$ 1,562
Income taxes paid, net	\$ 114	\$ 89
<b>Supplemental disclosure of non-cash investing and financing information:</b>		
Fair value of common stock issued to fund business acquisition	\$ 29,174	\$ —
Equity offering issuance costs included in accrued expenses	\$ 10,137	\$ —
Equipment acquired under financing obligations	\$ —	\$ 428
Property and equipment included in accounts payable	\$ 3,822	\$ 2,487

See the accompanying notes to the unaudited Consolidated Financial Statements.

NEOGENOMICS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

**Note 1. Nature of the Business**

**Nature of the Business**

NeoGenomics, Inc., a Nevada corporation, and its subsidiaries (the “Parent”, “Company”, or “NeoGenomics”), operates as a certified, high complexity clinical laboratory in accordance with the federal government’s CLIA, and is dedicated to the delivery of clinical diagnostic services to pathologists, oncologists, urologists, hospitals, and other laboratories as well as providing clinical trial services to pharmaceutical firms.

**COVID-19 Pandemic Update**

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified and the disease has since spread across the world, including the United States (“U.S.”). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The outbreak of the pandemic is materially adversely affecting the Company’s employees, patients, communities and business operations, as well as the U.S. economy and financial markets. The full extent to which the COVID-19 outbreak will impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets. As the COVID-19 pandemic continues, the Company’s results of operations, financial condition and cash flows may continue to be materially adversely affected, particularly if the pandemic continues to persist for a significant amount of time.

The Company anticipates that the cash on hand, marketable securities and cash collections are sufficient to fund near-term capital and operating needs for at least the next 12 months.

At the end of the first quarter 2021, due to the broad roll-out of the COVID-19 vaccine and a sharp decline in COVID-19 polymerase chain reaction (“PCR”) testing demand, the Company made the decision to exit COVID-19 PCR testing and the Company recorded a \$6.1 million expense related to the exit from COVID-19 PCR testing. This amount consisted of write-offs of \$5.3 million for all remaining COVID-19 PCR testing inventory recorded to cost of revenue and \$0.8 million for all remaining COVID-19 PCR testing laboratory equipment recorded to general and administrative expenses on the Consolidated Statements of Operations for the six months ended June 30, 2021. There were no such amounts for the three months ended June 30, 2021.

**Coronavirus Aid, Relief and Economic Security Act**

The Federal government passed legislation and the President of the United States signed into law on March 27, 2020, known as the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). On April 10, 2020, the U.S. Department of Health & Human Services announced that Medicare-enrolled providers would receive a portion of a direct deposit disbursement totaling \$50 billion. The \$50 billion is part of a \$100 billion Public Health and Social Service Emergency Fund created by the CARES Act. Payments made under the CARES Act are intended to reimburse healthcare providers for health care related expenses or lost revenues attributable to COVID-19 and are not required to be repaid provided that recipients attest to and comply with certain terms and conditions, including limitations on balance billing for COVID-19 patients. In the absence of specific guidance to account for government grants in accordance with accounting principles generally accepted in the United States of America (“GAAP”), the Company accounts for such grants in accordance with international accounting standards for government grants. Such amounts are recognized when there is reasonable assurance that the Company will (1) comply with the conditions associated with the grant and (2) receive the grant. There was no grant income recognized for the three and six months ended June 30, 2021. For the three and six months ended June 30, 2020, the Company recognized \$7.9 million in grant income related to the CARES Act. CARES Act grant income is classified in other (income) expense, net, on the Consolidated Statements of Operations.

The CARES Act permits the deferral of payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due on December 31, 2021 and the remaining 50% due on December 31, 2022. As of June 30, 2021 and December 31, 2020 the total accrued deferred social security taxes, related to the CARES Act was \$5.9 million. At both June 30, 2021 and December 31, 2020 this amount was recorded evenly between accrued expenses and other liabilities and other long-term liabilities on the Consolidated Balance Sheets.

Additionally, the CARES Act included an Employee Retention Tax Credit (“ERTC”) provision designed to encourage employers to keep employees on their payroll. The ERTC is a refundable tax credit against certain payroll taxes paid by employers for eligible wages paid between March 13, 2020 and December 31, 2020 that meet the requirements of the ERTC provision. On March 11, 2021, the American Rescue Plan Act was enacted extending the deadline of the ERTC to December 31, 2021 and expanded who is eligible to claim the credit. For the three and six months ended June 30, 2021, the Company

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recognized \$0.3 million and \$0.7 million, respectively, under the ERTC which was included in loss from operations on the Consolidated Statements of Operations. There were no such amounts recorded for the six months ended June 30, 2020.

## **Note 2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying interim Consolidated Financial Statements are unaudited and have been prepared in accordance with GAAP for interim financial information. All intercompany transactions and balances have been eliminated in the accompanying Consolidated Financial Statements.

The accounting policies of the Company are the same as those set forth in Note 2. Summary of Significant Accounting Policies, to the audited Consolidated Financial Statements contained in the Company's annual report on Form 10-K for the year ended December 31, 2020, except for Business Combinations, Stock-Based Compensation, Income Taxes and the impact of the adoption of new accounting standards discussed under Recently Adopted Accounting Guidance.

### **Unaudited Interim Financial Information**

Certain information and footnote disclosures normally included in the Company's annual audited Consolidated Financial Statements and accompanying notes have been condensed or omitted in these accompanying interim consolidated financial statements and footnotes. Accordingly, the accompanying interim unaudited Consolidated Financial Statements included herein should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes included in the Company's annual report on Form 10-K for the year ended December 31, 2020.

The results of operations presented in this quarterly report on Form 10-Q are not necessarily indicative of the results of operations that may be expected for any future periods. In the opinion of management, these unaudited Consolidated Financial Statements include all adjustments and accruals, consisting only of normal, recurring adjustments that are necessary for a fair statement of the results of all interim periods reported herein.

### **Use of Estimates**

The Company prepares its Consolidated Financial Statements in conformity with GAAP. These principles require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the Consolidated Financial Statements. Actual results and outcomes may differ from management's estimates, judgments and assumptions. Significant estimates, judgments and assumptions used in these Consolidated Financial Statements include, but are not limited to those related to revenues, accounts receivable and related allowances, contingencies, useful lives and recovery of long-term assets and intangible assets, income taxes and valuation allowances, stock-based compensation, business combinations, and impairment analysis of goodwill. These estimates, judgments, and assumptions are reviewed periodically and the effects of material revisions in estimates are reflected on the Consolidated Financial Statements prospectively from the date of the change in estimate.

### **Business Combinations**

The Company accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The tangible and identifiable intangible assets acquired and liabilities assumed in a business combination are recorded based on their estimated fair values as of the business combination date, including identifiable intangible assets which either arise from a contractual or legal right or are separable from goodwill. The Company bases the estimated fair value of identifiable intangible assets acquired in a business combination on independent third-party valuations that use information and assumptions provided by its management, which consider estimates of inputs and assumptions that a market participant would use. Any excess purchase price over the estimated fair value assigned to the net tangible and identifiable intangible assets acquired and liabilities assumed is recorded to goodwill. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, estimated cost savings, cash flows, discount rates, estimated useful lives and probabilities surrounding the achievement of contingent milestones could result in different purchase price allocations and amortization expense in current and future periods. Transaction costs associated with acquisitions are expensed as incurred in general and administrative expenses. Results of operations and cash flows of acquired companies are included in the Company's operating results from the date of acquisition.

### **Stock-Based Compensation**

The Company measures compensation expense for stock-based awards to employees, non-employee contracted physicians, and directors based upon the awards' initial grant-date fair value. The estimated grant-date fair value of the award is recognized as expense over the requisite service period using the straight-line method.

Prior to 2021, the Company estimated the fair value of stock options using a trinomial lattice model. On January 1, 2021, the Company began applying the Black-Scholes option valuation model ("Black-Scholes") on a prospective basis to new awards. The Company expects the use of Black-Scholes to provide a more ubiquitous estimate of fair value. Like the prior trinomial lattice model, Black-Scholes is affected by the stock price on the date of the grant as well as assumptions regarding a number of

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highly complex and subjective variables. These variables include the expected term of the option, expected risk-free interest rate, the expected volatility of common stock, and expected dividend yield, each of which is more fully described below. The assumptions for expected term and expected volatility are the two assumptions that significantly affect the grant date fair value.

**Expected Term:** The expected term of an option is the period of time that the option is expected to be outstanding. The average expected term is determined using the Black-Scholes model.

**Risk-free Interest Rate:** The risk-free interest rate used in the Black-Scholes model is based on the implied yield at the grant date of the U.S. Treasury zero-coupon issue with an equivalent term to the stock-based award being valued. Where the expected term of a stock-based award does not correspond with the term for which a zero coupon interest rate is quoted, the Company uses the nearest interest rate from the available maturities.

**Expected Stock Price Volatility:** The Company uses its own historical weekly volatility because that is more reflective of market conditions.

**Dividend Yield:** Because the Company has never paid a dividend and does not expect to begin doing so in the foreseeable future, the Company assumed no dividend yield in valuing the stock-based awards.

### Income Taxes

Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Also, the effect on deferred taxes of a change in tax rates is recognized in income in the period that included the enactment date. Temporary differences between financial and tax reporting arise primarily from the use of different depreciation and amortization methods and lives for property and equipment and recently acquired intangible assets, recognition of accounts receivable, compensation related expenses, and various other expenses that have been allowed for or accrued for financial statement purposes but are not currently deductible for income tax purposes.

The provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and any estimated valuation allowances deemed necessary to recognize deferred tax assets at an amount that is more likely than not to be realized.

Management assesses the recoverability of its deferred tax assets as of the end of each quarter, weighing available positive and negative evidence, and is required to establish and maintain a valuation allowance for these assets if it is more likely than not that some or all of the deferred income tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which the evidence can be objectively verified. If negative evidence exists, positive evidence is necessary to support a conclusion that a valuation allowance is not needed.

As of December 31, 2020, expected future reversals of the Company's deferred income tax liabilities provided objectively verifiable positive evidence to support the recoverability of its deferred tax assets. However, on January 1, 2021, the Company adopted ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) - Accounting For Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06") using the modified retrospective approach, which resulted in a decrease of approximately \$6.6 million in the Company's deferred income tax liabilities. In addition, approximately \$2 million of valuation allowance against the Company's deferred income tax assets was established upon adoption of ASU 2020-06, resulting from the decrease in deferred income tax liabilities available to support the recoverability of deferred tax assets. The valuation allowance represents the portion of the Company's U.S. deferred income tax assets that are not more likely than not to be realized in future periods, primarily related to Federal and California research and development tax credit carryforwards.

A cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome. Cumulative loss in recent years is commonly defined as a three-year cumulative loss position. As of June 30, 2021, the Company's U.S. ongoing operations were in a three-year cumulative loss position. Management determined that sufficient objectively verifiable positive evidence did not exist to overcome the negative evidence of the Company's U.S. cumulative loss position. Accordingly, the Company's estimated annual effective tax rate applied to the Company's pre-tax loss for the three and six months ended June 30, 2021 included the unfavorable impact of valuation allowance expected to be established against the Company's deferred income tax assets expected to be created in 2021 for additional U.S. net operating loss and tax credit carryforwards.

As of June 30, 2021, the Company's total valuation allowance against U.S. deferred income tax assets is forecasted to be approximately \$5.5 million including deferred income tax assets from the acquisitions of Intervention Insights, Inc., d/b/a Trapelo Health, and the U.S. subsidiary of Inivata Limited, a private limited company incorporated in England and Wales. For further details regarding the acquisitions of Trapelo Health and Inivata Limited, please refer to Note 3. Acquisitions. The Company also continued to maintain a full valuation allowance against deferred tax assets in Switzerland, Singapore and China,

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which increased from \$2.6 million as of December 31, 2020 to \$3.4 million as of June 30, 2021. No valuation allowance was determined to be required for deferred income tax assets from the acquisition of Inivata Limited, the British entity.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns, and records a liability for uncertain tax positions, if deemed necessary. The Company follows a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying Consolidated Balance Sheets. At June 30, 2021 and December 31, 2020 the Company had an uncertain tax position related to Federal and State R&D tax credit carryforwards. No interest and penalties have been accrued, as the income tax credits are carried forward to offset income tax liabilities in future years.

#### **Recently Adopted Accounting Guidance**

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*, which updates various codification topics by clarifying disclosure requirements to align with the SEC's regulations. The Company adopted this pronouncement on January 1, 2021 and the impact of the provisions of this standard on its Consolidated Financial Statements was immaterial.

In August 2020, the FASB issued ASU No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) - Accounting For Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06") which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 simplifies the accounting for convertible instruments by removing the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such convertible debt instruments. Similarly, the debt discount, that is equal to the carrying value of the embedded conversion feature upon issuance, will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, *Derivatives and Hedging*, or (2) a convertible instrument was issued at a substantial premium. In addition, ASU 2020-06 requires the application of the if-converted method for calculating the impact of convertible instruments on diluted earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. ASU 2020-06 can be adopted on either a fully retrospective or modified retrospective basis.

The Company adopted ASU 2020-06 on January 1, 2021 using the modified retrospective approach, and accordingly the Company recorded an adjustment that reflects the 1.25% Convertible Senior Notes due 2025 as if the embedded conversion feature had not been separated. The impact upon adoption on the Consolidated Balance Sheets included an increase of approximately \$27.2 million in convertible senior notes, net, a write-off of approximately \$6.6 million in deferred income tax liabilities, establishment of approximately \$2 million of valuation allowance against deferred income tax assets, and a decrease of approximately \$23.3 million in additional paid-in capital. In addition, upon adoption, there was an adjustment to increase the beginning balance of retained earnings on the Consolidated Balance Sheets for previously recognized interest expense, net of tax effects, of approximately \$2.7 million for amortization of debt discount related to the carrying value of the embedded conversion feature upon issuance, as well as a decrease to the beginning balance of retained earnings of approximately \$2 million for the establishment of valuation allowance against the Company's deferred income tax assets. There was no impact to the Company's earnings per share calculation. For further information regarding the 1.25% Convertible Senior Notes due 2025, please refer to Note 8. Debt.

#### **Accounting Pronouncements Pending Adoption**

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04") which provides for temporary optional expedients and exceptions to the current guidance on certain contract modifications and hedging relationships to ease the burdens related to the expected market transition from the London Inter-bank Offered Rate ("LIBOR") or other reference rates to alternative reference rates. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848)* ("ASU 2021-01") to clarify that certain optional expedients and exceptions apply to modifications of derivative contracts and certain hedging relationships affected by changes in the interest rates used for discounting cash flows, computing variation margin settlements, and for calculating price alignment interest. ASU 2020-04 is effective beginning on March 12, 2020 and may be applied prospectively to such transactions through December 31, 2022 and ASU 2021-01 is effective beginning on January 7, 2021 and may be applied retrospectively or prospectively to such transactions through December 31, 2022. The Company will evaluate



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transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. As of June 30, 2021, there was no impact to the Company's Consolidated Financial Statements related to ASU 2020-04 or ASU 2021-01.

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**Note 3. Acquisitions**

**Trapelo Health**

On April 7, 2021 (the “Trapelo Acquisition Date”), the Company completed the acquisition of a 100% ownership interest in Intervention Insights, Inc. d/b/a Trapelo Health (“Trapelo”), an information technology company focused on precision oncology. The purchase price consisted of (i) cash consideration of \$35.6 million, which included a net adjustment of \$0.6 million for estimated cash on hand of Trapelo and estimated working capital adjustments on the Trapelo Acquisition Date, and (ii) equity consideration of \$29.2 million, consisting of 597,712 shares of the Company’s common stock, par value \$0.001 per share, valued at \$48.81 per share. The Company acquired control of Trapelo on the Trapelo Acquisition Date; therefore, the fair value of the common stock issued as part of consideration was determined on the basis of the closing market price of the Company’s common stock immediately prior to the Trapelo Acquisition Date. The Trapelo acquisition enhances the Company’s ability to provide customers clinical decision support to help answer complex questions related to precision oncology biomarker testing and treatment options as part of the Company’s comprehensive oncology offerings.

The acquisition of Trapelo was determined to be a business combination and has been accounted for using the acquisition method. The purchase price and purchase price allocation are preliminary, are based upon management’s best estimates and assumptions, and are subject to future revision. The following table summarizes the estimated purchase consideration recorded for the acquisition of Trapelo, the estimated fair value of the net assets acquired and liabilities assumed, and the preliminary calculation of goodwill based on the excess of the estimated consideration transferred over the estimated fair value of the net assets acquired and liabilities assumed at the Trapelo Acquisition Date (in thousands, except per share data):

	Amount
<b>Purchase consideration:</b>	
Shares of common stock issued as consideration	597,712
Per share value of common stock issued as consideration	\$ 48.81
Fair value of common stock at Trapelo Acquisition Date	\$ 29,174
Plus: Cash paid at closing	35,591
<b>Total purchase consideration</b>	<b>\$ 64,765</b>
<b>Allocation of the purchase consideration:</b>	
Cash	\$ 713
Other current assets	282
Identifiable intangible asset - marketing assets	549
Identifiable intangible asset - developed technology	19,040
Other long-term assets	268
Total identifiable assets acquired	20,852
Current liabilities	(751)
Net identifiable assets acquired	20,101
Goodwill	44,664
<b>Total purchase consideration</b>	<b>\$ 64,765</b>

Due to the timing of the acquisition, the following are considered preliminary and are subject to change:

- amounts for intangible assets, other long-term assets, other current assets, current liabilities and other working capital adjustments pending finalization of the valuation;
- amounts for income tax assets and liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction; and
- amount of goodwill pending the completion of the valuation of the assets acquired and liabilities assumed.

The Company will finalize these amounts no later than one year from the acquisition date once it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in adjustments to the preliminary amounts disclosed above which may impact the reported results in the period those adjustments are identified.

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The identified developed technology and marketing intangible assets are being amortized over ten years and four years, respectively, based on their estimated useful lives. The weighted-average amortization period in total for all classes of intangible assets from the Trapelo acquisition is 9.8 years. The developed technology was valued using the income approach, specifically, the multi-period excess earnings method, which measures the after-tax cash flows attributable to the developed technology. The marketing intangible assets were valued using the income approach, specifically, the relief from royalty method, which measures the cash flow streams attributable to the marketing intangible assets in the form of the avoided royalty payment that would be paid to the owner in return for the rights to use the marketing intangible assets had the intangible assets not been acquired. The values of the identifiable intangible assets represent Level 3 measurements as they were based on unobservable inputs reflecting the Company's assumptions used in pricing the assets at fair value. These inputs required significant judgments and estimates at the time of the valuation.

The goodwill recognized, all of which is assigned to the Clinical Services segment, was primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of the healthcare and information technology industries. None of the goodwill resulting from the acquisition of Trapelo is expected to be deductible for income tax purposes.

Acquisition and integration costs related to Trapelo were approximately \$1.3 million and \$1.5 million for the three and six months ended June 30, 2021, respectively, and are reported as general and administrative expenses in the Company's Consolidated Statements of Operations. There were no such amounts for the three and six months ended June 30, 2020.

The results of operations of Trapelo are included in the Company's unaudited Consolidated Financial Statements beginning on the Trapelo Acquisition Date. Revenue and net income (loss) of Trapelo included in the Consolidated Statements of Operations was not material for the three and six months ended June 30, 2021. No pro forma information has been included relating to the Trapelo acquisition, as this acquisition was not deemed to be material to the Company's revenue or net income (loss) on a pro forma basis for the three and six months ended June 30, 2021 and 2020.

**Inivata Limited**

On June 18, 2021 (the "Inivata Acquisition Date"), the Company completed the acquisition of the remaining equity interests in Inivata Limited, a private limited company incorporated in England and Wales ("Inivata"). Inivata is a global, commercial stage, liquid biopsy platform company. The acquisition follows a \$25 million minority equity investment by the Company in Series C1 Preference Shares (the "Preference Shares" or "previously-held equity interest") in Inivata in May 2020, at which time the Company also acquired a fixed price option to purchase the remainder of equity interests in Inivata for \$390 million (the "Purchase Option"). The Company and Inivata also entered into a line of credit agreement in the amount of \$15 million (the "Line of Credit"). For further details regarding the previously-held equity investment in Inivata, the Purchase Option and the Line of Credit, please refer to Note 7. Investment in Non-Consolidated Affiliate. The Inivata acquisition adds liquid biopsy platform technology, including minimal residual disease testing capabilities, to the Company's comprehensive portfolio of oncology testing solutions.

The purchase price consisted of cash consideration of \$398.6 million, which included a net adjustment of \$8.6 million for estimated cash on hand of Inivata and other adjustments on the Inivata Acquisition Date, and was funded through cash on hand and a private placement of equity. For further information regarding the private placement of equity, please refer to Note 9. Equity Transactions.

Prior to the acquisition of the remaining equity interests in Inivata, the Company accounted for its previously-held equity interest and the Purchase Option in Inivata as equity securities without a readily determinable fair value. The equity interests were recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Therefore, the Company's acquisition of control of Inivata on the Inivata Acquisition Date was accounted for as a business combination achieved in stages under the acquisition method. Accordingly, the Company used a discounted cash flow to derive a business enterprise value of Inivata in order to determine the acquisition-date fair value of the Company's previously-held equity interest and Purchase Option in Inivata. To determine the fair value of the previously-held equity interest, the fair value of Inivata's total equity was allocated to its various classes of equity based on the respective rights and privileges of each class of stock in liquidation. The business enterprise value and a Black-Scholes model was then used to determine the fair value of the remaining equity acquired through the exercise of the Purchase Option. The Purchase Option was recorded at the fair value at the Inivata Acquisition Date based on its settlement value. This resulted in fair values of \$62.9 million in Preference Shares and a \$58.5 million Purchase Option, immediately prior to the acquisition. On the Inivata Acquisition date, the \$10.3 million outstanding under the Line of Credit extended by the Company to Inivata was effectively settled as part of the acquisition of Inivata at the \$15 million principal amount and was recorded as part of the consideration transferred in the acquisition. The Company recorded a gain on investment in and loan receivable from non-consolidated affiliate, net, within the Company's Consolidated Statements of Operations of \$96.5 million and \$91.5 million in the three and six months ended June 30, 2021, respectively, for the excess of the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and Line of Credit over their carrying values. For further

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details regarding the previously-held equity investment and purchase option in Inivata, please refer to Note 7. Investment in Non-Consolidated Affiliate.

The fair value and allocation of the business combination are preliminary, are based upon management's best estimates and assumptions, and are subject to future revision. The following table summarizes the preliminary calculation of goodwill based on the excess of the estimated fair value of the consideration transferred including the fair value of the Line of Credit, and the estimated fair value of the previously-held equity interest and Purchase Option, over the estimated fair value of the net assets acquired and liabilities assumed at the Inivata Acquisition Date (in thousands):

	<b>Amount</b>
<b>Fair value of business combination:</b>	
Cash paid at closing	\$ 398,594
Fair value of Line of Credit	15,000
Fair value of consideration transferred	\$ 413,594
Fair value of previously-held equity interest	62,919
Fair value of Purchase Option	58,537
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>
<b>Allocation of the fair value business combination:</b>	
Cash	\$ 14,068
Other current assets	5,366
Property and equipment	1,753
Identifiable intangible assets - developed technology	302,982
Identifiable intangible assets - trademarks	31,700
Identifiable intangible asset - trade name	2,322
Other long-term assets	6,240
<b>Total identifiable assets acquired</b>	<b>364,431</b>
Current liabilities	(4,241)
Deferred income tax liabilities	(64,680)
Other long-term liabilities	(4,690)
<b>Net identifiable assets acquired</b>	<b>290,820</b>
Goodwill	244,230
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>

Due to the timing of the acquisition, the following are considered preliminary and are subject to change:

- amounts for intangible assets, property and equipment, other current assets, current liabilities, and other long-term liabilities pending finalization of the valuation;
- amounts for income tax liabilities, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction;
- amount of goodwill pending the completion of the valuation of the assets acquired and liabilities assumed and the reporting unit allocation of the goodwill; and
- the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and the Line of Credit, and the gain on investment in and loan receivable from non-consolidated affiliate.

The Company will finalize these amounts no later than one year from the acquisition date, once it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in adjustments to the preliminary amounts disclosed above which may impact the reported results in the period those adjustments are identified.

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The identified developed technology intangible assets and the trademark intangible assets are both being amortized over 15 years, and the trade name intangible asset is being amortized over five years, based on their estimated useful lives. The weighted-average amortization period in total for all classes of intangible assets from the Inivata acquisition is 14.9 years. The developed technology was valued using the income approach, specifically, the multi-period excess earnings method, which measures the after-tax cash flows attributable to the developed technology. The trademarks and trade name assets were valued using the income approach, specifically, the relief from royalty method, which measures the cash flow streams attributable to the trademarks and trade name assets in the form of the avoided royalty payment that would be paid to the owner in return for the rights to use the trademarks and trade name assets had the assets not been acquired. The values of the identifiable intangible assets represent Level 3 measurements as they were based on unobservable inputs reflecting the Company's assumptions used in pricing the assets at fair value. These inputs required significant judgments and estimates at the time of the valuation.

The goodwill recognized, of which \$214.5 million and \$29.7 million is assigned to the Clinical Services and Pharma Services segments, respectively, was primarily attributable to expected synergies of the combined businesses and the acquisition of an assembled workforce knowledgeable of liquid biopsy technology for oncology testing. The recording of amortizable intangibles has given rise to a deferred tax liability upon the acquisition of Inivata which increased goodwill by \$64.7 million. None of the goodwill resulting from the acquisition of Inivata is expected to be deductible for income tax purposes.

Acquisition and integration costs related to Inivata were approximately \$9.7 million and \$10.3 million for the three and six months ended June 30, 2021, respectively, and are reported as general and administrative expenses in the Company's Consolidated Statements of Operations. There were no such amounts for the three and six months ended June 30, 2020.

The results of operations of Inivata are included in the Company's unaudited Consolidated Financial Statements beginning on the Inivata Acquisition Date. Revenue and net income (loss) of Inivata included in the Consolidated Statements of Operations was not material for the three and six months ended June 30, 2021.

The following unaudited pro forma information (in thousands) has been provided for illustrative purposes only and is not necessarily indicative of results that would have occurred had the acquisition of Inivata occurred on January 1, 2020, nor are they necessarily indicative of future results:

	Three Months Ended June 30, (unaudited)		Six Months Ended June 30, (unaudited)	
	2021	2020	2021	2020
Net revenue	\$ 121,707	\$ 87,114	\$ 237,159	\$ 193,318
Net loss	\$ (23,222)	\$ (17,842)	\$ (51,313)	\$ (54,702)

These unaudited pro forma results represent the combined results of operations of the Company and Inivata, on an unaudited pro forma basis, for the period in which the acquisition of Inivata occurred and the prior reporting period as though the companies had been combined as of the beginning of the earliest period presented. Therefore, the unaudited pro forma consolidated results have been prepared by adjusting the Company's historical results to include the acquisition of Inivata as if it occurred on January 1, 2020. Acquisition-related transaction costs incurred by the Company of \$10.3 million and incurred by Inivata of \$11 million are included in net loss as if incurred on January 1, 2020. These unaudited pro forma consolidated historical results exclude, for all periods presented, the gain on investment in and loan receivable from non-consolidated affiliate, net, of \$96.5 million and \$91.5 million recorded in the three and six months ended June 30, 2021, respectively.

**Note 4. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established based on three levels of inputs, of which the first two are considered observable and the last unobservable.

*Level 1:* Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.

*Level 2:* Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.

*Level 3:* Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

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Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The Company measures certain financial assets at fair value on a recurring basis, including its marketable securities and certain cash equivalents. The Company considers all securities available-for-sale, including those with maturity dates beyond 12 months, and therefore these securities are classified within current assets on the consolidated balance sheets as they are available to support current operational liquidity needs. The money market accounts are valued based on quoted market prices in active markets. The marketable securities are generally valued based on other observable inputs for those securities (including market corroborated pricing or other models that utilize observable inputs such as interest rates and yield curves) based on information provided by independent third-party pricing entities, except for U.S. Treasury securities which are valued based on quoted market prices in active markets.

The following tables set forth the amortized cost, gross unrealized gains, gross unrealized losses and fair values of the Company's marketable securities accounted for as available-for-sale securities as of June 30, 2021 and December 31, 2020.

(in thousands)	<b>June 30, 2021</b>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Financial Assets:</b>				
Short-term marketable securities:				
U.S. Treasury securities	\$ 51,637	\$ 1	\$ (78)	\$ 51,560
Yankee bonds	3,075	—	(6)	3,069
Agency bonds	17,641	—	(6)	17,635
Municipal bonds	12,515	—	(43)	12,472
Commercial paper	22,658	—	—	22,658
Asset-backed securities	26,493	1	(27)	26,467
Corporate bonds	69,315	—	(226)	69,089
<b>Total</b>	<b>\$ 203,334</b>	<b>\$ 2</b>	<b>\$ (386)</b>	<b>\$ 202,950</b>
<b>December 31, 2020</b>				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Financial Assets:</b>				
Short-term marketable securities:				
U.S. Treasury securities	\$ 21,357	\$ 1	\$ (18)	\$ 21,340
Commercial paper	14,543	—	—	14,543
Asset-backed securities	14,546	—	(8)	14,538
Corporate bonds	17,144	—	(19)	17,125
<b>Total</b>	<b>\$ 67,590</b>	<b>\$ 1</b>	<b>\$ (45)</b>	<b>\$ 67,546</b>

The Company had \$0.7 million and \$0.2 million of accrued interest receivable at June 30, 2021 and December 31, 2020, respectively, included in other current assets on its Consolidated Balance Sheets related to its marketable securities. Realized gains or losses on marketable securities for the three months and six months ended June 30, 2021 were immaterial. There were no realized gains or losses on marketable securities for the three and six months ended June 30, 2020.

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The following tables set forth the fair value of available-for-sale marketable securities by contractual maturity at June 30, 2021 and December 31, 2020.

<b>June 30, 2021</b>				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
<b>Financial Assets:</b>				
<b>Marketable Securities:</b>				
U.S. Treasury securities	\$ 13,593	\$ 37,967	\$ —	\$ 51,560
Yankee bonds	—	3,069	—	3,069
Agency bonds	10,587	7,048	—	17,635
Municipal bonds	—	12,472	—	12,472
Commercial paper	22,658	—	—	22,658
Asset-backed securities	—	26,467	—	26,467
Corporate bonds	24,066	45,023	—	69,089
<b>Total</b>	<b>\$ 70,904</b>	<b>\$ 132,046</b>	<b>\$ —</b>	<b>\$ 202,950</b>

<b>December 31, 2020</b>				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
<b>Financial Assets:</b>				
<b>Marketable Securities:</b>				
U.S. Treasury securities	\$ 6,075	\$ 15,265	\$ —	\$ 21,340
Commercial paper	14,543	—	—	14,543
Asset-backed securities	560	13,978	—	14,538
Corporate bonds	5,863	11,262	—	17,125
<b>Total</b>	<b>\$ 27,041</b>	<b>\$ 40,505</b>	<b>\$ —</b>	<b>\$ 67,546</b>

The following tables set forth the Company's cash equivalents and marketable securities accounted for as available-for-sale securities that were measured at fair value on a recurring basis based on the fair value hierarchy as of June 30, 2021 and December 31, 2020.

<b>June 30, 2021</b>				
(in thousands)	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
<b>Cash equivalents:</b>				
Money market funds	\$ 263,880	\$ —	\$ —	\$ 263,880
Commercial paper	—	17,546	—	17,546
<b>Marketable securities:</b>				
U.S. Treasury securities	51,560	—	—	51,560
Yankee bonds	3,069	—	—	3,069
Agency bonds	17,635	—	—	17,635
Municipal bonds	12,472	—	—	12,472
Commercial paper	—	22,658	—	22,658
Asset-backed securities	—	26,467	—	26,467
Corporate bonds	—	69,089	—	69,089
<b>Total</b>	<b>\$ 348,616</b>	<b>\$ 135,760</b>	<b>\$ —</b>	<b>\$ 484,376</b>

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(in thousands)	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash equivalents:				
Money market funds	\$ 209,141	\$ —	\$ —	\$ 209,141
U.S. Treasury securities	1,000	—	—	1,000
Commercial paper	—	3,999	—	3,999
Marketable securities:				
U.S. Treasury securities	21,340	—	—	21,340
Commercial paper	—	14,543	—	14,543
Asset-backed securities	—	14,538	—	14,538
Corporate bonds	—	17,125	—	17,125
<b>Total</b>	<b>\$ 231,481</b>	<b>\$ 50,205</b>	<b>\$ —</b>	<b>\$ 281,686</b>

There were no transfers of financial assets or liabilities into or out of Level 1, Level 2, or Level 3 for the three and six months ended June 30, 2021 and June 30, 2020.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

The carrying value of cash and cash equivalents, accounts receivable, net, accounts payable, accrued expenses and other liabilities, and other current assets and liabilities, are considered reasonable estimates of their respective fair values at June 30, 2021 and December 31, 2020 due to their short-term nature.

The Company also measures certain non-financial assets at fair value on a nonrecurring basis, primarily intangible assets, goodwill, and long-lived assets in connection with periodic evaluations for potential impairment. The Company estimates the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements.



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**Note 5. Leases**

As of June 30, 2021, the maturities of the Company's operating lease liabilities and a reconciliation to the present value of lease liabilities were as follows (in thousands):

	Remaining Lease Payments	
Remainder of 2021	\$	3,671
2022		8,043
2023		7,638
2024		7,885
2025		5,087
Thereafter		37,142
Total remaining lease payments		69,466
Less: imputed interest		(14,200)
Total operating lease liabilities		55,266
Less: current portion		(5,642)
Long-term operating lease liabilities	\$	49,624
Weighted-average remaining lease term (in years)		10.67
Weighted-average discount rate		4.1 %

The following summarizes additional supplemental data related to operating leases (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease costs	\$ 2,372	\$ 2,172	\$ 4,677	\$ 4,277
Right-of-use assets obtained in exchange for operating lease liabilities			\$ 12,125	\$ 24,071
Cash paid for operating leases			\$ 5,042	\$ 3,354

Lease contracts that have been executed but have not yet commenced are excluded from the tables above. As of June 30, 2021 the Company has entered into \$3.8 million of contractually binding minimum lease payments for leases executed but not yet commenced. This amount primarily relates to the lease of the laboratory and headquarters facility in Fort Myers, Florida that is expected to commence in the third quarter of 2021. In addition to the minimum lease payments, the Company will pay approximately \$25 million relating to the construction of the underlying assets and approximately \$17 million in leasehold improvements. These amounts were placed into separate construction disbursement escrow accounts and as of June 30, 2021, \$4.1 million was unpaid and remaining in restricted cash on the Consolidated Balance Sheets. Disbursements to the landlord take place from time to time to pay for the costs of the landlord's work. The disbursements are classified as a prepaid lease asset or leasehold improvements, as appropriate, until the lease commences. Upon lease commencement, the prepaid lease asset will be included in the calculation of the right-of-use asset and the leasehold improvements will be placed in service. Construction of the infrastructure of this facility commenced in the first quarter of 2020. The Company is not expected to control the underlying assets during the construction period and therefore is not considered the owner of the underlying assets for accounting purposes.

**Note 6. Goodwill and Intangible Assets**

As a result of the acquisition of Trapelo in April 2021, the Company recorded \$44.7 million in goodwill, all of which was recorded in the Clinical Services segment. As a result of the acquisition of Inivata in June 2021, the Company recorded \$244.2 million in goodwill, of which \$214.5 million and \$29.7 million is assigned to the Clinical Services and Pharma Services segments, respectively. For further information regarding the Trapelo and Inivata acquisitions, please refer to Note 3. Acquisitions.

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The following table summarizes the changes in the carrying amount of goodwill by segment for the six months ended June 30, 2021 (in thousands):

	Clinical Services	Pharma Services	Total
Balance as of December 31, 2020	\$ 179,534	\$ 31,549	\$ 211,083
Trapelo acquisition	44,664	—	44,664
Inivata acquisition	214,563	29,667	244,230
Balance as of June 30, 2021	<u>\$ 438,761</u>	<u>\$ 61,216</u>	<u>\$ 499,977</u>

Intangible assets consisted of the following (in thousands):

	Amortization Period	June 30, 2021		
		Cost	Accumulated Amortization	Net
Customer Relationships	7 - 15 years	\$ 143,101	\$ 40,811	\$ 102,290
Developed Technology	10 - 15 years	322,022	1,167	320,855
Marketing Assets	4 years	549	32	517
Trademarks	15 years	31,700	76	31,624
Trade Name	5 years	2,322	17	2,305
Trademark - Indefinite lived	—	13,447	—	13,447
Total		<u>\$ 513,141</u>	<u>\$ 42,103</u>	<u>\$ 471,038</u>

  

	Amortization Period	December 31, 2020		
		Cost	Accumulated Amortization	Net
Customer Relationships	7 - 15 years	\$ 143,101	\$ 35,895	\$ 107,206
Trademark - Indefinite lived	—	13,447	—	13,447
Total		<u>\$ 156,548</u>	<u>\$ 35,895</u>	<u>\$ 120,653</u>

The Company records amortization expense within cost of revenue and general and administrative expense on the Consolidated Statement of Operations. The following table summarized the amortization expense for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Amortization of intangibles included in cost of revenue	\$ 729	\$ —	\$ 729	\$ —
Amortization of intangibles included in general and administrative expenses	3,022	2,467	5,480	4,919
Total amortization of intangibles	<u>\$ 3,751</u>	<u>\$ 2,467</u>	<u>\$ 6,209</u>	<u>\$ 4,919</u>

The estimated amortization expense related to amortizable intangible assets for each of the following periods as of June 30, 2021 is as follows (in thousands):

Remainder of 2021	\$ 17,326
2022	34,650
2023	34,650
2024	34,650
2025	34,549
Thereafter	301,766
Total	<u>\$ 457,591</u>

**Note 7. Investment in Non-Consolidated Affiliate**

On May 22, 2020, the Company formed a strategic alliance with Inivata, and entered into a Strategic Alliance Agreement and Laboratory Services Agreement with Inivata's laboratory subsidiary in the U.S., Inivata, Inc., whereas Inivata's laboratory rendered and performed certain laboratory testing which the Company made available to customers. The terms and conditions of the Laboratory Services Agreement were consistent with those that would be negotiated between willing parties on an arm's length basis. For additional details on amounts paid related to the Laboratory Services Agreement, please refer to Note 15. Related Party Transactions.

In addition to the Laboratory Services Agreement, the Company also entered into an Investment Agreement with Inivata (the "Investment Agreement"), pursuant to which the Company acquired the Preference Shares for \$25 million in cash resulting in a minority interest in Inivata's outstanding equity and an Option Deed which provided the Company with a Purchase Option to purchase Inivata. The Investment Agreement also granted the Company one seat on Inivata's Board of Directors. On June 18, 2021, the Company completed the acquisition of the remaining equity interests in Inivata. For further details regarding the acquisition of Inivata, please refer to Note 3. Acquisitions.

Prior to the Inivata Acquisition Date, Inivata was determined to be a variable interest entity ("VIE") and the Company's investment was under 20% of the total equity outstanding. The Company considered qualitative factors in assessing the primary beneficiary of the VIE which included understanding the purpose and design of the VIE, associated risks that the VIE created, activities that could be directed by the Company, and the expected relative impact of those activities on the economic performance of the VIE. Based on an evaluation of these factors, the Company concluded that it was not the primary beneficiary of Inivata prior to the Inivata Acquisition Date.

Prior to the Inivata Acquisition Date, the power to control the activities that most significantly impacted Inivata's economic performance was the sole responsibility of Inivata's management and Board of Directors; however, the Company did have significant influence over Inivata. As the Preference Shares were determined to not be in-substance common stock, and because the Preference Shares and the Purchase Option did not have readily determinable fair values, prior to the Inivata Acquisition Date, the Company elected to measure the Preference Shares and the Purchase Option at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

On May 22, 2020, the initial \$25 million cost and \$0.6 million of associated transaction costs was allocated between the Preference Shares and the Purchase Option based on the relative fair value of each and was recorded as investment in non-consolidated affiliate on the Consolidated Balance Sheets. The initial relative fair value of the investment in non-consolidated affiliate was comprised of \$19.6 million in Preference Shares and a \$6 million Purchase Option. The Preference Shares were valued by determining the equity value of Inivata using the Backsolve Method and allocating the value of the Preference Shares using the Option-Pricing Method and the inputs used included the equity value based on the Series C1 capital raised by Inivata, a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield. The Purchase Option was valued using the Black-Scholes model with a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield.

During the fourth quarter of 2020, an observable transaction of an identical investment in the Preference Shares occurred. This resulted in a remeasurement of the Preference Shares to the value of this observable transaction. The Purchase Option was also remeasured at fair value as a result of this observable transaction. As a result of these remeasurements, at December 31, 2020, the carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option. The Company recorded a net unrealized gain of \$4 million for these remeasurements for the year ended December 31, 2020 in other expense (income), net on the Consolidated Statements of Operations. At December 31, 2020, the Purchase Option was valued using the Black-Scholes model with a volatility rate of 84%, a risk-free interest rate of 0.17% and 0% dividend yield.

On May 22, 2020, the Company and Inivata also entered into the Line of Credit in the amount of \$5 million. In January 2021, the Line of Credit, in its entirety, was drawn by Inivata and recorded as a loan receivable from non-consolidated affiliate on the Consolidated Balance Sheets. Prior to the Inivata Acquisition Date, the Line of Credit contractually matured on December 1, 2025 and the unpaid principal balance was payable on January 1, 2026 and bore interest at 0% per annum. In January 2021, upon the draw of the Line of Credit by Inivata, the Company used an imputed interest rate of 8.33% to present value the Line of Credit. The Company recorded an imputed interest rate discount of \$5 million on the loan receivable from non-consolidated affiliate and an additional investment in non-consolidated affiliate of \$5 million, resulting in a \$10 million present value of the loan receivable from non-consolidated affiliate and increasing the value of the Preference Shares to \$30 million. For the three and six months ended June 30, 2021 through the Inivata Acquisition Date, \$0.2 million and \$0.4 million of interest income was amortized to the loan receivable from non-consolidated affiliate, respectively. The interest income amortization is recorded in interest expense, net, on the Consolidated Statements of Operations.

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In the first quarter of 2021, subsequent to Inivata's draw on the Line of Credit, an observable transaction of an identical investment in Inivata Preference Shares occurred. This resulted in a remeasurement of the Preference Shares to the value of this observable transaction. The Company recorded a net unrealized loss of \$5 million for this remeasurement for the three months ended March 31, 2021 in other expense (income), net on the Consolidated Statements of Operations. As of March 31, 2021, the carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option.

On the Inivata Acquisition Date, the Company acquired all of the remaining equity interests of Inivata through the exercise of its Purchase Option. The Company's carrying value of the investment in non-consolidated affiliate was \$29.6 million, comprised of \$25 million in Preference Shares and a \$4.6 million Purchase Option immediately prior to obtaining the remaining ownership of Inivata. The Company's acquisition of control of Inivata on the Inivata Acquisition Date was accounted for as a business combination achieved in stages under the acquisition method. Accordingly, the Company remeasured its Preference Shares and Purchase Option to their acquisition-date fair values. The Company used a discounted cash flow to derive a business enterprise value of Inivata in order to determine the acquisition-date fair value of the Company's Preference Shares and the Purchase Option. To determine the fair value of the Preference Shares, the fair value of equity was allocated to the various classes based on the respective rights and privileges of each class of stock in liquidation. The business enterprise value and a Black-Scholes model was then used to determine the fair value of the remaining equity acquired through the exercise of the Purchase Option. The Purchase Option was recorded at fair value at the Inivata Acquisition Date based on its settlement value. This resulted in fair values of \$62.9 million in Preference Shares and a \$58.5 million Purchase Option, immediately prior to the acquisition, resulting in a gain of \$91.8 million in the three and six months ended June 30, 2021. On the Inivata Acquisition Date, the \$10.3 million outstanding under the Line of Credit extended by the Company to Inivata was effectively settled as part of the acquisition of Inivata at the \$15 million principal amount and was recorded as part of the consideration transferred in the acquisition resulting in a gain of \$7.7 million in the three and six months ended June 30, 2021. The Company recorded a total gain on investment in and loan receivable from non-consolidated affiliate, net, within the Company's Consolidated Statements of Operations of \$96.5 million and \$91.5 million in the three and six months ended June 30, 2021, respectively, for the excess of the acquisition-date fair value of the Company's Preference Shares, Purchase Option, and Line of Credit over their carrying values. For further details regarding the acquisition of Inivata, please refer to Note 3. Acquisitions.

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**Note 8. Debt**

The following table summarizes the long-term debt, net at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
<b>0.25% Convertible Senior Notes due 2028</b>		
Principal	\$ 345,000	\$ —
Unamortized debt discount	(9,688)	—
Unamortized debt issuance costs	(224)	—
<b>Total 0.25% Convertible Senior Notes due 2028</b>	<b>\$ 335,088</b>	<b>\$ —</b>
<b>1.25% Convertible Senior Notes due 2025</b>		
Principal	\$ 201,250	\$ 201,250
Unamortized debt discount	(4,682)	(32,592)
Unamortized debt issuance costs	(579)	(538)
<b>Total 1.25% Convertible Senior Notes due 2025</b>	<b>\$ 195,989</b>	<b>\$ 168,120</b>
<b>Equipment financing obligations</b>	<b>2,361</b>	<b>3,808</b>
<b>Total debt</b>	<b>\$ 533,438</b>	<b>\$ 171,928</b>
Less: Current portion of equipment financing obligations	(1,913)	(2,841)
<b>Total long-term debt, net</b>	<b>\$ 531,525</b>	<b>\$ 169,087</b>

At June 30, 2021, the estimated fair values (Level 2) of the 0.25% Convertible Senior Notes due 2028 and the 1.25% Convertible Senior Notes due 2025 were \$327.5 million and \$286.3 million, respectively. There was no such estimated fair value as of December 31, 2020 related to the 0.25% Convertible Senior Notes due 2028. At December 31, 2020, the estimated fair value (Level 2) of the 1.25% Convertible Senior Notes due 2025 was \$320.9 million. At June 30, 2021 and December 31, 2020, the carrying value of the Company's equipment financing obligations approximated fair value based on the current market conditions for similar instruments.

**2028 Convertible Senior Notes**

On January 11, 2021, the Company completed the sale of \$345 million of Convertible Senior Notes with a stated interest rate of 0.25% and a maturity date of January 15, 2028 (the "2028 Convertible Notes"), unless earlier converted, redeemed, or repurchased. The 2028 Convertible Notes were issued at a discounted price of 97% of their principal amount. The total net proceeds from the issuance of the 2028 Convertible Notes and exercise of the Over-allotment Option was approximately \$334.4 million, which includes approximately \$10.6 million of discounts, commissions and offering expenses paid by the Company. On January 11, 2021 the Company entered into an Indenture (the "Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"), governing the 2028 Convertible Notes. The Company used a portion of the net proceeds from the Offerings to enter into capped call transactions (as described below under the heading "Capped Call Transactions").

Prior to September 15, 2027, noteholders may convert their 2028 Convertible Notes at their option, only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 2028 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after September 15, 2027 until the close of business on the second business day immediately preceding the maturity date, noteholders may convert their 2028 Convertible Notes at any time, regardless of the foregoing circumstances.

Upon conversion, the Company will pay or deliver, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at its election. The initial conversion rate for the 2028 Convertible Notes is 15.1172 shares of common stock per \$1,000 in principal amount of 2028 Convertible Notes, equivalent to an initial conversion price of approximately \$66.15 per share of common stock. The conversion rate is subject to adjustment as described in the Indenture. In addition, following certain corporate events that occur prior to the maturity date as described in the Indenture, the Company will pay a

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make-whole premium by increasing the conversion rate for a holder who elects to convert its 2028 Convertible Notes in connection with such a corporate event in certain circumstances. The value of the 2028 Convertible Notes, if-converted, does not exceed the principal amount based on a closing stock price of \$45.17 on June 30, 2021. For the three and six months ended June 30, 2021 the Company included 5,215,434 and 5,042,547 shares, respectively, in diluted weighted average common shares outstanding for the if-converted impact of the 2028 Convertible Notes in the diluted net income (loss) per share calculation as the shares would have a dilutive effect. For further details on the impact of the 2028 Convertible Notes on net income (loss) per share please refer to Note 12. Net Income (Loss) Per Share.

The Company may not redeem the 2028 Convertible Notes prior to January 20, 2025. The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at its option, on or after January 20, 2025 if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date of notice by the Company of redemption at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2028 Convertible Notes.

If an event involving bankruptcy, insolvency or reorganization events with respect to the Company occurs, then the principal amount of, and all accrued and unpaid interest on, all of the 2028 Convertible Notes then outstanding will immediately become due and payable. If any other default event occurs and is continuing, then noteholders of at least 25% of the aggregate principal amount of the 2028 Convertible Notes then outstanding, by notice to the Company, may declare the principal amount of, and all accrued and unpaid interest on, all of the 2028 Convertible Notes then outstanding to become due and payable immediately. If the Company undergoes a “fundamental change” as defined in the Indenture, then noteholders may require the Company to repurchase their 2028 Convertible Notes at a cash repurchase price equal to the principal amount of the 2028 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

The 2028 Convertible Notes are the Company’s senior, unsecured obligations and will be equal in right of payment with its existing and future senior, unsecured indebtedness, senior in right of payment to its existing and future indebtedness that is expressly subordinated to the 2028 Convertible Notes and effectively junior to its existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The 2028 Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of its subsidiaries.

The interest expense recognized on the 2028 Convertible Notes includes \$0.2 million, \$0.3 million and \$8,400 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended June 30, 2021. The interest expense recognized on the 2028 Convertible Notes includes \$0.4 million, \$0.7 million and \$15,100 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2021. There were no such amounts for the three or six months ended June 30, 2020. The effective interest rate on the 2028 Convertible Notes is 0.70%, which includes the interest on the 2028 Convertible Notes and amortization of the debt discount and debt issuance costs. The 2028 Convertible Notes bear interest at a rate of 0.25% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2021.

#### Capped Call Transactions

In connection with the 2028 Convertible Notes offering, on January 11, 2021, the Company entered into separate, privately negotiated convertible note hedge transactions (collectively, the “Capped Call Transactions”) with option counterparties pursuant to capped call confirmations at a cost of approximately \$29.3 million. As the Capped Call Transactions meet certain accounting criteria, the Capped Call Transactions were classified as equity, are not accounted for as derivatives and were recorded as a reduction of the Company’s additional paid-in capital in the accompanying unaudited Consolidated Financial Statements. The Capped Call Transactions are not part of the terms of the 2028 Convertible Notes and will not affect any holders’ rights under the 2028 Convertible Notes. The Capped Call Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company’s common stock that initially underlie the 2028 Convertible Notes. The number of shares underlying the Capped Call Transactions is 5.2 million.

The cap price of the Capped Call Transactions is initially \$85.75 per share of the Company’s common stock, which represents a premium of 75% over the public offering price of the common stock in the 2021 Common Stock Offering, which was \$49.00 per share, and is subject to certain adjustments under the terms of the Capped Call Transactions.

By entering into the Capped Call Transactions, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the 2028 Convertible Notes is settled in cash, to reduce its cash payment obligation) in the event that, at the time of conversion of the 2028 Convertible Notes, its common stock price exceeds the conversion price of the 2028 Convertible Notes.

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2025 Convertible Senior Notes

On May 4, 2020, the Company completed the sale of \$201.3 million of Convertible Senior Notes with a stated interest rate of 1.25% and a maturity date of May 1, 2025 (the "2025 Convertible Notes"), unless earlier converted, redeemed, or repurchased. The 2025 Convertible Notes were issued at a discounted price of 97% of their principal amount. The total net proceeds from the issuance of the 2025 Convertible Notes and exercise of the Over-allotment Option was approximately \$194.5 million, which includes approximately \$6.9 million of discounts, commissions and offering expenses paid by the Company. On May 4, 2020, the Company entered into an Indenture (the "Indenture"), with U.S. Bank National Association, as trustee (the "Trustee"), governing the 2025 Convertible Notes.

Prior to February 1, 2025, noteholders may convert their 2025 Convertible Notes at their option, only in the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 2025 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; (3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after February 1, 2025 until the close of business on the business day immediately preceding the maturity date, noteholders may convert their 2025 Convertible Notes at any time, regardless of the foregoing circumstances.

The last reported sales price of the Company's common stock was not greater than or equal to 130% of the conversion price of the 2025 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended June 30, 2021. The last reported sales price of the Company's common stock was greater than or equal to 130% of the conversion price of the 2025 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended December 31, 2020. Based on the terms of the 2025 Convertible Notes, the holders could have converted all or a portion of their 2025 Convertible Notes in the first quarter of 2021. When a conversion notice is received, the Company has the option to pay or deliver cash, shares of the Company's common stock, or a combination thereof. As the Company is not required to settle the 2025 Convertible Notes in cash, the 2025 Convertible Notes are classified as long-term debt as of June 30, 2021 and December 31, 2020. As of June 30, 2021 the Company had not received any conversion notices.

Upon conversion, the Company will pay or deliver, as applicable, cash, shares of common stock or a combination of cash and shares of common stock, at its election. The initial conversion rate for the 2025 Convertible Notes is 27.5198 shares of common stock per \$1,000 in principal amounts of 2025 Convertible Notes, equivalent to an initial conversion price of approximately \$36.34 per share of common stock. The conversion rate is subject to adjustment as described in the Indenture. In addition, following certain corporate events that occur prior to the maturity date as described in the Indenture, the Company will pay a make-whole premium by increasing the conversion rate for a holder who elects to convert its 2025 Convertible Notes in connection with such a corporate event in certain circumstances. The value of the 2025 Convertible Notes, if-converted, exceeds the principal amount by \$48.9 million based on a closing stock price of \$45.17 on June 30, 2021. For the three and six months ended June 30, 2021 the Company included 5,538,360 shares in diluted weighted average common shares outstanding for the if-converted impact of the 2025 Convertible Notes in the diluted net income (loss) per share calculation as the shares would have a dilutive effect. For the three and six months ended June 30, 2020 the Company excluded 3,773,388 and 1,886,694 shares, respectively, in diluted weighted average common shares outstanding for the if-converted impact of the 2025 Convertible Notes in the diluted net income (loss) per share calculation as the shares would have an anti-dilutive effect. For further details on the impact of the 2025 Convertible Notes on net income (loss) per share please refer to Note 12. Net Income (Loss) Per Share.

The Company may not redeem the 2025 Convertible Notes prior to May 6, 2023. The Company may redeem for cash all or any portion of the 2025 Convertible Notes, at its option, on or after May 6, 2023 if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date of notice by the Company of redemption at a redemption price equal to 100% of the principal amount of the 2025 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Convertible Notes.

If an event involving bankruptcy, insolvency or reorganization events with respect to the Company occurs, then the principal amount of, and all accrued and unpaid interest on, all of the 2025 Convertible Notes then outstanding will immediately become due and payable. If any other default event occurs and is continuing, then noteholders of at least 25% of the aggregate principal amount of the 2025 Convertible Notes then outstanding, by notice to the Company, may declare the principal amount of, and all

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accrued and unpaid interest on, all of the 2025 Convertible Notes then outstanding to become due and payable immediately. If the Company undergoes a “fundamental change” as defined in the Indenture, then noteholders may require the Company to repurchase their 2025 Convertible Notes at a cash repurchase price equal to the principal amount of the 2025 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

The 2025 Convertible Notes are the Company’s senior, unsecured obligations and will be equal in right of payment with its existing and future senior, unsecured indebtedness, senior in right of payment to its existing and future indebtedness that is expressly subordinated to the 2025 Convertible Notes and effectively junior to its existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness. The 2025 Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of its subsidiaries.

The interest expense recognized on the 2025 Convertible Notes includes \$0.7 million, \$0.3 million and \$0.03 million for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended June 30, 2021. The interest expense recognized on the 2025 Convertible Notes includes \$1.3 million, \$0.6 million and \$0.07 million for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2021. The interest expense recognized on the 2025 Convertible Notes included \$0.4 million, \$0.9 million and \$19,100 for the contractual coupon interest, the accretion of the debt discount and the amortization of the debt issuance costs, respectively, for both the three and six months ended June 30, 2020. The effective interest rate on the 2025 Convertible Notes is 1.96%, which includes the interest on the 2025 Convertible Notes and amortization of the debt discount and debt issuance costs. The 2025 Convertible Notes bear interest at a rate of 1.25% per annum, payable semi-annually in arrears on May 1 and November 1 of each year, which began on November 1, 2020.

Equipment Financing Obligations

The Company has entered into loans with various banks to finance the purchase of laboratory equipment, office equipment and leasehold improvements. These loans mature at various dates through 2023 and the weighted average interest rate under such loans was approximately 5.07% as of June 30, 2021 and 4.91% as of December 31, 2020.

Maturities of Long-Term Debt

Maturities of long-term debt as of June 30, 2021 are summarized as follows (in thousands):

	0.25% Convertible Senior Notes	1.25% Convertible Senior Notes	Equipment Financing Obligations	Total Debt
Remainder of 2021	\$ —	\$ —	\$ 1,086	\$ 1,086
2022	—	—	1,196	1,196
2023	—	—	77	77
2024	—	—	2	2
2025	—	201,250	—	201,250
2026	—	—	—	—
Thereafter	345,000	—	—	345,000
Total Debt	\$ 345,000	\$ 201,250	\$ 2,361	\$ 548,611
Less: Current portion of long-term debt	—	—	(1,913)	(1,913)
Less: Unamortized debt discount	(9,688)	(4,682)	—	(14,370)
Less: Unamortized debt issuance costs	(224)	(579)	—	(803)
Long-term debt, net	\$ 335,088	\$ 195,989	\$ 448	\$ 531,525



**Note 9. Equity Transactions**

Private Placement Transaction

On June 18, 2021, the Company completed a private placement (“Private Placement”) to certain accredited investors of an aggregate of 4,444,445 shares of the Company’s common stock at a price of \$45.00 per share. The net proceeds to the Company from the Private Placement were approximately \$189.9 million, after deducting fees to the placement agents and other offering expenses of approximately \$10.1 million.

Common Stock Issued for Acquisition

As discussed in Note 3. Acquisitions, the Company issued 597,712 shares of common stock as consideration for the acquisition of Trapelo in April 2021.

Underwritten Public Equity Offerings

On January 6, 2021, the Company entered into an underwriting agreement relating to the issuance and sale of 4,081,632 shares of the Company’s common stock, \$0.001 par value per share (the “2021 Common Stock Offering”). The price to the public in this offering was \$49.00 per share. The net proceeds to the Company from the 2021 Common Stock Offering were approximately \$189.9 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$10.1 million.

Under the terms of the underwriting agreement, the Company also granted the Underwriters a 30-day option to purchase up to 612,244 additional shares of Common Stock at the public offering price, less underwriting discounts and commissions. On January 6, 2021, the Underwriters exercised their option and purchased all 612,244 shares. The net proceeds related to the option exercise were approximately \$28.4 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$1.6 million.

On April 29, 2020, the Company entered into an underwriting agreement relating to the issuance and sale of 4,400,000 shares of the Company’s common stock, \$0.001 par value per share (the “2020 Common Stock Offering”). The price to the public in this offering was \$28.50 per share. The net proceeds to the Company from the 2020 Common Stock Offering were approximately \$117.9 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$7.5 million.

Under the terms of the underwriting agreement, the Company also granted the Underwriters a 30-day option to purchase up to 660,000 additional shares of Common Stock at the public offering price, less underwriting discounts and commissions. On May 29, 2020, the Underwriters partially exercised their option and on June 3, 2020, purchased an additional 351,500 shares. The net proceeds related to the option exercise were approximately \$9.4 million, after deducting underwriting discounts, commissions and other offering expenses of approximately \$0.6 million.

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**Note 10. Stock-Based Compensation**

The Company recorded approximately \$4.5 million and \$2.6 million in stock-based compensation expense for the three months ended June 30, 2021 and 2020, respectively, and approximately \$7.2 million and \$4.8 million in stock-based compensation expense for the six months ended June 30, 2021 and 2020, respectively. A summary of the stock option activity under the Company's plans for the six months ended June 30, 2021 is as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2020	3,785,941	\$ 15.21
Options granted	757,197	\$ 49.04
Less:		
Options exercised	612,307	\$ 10.89
Options forfeited	200,148	\$ 30.86
Options outstanding at June 30, 2021	<u>3,730,683</u>	\$ 21.94
Exercisable at June 30, 2021	<u>2,054,032</u>	\$ 11.75

The fair value of each stock option award granted during the six months ended June 30, 2021 was estimated as of the grant date using a Black-Scholes model with the following weighted average assumptions:

	Six Months Ended June 30, 2021
Expected term (in years)	4.0 - 5.5
Risk-free interest rate (%)	0.7%
Expected volatility (%)	39% - 49%
Dividend yield (%)	—
Weighted average fair value/share at grant date	\$18.53

As of June 30, 2021, there was approximately \$15 million of unrecognized stock-based compensation expense related to stock options that will be recognized over a weighted-average period of approximately 2.2 years.

A summary of the restricted stock activity under the Company's plans for the six months ended June 30, 2021 is as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	291,891	\$ 23.82
Granted	273,327	\$ 49.33
Vested	(93,934)	\$ 24.69
Forfeited	(28,318)	\$ 34.55
Nonvested at June 30, 2021	<u>442,966</u>	\$ 38.69

As of June 30, 2021, there was approximately \$12.1 million of unrecognized stock-based compensation expense related to restricted stock that will be recognized over a weighted-average period of approximately 1.9 years.

Employee Stock Purchase Plan ("ESPP")

The Company offers an ESPP through which eligible employees may purchase shares of the Company's common stock at a discount of 5% of the fair market value of the Company's common stock.

During the three months ended June 30, 2021 and 2020, employees purchased 31,839 and 41,058 shares, respectively, under the ESPP. The expense recorded for these periods was approximately \$0.3 million and \$0.2 million, respectively. During the six months ended June 30, 2021 and 2020, employees purchased 55,756 and 75,388 shares, respectively, under the ESPP. The expense recorded for these periods was approximately \$0.5 million and \$0.4 million, respectively.

**Note 11. Revenue Recognition**

The Company has two operating segments for which it recognizes revenue; Clinical Services and Pharma Services. The Clinical Services segment provides various clinical testing services to community-based pathology practices, oncology practices, hospital pathology labs, reference labs, and academic centers with reimbursement from various payers including client direct billing, commercial insurance, Medicare and other government payers, and patients. Due to the broad roll-out of the COVID-19 vaccine and a sharp decline in COVID-19 PCR testing demand, the Company made the decision at the end of the first quarter of 2021 to exit from COVID-19 PCR testing which was part of Clinical Services segment revenues. The Pharma Services segment supports pharmaceutical firms in their drug development programs by providing testing services and data analytics for clinical trials and research.

***Clinical Services Revenue***

The Company's specialized diagnostic services are performed based on a written test requisition form or electronic equivalent. The performance obligation is satisfied and revenues are recognized once the diagnostic services have been performed and the results have been delivered to the ordering physician. These diagnostic services are billed to various payers, including client direct billing, commercial insurance, Medicare and other government payers, and patients. Revenue is recorded for all payers based on the amount expected to be collected, which considers implicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the Company expects to receive based on negotiated discounts, historical collection experience and other anticipated adjustments, including anticipated payer denials. Collection of consideration the Company expects to receive typically occurs within 30 to 90 days of billing for commercial insurance, Medicare and other governmental and self-pay payers and within 60 to 90 days of billing for client payers.

***Pharma Services Revenue***

The Company's Pharma Services segment generally enters into contracts with pharmaceutical customers as well as other CROs to provide research and clinical trial services ranging in duration from one month to several years. The Company records revenue on a unit-of-service basis based on number of units completed and the total expected contract value. The total expected contract value is estimated based on historical experience of total contracted units compared to realized units as well as known factors on a specific contract-by-contract basis. Certain contracts include upfront fees, final settlement amounts or billing milestones that may not align with the completion of performance obligations. The value of these upfront fees or final settlement amounts is usually recognized over time based on the number of units completed, which aligns with the progress of the Company towards fulfilling its obligations under the contract.

The Company also enters into other contracts, such as validation studies and informatics. Revenue for validation studies for which the sole deliverable may be a final report that is sent to sponsors at the completion of contracted activities, is recognized at a point in time upon delivery of the final report to the sponsor. Informatics is the sale of de-identified data for which deliverables typically consist of retrospective records, prospective deliveries of data or clinical decision support. Informatics revenue is recognized upon delivery of retrospective data, over time for prospective data feeds and clinical decision support. Any contracts that contain multiple performance obligations and include both units-of-service and point in time deliverables are accounted for as separate performance obligations and revenue is recognized as previously disclosed. The Company negotiates billing schedules and payment terms on a contract-by-contract basis. While the contract terms generally provide for payments based on a unit-of-service arrangement, the billing schedules, payment terms and related cash payments may not align with the performance of services and, as such, may not correspond to revenue recognized in any given period.

Amounts collected in advance of services being provided are deferred as contract liabilities on the Consolidated Balance Sheets. The associated revenue is recognized and the contract liability is reduced as the contracted services are subsequently performed. Contract assets are established for revenue that has been recognized but not yet billed. These contract assets are reduced once the customer is invoiced and a corresponding receivable is recorded. Additionally, certain costs to obtain contracts, primarily for sales commissions, are capitalized when incurred and are amortized over the term of the contract. Amounts capitalized for contracts with an initial contract term of twelve months or less are classified as current assets. All others are classified as non-current assets.

Most contracts are terminable by the customer, either immediately or according to advance notice terms specified within the contracts. All contracts require payment of fees to the Company for services rendered through the date of termination and may require payment for subsequent services necessary to conclude the study or close out the contract.

The following table summarizes the values of contract assets, capitalized commissions and contract liabilities (in thousands):

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	June 30, 2021	December 31, 2020
Current pharma contract assets <sup>(1)</sup>	\$ 1,842	\$ 1,643
Long-term pharma contract assets <sup>(2)</sup>	325	290
Total pharma contract assets	<u>\$ 2,167</u>	<u>\$ 1,933</u>
Current pharma capitalized commissions <sup>(1)</sup>	\$ 128	\$ 185
Long-term pharma capitalized commissions <sup>(2)</sup>	940	970
Total pharma capitalized commissions	<u>\$ 1,068</u>	<u>\$ 1,155</u>
Current pharma contract liabilities	\$ 4,497	\$ 4,029
Long-term pharma contract liabilities <sup>(3)</sup>	794	712
Total pharma contract liabilities	<u>\$ 5,291</u>	<u>\$ 4,741</u>

<sup>(1)</sup> Current pharma contract assets and Current pharma capitalized commissions are classified as other current assets on the Consolidated Balance Sheets.

<sup>(2)</sup> Long-term pharma contract assets and Long-term pharma capitalized commissions are classified as other assets on the Consolidated Balance Sheets.

<sup>(3)</sup> Long-term pharma contract liabilities are classified as other long-term liabilities on the Consolidated Balance Sheets.

Pharma contract assets increased \$0.2 million, or 12%, from December 31, 2020 to June 30, 2021. Pharma contract liabilities increased \$0.6 million, or 12%, during the same period, while there was an 8% decrease in capitalized commissions. Revenue recognized for the three and six months ended June 30, 2021 related to Pharma contract liability balances outstanding at the beginning of the period was \$1.1 million and \$3.8 million, respectively. Revenue recognized for the three and six months ended June 30, 2020 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.4 million and \$1.6 million, respectively. Amortization of capitalized commissions for the three and six months ended June 30, 2021 was \$0.5 million and \$0.7 million, respectively. Amortization of capitalized commissions for the three and six months ended June 30, 2020 was \$0.1 million and \$0.3 million, respectively.

*Disaggregation of Revenue*

The Company considered various factors for both its Clinical Services and Pharma Services segments in determining appropriate levels of homogeneous data for its disaggregation of revenue, including the nature, amount, timing and uncertainty of revenue and cash flows. For Clinical Services, the categories identified align with the type of customer due to similarities of billing method, level of reimbursement and timing of cash receipts. Unbilled amounts are accrued and allocated to payer categories based on historical experience. In future periods, actual billings by payer category may differ from accrued amounts. Pharma Services revenue was not further disaggregated as substantially all of the revenue relates to contracts with large pharmaceutical and biotech customers as well as other CROs for which the nature, timing and uncertainty of revenue and cash flows is similar and primarily driven by individual contract terms.

The following table details the disaggregation of revenue for both the Clinical and Pharma Services Segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Clinical Services:				
Client direct billing	\$ 63,137	\$ 45,244	\$ 123,846	\$ 99,535
Commercial Insurance	20,528	15,148	39,102	37,142
Medicare and Medicaid	17,484	13,541	34,634	30,024
Self-Pay	256	(49)	310	165
Total Clinical Services	<u>\$ 101,405</u>	<u>\$ 73,884</u>	<u>\$ 197,892</u>	<u>\$ 166,866</u>
Pharma Services:	20,319	13,093	39,365	26,141
Total Revenue	<u>\$ 121,724</u>	<u>\$ 86,977</u>	<u>\$ 237,257</u>	<u>\$ 193,007</u>

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**Note 12. Net Income (Loss) Per Share**

The Company presents both basic earnings per share ("EPS") and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing "Net income (loss)" by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised and if the 2028 Convertible Notes and 2025 Convertible Notes were converted. The potential dilution from stock awards is accounted for using the treasury stock method based on the average market value of the Company's common stock. The potential dilution from conversion of the 2028 Convertible Notes and 2025 Convertible Notes is accounted for using the if-converted method, which requires that all of the shares of the Company's common stock issuable upon conversion of the 2028 Convertible Notes and the 2025 Convertible Notes will be included in the calculation of diluted EPS assuming conversion of the 2028 Convertible Notes and the 2025 Convertible Notes at the beginning of the reporting period (or at time of issuance, if later).

The following table shows the calculations (in thousands, except net income (loss) per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>Adjustment to net income (loss) for convertible notes in diluted EPS<sup>(1)</sup></i>				
<b>NET INCOME (LOSS)</b>	\$ 75,873	\$ (6,824)	\$ 53,759	\$ (13,802)
Convertible note accretion, amortization, and interest, net of tax	1,552	—	2,997	—
<b>NET INCOME (LOSS) USED IN DILUTED EPS</b>	<b>77,425</b>	<b>(6,824)</b>	<b>56,756</b>	<b>(13,802)</b>
Basic weighted average shares outstanding	118,287	107,887	117,249	106,209
Dilutive effect of stock options	2,027	—	2,221	—
Dilutive effect of restricted stock awards	170	—	196	—
Dilutive effect of Convertible Notes due 2025	5,538	—	5,538	—
Dilutive effect of Convertible Notes due 2028	5,215	—	5,043	—
Diluted weighted average shares outstanding	131,237	107,887	130,247	106,209
Basic net income (loss) per share	\$ 0.64	\$ (0.06)	\$ 0.46	\$ (0.13)
Diluted net income (loss) per share	\$ 0.59	\$ (0.06)	\$ 0.44	\$ (0.13)

<sup>(1)</sup>This adjustment compensates for the effects of the if-converted impact of convertible notes in adjusted net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income (loss) is adjusted to reverse any recognized interest expense (including any amortization of discounts).

The following potential dilutive shares were excluded from the calculation of diluted net income (loss) per share because their effect would be anti-dilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	—	2,871	—	2,944
Restricted stock awards	—	281	—	237
2025 Convertible Notes	—	3,773	—	1,887
2028 Convertible Notes	—	—	—	—

The potential effect of the Capped Call Transactions entered into concurrently with the 2028 Convertible Notes were excluded from the calculation of diluted net income (loss) per share in the three and six ended June 30, 2021 as the Company's closing price on June 30, 2021 did not exceed the conversion price of \$85.75 per share. The Capped Call Transactions are not reflected in diluted net income (loss) per share as they are anti-dilutive.

For further details on the Capped Call Transactions, please refer to Note 8. Debt.

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**Note 13. Defined Contribution Plans**

The Company maintains a defined-contribution 401(k) retirement plan covering substantially all U.S. based employees (as defined). The Company's employees may make voluntary contributions to the plan, subject to limitations based on IRS regulations and compensation. Effective January 1, 2017 the Company matches 100% of every dollar contributed up to 3% of the respective employee's compensation and an additional 50% of every dollar contributed on the next 2% of compensation (4% maximum Company match). Matching contributions were approximately \$1.5 million and \$3.1 million for the three and six months ended June 30, 2021, respectively, and \$1.2 million and \$2.6 million for the corresponding periods ended June 30, 2020, respectively, and are recorded in cost of revenue and operating expenses.

As of the Inivata Acquisition Date, the Company operates a number of country-specific defined contribution pension plans for its employees and pays matching contributions into a separate entity through Inivata Limited, a wholly-owned subsidiary of the Company. Employer contributions are made in accordance with the terms and conditions of the respective country benefit plan. Employees may contribute additionally in accordance with the prevailing statutory limitations. Once the contributions have been paid, the Company has no further payment obligations. The assets of the plan are held separately from the Company and Inivata Limited in independently administered funds. The contributions are recognized as an expense in the Consolidated Statements of Operations when they are due. Amounts not paid are accrued as a short term liability in the Consolidated Balance Sheets. Such amounts for the period beginning on the Inivata Acquisition date through June 30, 2021 were immaterial.

**Note 14. Commitments and Contingencies**

On January 20, 2021, Natera, Inc. filed a patent infringement complaint against the Company's newly-acquired subsidiary Inivata Limited and its subsidiary Inivata, Inc. in United States District Court for the district of Delaware, alleging Inivata's InVisionFirst-Lung cancer diagnostic test of infringing two patents. The litigation is presently in the pleadings stage. The Company intends to defend this matter vigorously, and believes that the Company has good and substantial defenses to the claims alleged in the suit, but there is no guarantee that the Company will prevail. At the time of filing, the outcome of this matter is not estimable or probable.

**Note 15. Related Party Transactions**

On May 22, 2020, the Company formed a strategic alliance with Inivata and entered into a Strategic Alliance Agreement and Laboratory Services Agreement whereas Inivata, prior to the Inivata Acquisition Date, would render and perform certain laboratory testing which the Company made available to customers. In connection with this agreement, Inivata provided \$0.4 million and \$0.8 million of testing services to the Company recorded in cost of revenue in the Consolidated Statements of Operations for the three and six months ended June 30, 2021, respectively, through the Inivata Acquisition Date. Such services provided for the three and six months ended June 30, 2020 were immaterial.

On May 22, 2020, the Company and Inivata also entered into a Line of Credit in the amount of \$5 million. The Company and Inivata settled the Line of Credit after the Inivata Acquisition Date and no amounts were outstanding as of June 30, 2021. For further details on the Line of Credit, please refer to Note 7. Investment in Non-Consolidated Affiliate.

On June 18, 2021, the Company completed its acquisition of all remaining equity interest in Inivata by exercising its Purchase Option. Beginning June 18, 2021, Inivata is a wholly-owned consolidated subsidiary of the Company. As of the Inivata Acquisition Date, Inivata's financial statement activity is being consolidated within the Company's unaudited Consolidated Financial Statements. For further details on the acquisition of Inivata, please refer to Note 3. Acquisitions.

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**Note 16. Segment Information**

The Company has two operating segments for which it recognizes revenue; Clinical Services and Pharma Services. The Company's Clinical Services segment provides various clinical testing services to community-based pathology and oncology practices, hospital pathology labs and academic centers with reimbursement from various payers including client direct billing, commercial insurance, Medicare and other government payers, and patients. The Company's Pharma Services segment supports pharmaceutical firms in their drug development programs by supporting various clinical trials and research as well as providing informatics related services often supporting Pharma commercialization efforts.

The financial information reviewed by the Chief Operating Decision Maker ("CODM") includes revenues, cost of revenue and gross profit for each of the Company's operating segments. Assets are not presented at the segment level as that information is not used by the CODM.

The following table summarizes the segment information (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net revenues:</b>				
Clinical Services	\$ 101,405	\$ 73,884	\$ 197,892	\$ 166,866
Pharma Services	20,319	13,093	39,365	26,141
Total revenue	121,724	86,977	237,257	193,007
<b>Cost of revenue:</b>				
Clinical Services <sup>(1)</sup>	57,233	48,757	118,798	97,680
Pharma Services	11,501	10,214	23,895	20,952
Total cost of revenue	68,734	58,971	142,693	118,632
<b>Gross Profit:</b>				
Clinical Services	44,172	25,127	79,094	69,186
Pharma Services	8,818	2,879	15,470	5,189
Total gross profit	52,990	28,006	94,564	74,375
<b>Operating expenses:</b>				
General and administrative	54,638	34,613	95,114	70,957
Research and development	3,495	2,105	5,951	4,165
Sales and marketing	17,224	10,195	30,973	23,453
Total operating expenses	75,357	46,913	132,038	98,575
<b>Loss from operations</b>	(22,367)	(18,907)	(37,474)	(24,200)
Interest expense, net	902	1,548	2,079	2,367
Other income, net	(171)	(7,405)	(341)	(7,628)
Gain on investment in and loan receivable from non-consolidated affiliate, net	(96,534)	—	(91,510)	—
Loss on extinguishment of debt	—	1,400	—	1,400
Loss on termination of cash flow hedge	—	3,506	—	3,506
Income (loss) before taxes	73,436	(17,956)	52,298	(23,845)
Income tax benefit	(2,437)	(11,132)	(1,461)	(10,043)
<b>Net income (loss)</b>	\$ 75,873	\$ (6,824)	\$ 53,759	\$ (13,802)

<sup>(1)</sup> Clinical cost of revenue for the three months ended June 30, 2021 includes \$0.7 million amortization of acquired intangible assets. Clinical cost of revenue for the six months ended June 30, 2021 includes \$0.7 million amortization of acquired intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.



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*NeoGenomics, Inc., a Nevada corporation, (referred to collectively with its subsidiaries as “NeoGenomics”, “we”, “us”, “our” or the “Company” in this Form 10-Q) is the registrant for SEC reporting purposes. Our common stock is listed on the Nasdaq Stock Market LLC (“NASDAQ”) under the symbol “NEO”.*

**Introduction**

The following discussion and analysis should be read in conjunction with the unaudited Consolidated Financial Statements and the notes thereto included herein. The information contained below includes statements of the Company’s or management’s beliefs, expectations, hopes, goals and plans that, if not historical, are forward-looking statements subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. For a discussion on forward-looking statements, see the information set forth in the introductory note to this quarterly report on Form 10-Q under the caption “Forward-Looking Statements”, which information is incorporated herein by reference.

**COVID-19 Pandemic**

In December 2019, a novel strain of coronavirus (“COVID-19”) was identified and the disease has since spread across the world, including the United States. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The outbreak of the pandemic is materially adversely affecting the Company’s employees, patients, communities and business operations, as well as the United States (“U.S.”) economy and financial markets. The full extent to which the COVID-19 outbreak will impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, including related variants, and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets. As the COVID-19 pandemic continues, the Company’s results of operations, financial condition and cash flows may continue to be materially adversely affected, particularly if the pandemic persists for a significant amount of time.

The impact from the COVID-19 pandemic and the related disruptions have had a material adverse impact on our results of operations, volume growth rates and test volumes in 2020 and the first half of 2021. Demand may fluctuate depending on the duration and severity of the COVID-19 pandemic, the length of time it takes for normal economic and operating conditions to resume, additional governmental actions that may be taken and/or extensions of time for restrictions that have been imposed to date, and numerous other uncertainties. Such events may result in business disruption, reduced revenues and number of tests, any of which could materially affect our business, financial condition, and results of operations.

We have taken significant actions to protect our employees and maintain a safe environment while ensuring continuity of critical oncology testing for cancer patients. Among other actions, we have de-densified our laboratories and facilities, adjusted laboratory shifts, restricted visitors to facilities, restricted employee travel, implemented an emergency paid time off policy, provided remote work-environment training and support, and managed our supply chains. Importantly, all main laboratory facilities have remained open and there has been an uninterrupted continuity of high-quality testing services for clients. The Company’s top priority remains the health and safety of employees and continued quality and service for all clients with a focus on patient care. We believe that we are positioned to recover from the effects of the COVID-19 pandemic.

For additional information on risk factors related to the pandemic or other risks that could impact our results, please refer to the Company’s Form 10-K under Item 1A, “Risk Factors” for the year ended December 31, 2020, as filed with the SEC on February 25, 2021.

**Overview**

We operate a network of cancer-focused testing laboratories in the United States, Europe and Asia. Our mission is to improve patient care through exceptional cancer-focused testing services. Our vision is to be the world’s leading cancer testing and information company by delivering uncompromising quality, exceptional service and innovative solutions.

As of June 30, 2021, the Company has laboratory locations in Fort Myers and Tampa, Florida; Aliso Viejo, Carlsbad, and San Diego, California; Research Triangle Park, North Carolina; Houston, Texas; Atlanta, Georgia; Nashville, Tennessee; Cambridge, United Kingdom; Rolle, Switzerland; and Singapore. We currently offer the following types of testing services:

- a. Cytogenetics (“karyotype analysis”) - the study of normal and abnormal chromosomes and their relationship to disease. Cytogenetics involves analyzing the chromosome structure to identify changes from patterns seen in normal chromosomes. Cytogenetic studies are often performed to provide diagnostic, prognostic and occasionally predictive information for patients with hematological malignancies.

- b. Fluorescence In-Situ Hybridization ("FISH") - a molecular cytogenetic technique that focuses on detecting and localizing the presence or absence of specific DNA sequences and genes on chromosomes. The technique uses fluorescent probes that bind to only those parts of the chromosome with which they show a high degree of sequence similarity. Fluorescence microscopy is used to visualize the fluorescent probes bound to the chromosomes. FISH can be used to help identify numerous types of gene alterations, including amplifications, deletions, and translocations.
- c. Flow cytometry - a technique utilized to measure the characteristics of cell populations. Typically performed on liquid samples such as peripheral blood and bone marrow aspirate, it may also be performed on solid tissue samples such as lymph nodes following additional processing steps. Cells are labeled with selective fluorescent antibodies and analyzed as they flow in a fluid stream through a beam of light. The properties measured in these antibodies include the relative size, relative granularity or internal complexity, and relative fluorescence intensity. These fluorescent antibodies bind to specific cellular antigens and are used to identify abnormal and/or malignant cell populations. Flow cytometry is typically utilized in diagnosing a wide variety of hematopoietic and lymphoid neoplasms. Flow cytometry is also used to monitor patients during the course of therapy to identify extremely low levels of residual malignant cells, known as minimal residual disease ("MRD") monitoring.
- d. Immunohistochemistry ("IHC") and Digital Imaging – the process of localizing cellular proteins in tissue sections and relies on the principle of antigen-antibody binding. IHC is widely used in the diagnosis of abnormal cells such as those found in cancer. Specific surface membrane, cytoplasmic, or nuclear markers may be identified. IHC is also widely used to understand the distribution and localization of differentially expressed proteins. Digital imaging allows clients to visualize scanned slides, and also perform quantitative analysis for certain stains. Scanned slides are received online in real time and can be previewed often a full day before the glass slides can be shipped back to clients.
- e. Molecular testing – a rapidly growing field which includes a broad range of laboratory techniques utilized in cancer testing. Most molecular techniques rely on the analysis of DNA and/or RNA, as well as the structure and function of genes at the molecular level. Molecular testing technologies include: liquid biopsy tests for advanced non-small cell lung cancer, all solid tumor types (pan-cancer), and certain breast cancer cases; DNA fragment length analysis; polymerase chain reaction ("PCR") analysis; reverse transcriptase polymerase chain reaction ("RT-PCR") analysis, real-time (or quantitative) polymerase chain reaction ("qPCR") analysis; bi-directional Sanger sequencing analysis; and next-generation sequencing ("NGS") analysis.
- f. Morphologic analysis – the process of analyzing cells under the microscope by a pathologist, usually for the purpose of diagnosis. Morphologic analysis may be performed on a wide variety of samples, such as peripheral blood, bone marrow, lymph node, and from other sites such as lung, breast, etc. The services provided at NeoGenomics may include primary diagnosis, in which a sample is received for processing and our pathologists provide the initial diagnosis; or may include secondary consultations, in which slides and/or tissue blocks are received from an outside institution for second opinion. In the latter setting, the expert pathologists at NeoGenomics assist our client pathologists on their most difficult and complex cases.

#### Clinical Services Segment

The clinical cancer testing services we offer to community-based pathologists are designed to be a natural extension of, and complementary to, the services that they perform within their own practices. We believe our relationship as a non-competitive partner to community-based pathology practices, hospital pathology labs, reference labs, and academic centers empowers them to expand their breadth of testing and provide a menu of services that matches or exceeds the level of service found in any center of excellence around the world. Community-based pathology practices and hospital pathology labs may order certain testing services on a technical component only ("TC" or "tech-only") basis, which allows them to participate in the diagnostic process by performing the professional component ("PC") interpretation services without having to hire laboratory technologists or purchase the sophisticated equipment needed to perform the technical component of the tests. We also support our pathology clients with interpretation and consultative services using our own specialized team of pathologists for difficult or complex cases and provide overflow interpretation services when requested by clients.

NeoGenomics is a leading provider of Molecular and next-generation sequencing ("NGS") testing. These tests are interpreted by NeoGenomics' team of Molecular experts and are often ordered in conjunction with other testing modalities. NGS panels are one of our fastest growing testing areas and clients can often receive a significant amount of biomarker information from very limited samples. These comprehensive panels can allow for faster treatment decisions for patients as compared to a series of single-gene molecular tests being ordered sequentially. NeoGenomics has one of the broadest Molecular menus in the industry and our targeted NeoTYPE panels include genes relevant to a particular cancer type, as well as other complementary tests such

as immunohistochemistry and FISH. This comprehensive menu means that NeoGenomics can be a “one-stop shop” for our clients who can get all of their oncology testing needs satisfied by our laboratory. This is attractive to our clients as patient samples do not need to be split and then managed across several laboratories. NeoGenomics expects our Molecular laboratory and NGS capabilities to be a key growth driver in the coming years.

In addition, we directly serve oncology, dermatology and other clinician practices that prefer to have a direct relationship with a laboratory for cancer-related genetic testing services. We typically service these types of clients with a comprehensive service offering where we perform both the technical and professional components of the tests ordered. In certain instances, larger clinician practices have begun to internalize pathology interpretation services, and our tech-only service offering allows these larger clinician practices to also participate in the diagnostic process by performing the PC interpretation services on TC testing performed by NeoGenomics. In these instances, NeoGenomics will typically provide all of the more complex, molecular testing services.

#### Pharma Services Segment

Our Pharma Services revenue consists of three revenue streams:

- Clinical trials and research;
- Validation laboratory services; and
- Informatics

Our Pharma Services segment supports pharmaceutical firms in their drug development programs by supporting various clinical trials and research. This portion of our business often involves working with the pharmaceutical firms (sponsors) on study design as well as performing the required testing. Our medical team often advises the sponsor and works closely with them as specimens are received from the enrolled sites. We also work on developing tests that will be used as part of a companion diagnostic to determine patients' response to a particular drug. As studies unfold, our clinical trials team reports the data and often provides key analysis and insights back to the sponsors.

Our Pharma Services segment provides comprehensive testing services in support of our pharmaceutical clients' oncology programs from discovery to commercialization. In biomarker discovery, our aim is to help our customers discover the right content. We help our customers develop a biomarker hypothesis by recommending an optimal platform for molecular screening and backing our discovery tools with the informatics to capture meaningful data. In other pre-clinical and non-clinical work, we can use our platforms to characterize markers of interest. Moving from discovery to development, we help our customers refine their biomarker strategy and, if applicable, develop a companion diagnostic pathway using the optimal technology for large-scale clinical trial testing.

Whether serving as the single contract research organization or partnering with one, our Pharma Services team provides significant technical expertise, working closely with our customers to support each stage of clinical trial development. Each trial we support comes with rapid turnaround time, dedicated project management and quality assurance oversight. We have experience in supporting submissions to the Federal Drug Administration (“FDA”) for companion diagnostics. Our Pharma Services strategy is focused on helping bring more effective oncology treatments to market through providing world-class laboratory services in oncology to key pharmaceutical companies in the industry.

We believe that NeoGenomics is uniquely positioned to service Pharma sponsors across the full continuum of the drug development process. Our Pharma Services team can work with them during the basic research and development phase as compounds come out of translational research departments as well as work with clients from Phase I clinical trials through Phases II and III as the sponsors work to prove the efficacy of their drugs. The laboratory biomarker tests that are developed during this process may become companion diagnostic, or CDx tests, that will be used on patients to determine if they could respond to a certain therapy. NeoGenomics is able to offer these CDx tests to the market immediately after FDA approval as part of our Day 1 readiness program. This ability helps to speed the commercialization of their drug and enables Pharma sponsors to reach patients through NeoGenomics broad distribution channel in the Clinical Services segment.

We are continuing to develop and broaden our informatics and data-related tools to leverage our unique market position and oncology expertise to help our stakeholders solve real-world problems such as identifying patients for clinical trials or providing clinical decision support tools for physicians and providers. We are committed to connecting patients with life altering therapies and trials. In carrying out these commitments, we aim to provide transparency and choice to patients regarding the handling and use of their data through our Notice of Privacy Practices, and have invested in leading technologies to ensure the data we maintain is secured at all times.

#### **2021 Focus Areas:**

We are committed to sustainable growth while being an innovative leader in our industry. Our focus for 2021 includes initiatives to drive consistent and profitable growth while pursuing innovation and maintaining exceptional service levels. We

expect these initiatives to allow the Company to continue on its path to become the world's leading cancer testing and information company.

#### Strengthen Our World-Class Culture

Fortifying our culture to closely align with the values of our Company is a key priority. We will invest in the development of our people by creating mentoring, coaching and training opportunities to enhance and capitalize on the talent within our Company. We believe these initiatives will foster a culture of accountability and empowerment and are imperative to providing a meaningful work experience for our employees.

We value the health of our employees and want them to perform at their best, personally and professionally. We actively promote the health and well-being of our employees and recognize that overall health goes beyond greater health benefits and preventative care and includes a variety of areas such as physical, emotional and financial health. We provide a variety of programs to promote the improvement of our employees' health in these and other areas.

Building a resilient, sustainable organization is central to the success of our Company. Our focus is on expanding our purpose to extend beyond the organization to include all stakeholders. This includes the communities we serve and our society as a whole. We build our talent through coaching and mentoring programs to meet the demands of our critical work of the future and our leadership needs. We will partner within our communities to remove barriers and sponsor educational opportunities needed to meet our highly-skilled workforce demands.

#### Continue to Provide Uncompromising Quality and Exceptional Service

Maintaining the highest quality laboratory operations and service levels has enabled us to consistently grow our business. We are continuously looking for ways to improve quality and implement best practices to streamline processes. We are focused on increasing automation with solutions that will maintain quality while improving efficiency in operations.

We will continue to grow a culture of quality through our leadership, coaching and employee training initiatives. We aim to empower our employees to deliver high-quality results in their respective function. We will implement initiatives to measure and improve turnaround times while maintaining a culture of quality, which we expect will continue to meet or exceed our customers' expectations.

#### Pursue Innovation and Growth

Our plans for 2021 include initiatives to continue to drive sustainable growth and innovation. We will continue to pursue market share gains by providing high complexity, cancer-related laboratory testing services to hospitals, community-based pathology and oncology practices, academic centers, clinicians, and pharmaceutical companies. Additionally, we will focus on continued reimbursement effectiveness through improving coverage, streamlining processes and providing clients more efficient, automated ordering methods, which we believe will continue to fuel our growth and market share.

Our laboratory and informatics teams will continue focus on new assays and product offerings, including liquid biopsy, MRD and other high-quality tests. We expect this to enhance our strategic position while enabling us to maintain our high levels of client retention.

Our broad and innovative test menu of molecular, including NGS, immunohistochemistry, and other testing has helped make us a "one-stop shop" for many clients who value that all of their testing can be sent to one laboratory. We will continue to look for growth opportunities through mergers and/or acquisitions and are focused on strategic opportunities that would be complementary to our menu of services and would increase our earnings and cash flow in the short to medium time frame. We are also focused on investing in business development and informatics capabilities to partner with our key stakeholders, including patients, providers, payers and pharmaceutical companies to provide solutions to current or near-term problems that they face.

#### **Competitive Strengths**

In addition to the competitive strengths discussed below, the Company believes that its superior testing technologies and instrumentation, laboratory information system, client education programs and broad domestic and growing international presence also differentiates NeoGenomics from its competitors.

#### Turnaround Times

We strive to provide industry leading turnaround times for test results to our clients nationwide, both in the Clinical Services and Pharma Services segments. By providing information to our clients in a rapid manner, physicians can begin treating their patients as soon as possible. Our consistent timeliness of results by our Clinical Services segment is a competitive strength and a driver of additional testing requests by referring physicians. Rapid turnaround times allow for the performance of other adjunctive tests within an acceptable diagnosis window in order to augment or confirm results and more fully inform treatment

options. Additionally, we believe that our rapid turnaround time on testing and our project milestones are a key differentiator in our Pharma Services segment.

#### World-class Medical and Scientific Team

Our team of medical professionals and Ph.D.s. are specialists in the field of genetics, oncology and pathology. As of June 30, 2021, we employed or contracted with approximately 120 M.D.s and Ph.D.s. We have many nationally and world-renowned pathologists on staff, which is a key differentiator from many smaller laboratories. Our clinical customers look to our staff and their expertise and they often call our medical team on challenging cases. For our Pharma Services segment, many sponsors work with our medical team on their study design and on the interpretation of results from the studies. Our medical team is a key differentiator as we have a depth of medical expertise that many other laboratories cannot offer to Pharmaceutical companies.

#### Innovative Service Offerings

We believe we currently have the most extensive menu of tech-only FISH services in the country as well as extensive and advanced tech-only flow cytometry and IHC testing services. These types of testing services allow the professional interpretation component of a test to be performed and billed separately by our physician clients. Our tech-only services are designed to give pathologists the option to choose, on a case by case basis, whether they want to order just the technical information and images relating to a specific test so they can perform the professional interpretation, or order "global" services and receive a comprehensive test report which includes a NeoGenomics pathologist's interpretation of the test results. Our clients appreciate the flexibility to access NeoGenomics' medical staff for difficult or complex cases or when they are otherwise unavailable to perform professional interpretations.

We offer a comprehensive suite of technical and interpretation services, to meet the needs of those clients who are not credentialed and trained in interpreting genetic tests and who require pathology specialists to interpret their testing results. In our global service offerings, our lab performs the technical component of the tests and our M.D.s and Ph.D.s. provide the service of interpreting the results of those tests. Our professional staff is also available for post-test consultative services. Clients using our global service offering rely on the expertise of our medical team to give them the answers they need in a timely manner to help inform their diagnoses and treatment decisions.

We believe we have one of the broadest Molecular and Next Generation Sequencing test menus in the world. Clients have the ability to order single gene molecular tests, targeted NeoTYPE panels that include the relevant actionable genes for a particular cancer type as well as large NGS panels. Our Pharma Services Division offers a full range of sequencing testing including whole exome and whole genome sequencing. Our menu enables us to be a true "one-stop shop" for our clients as we can meet all of their oncology testing needs.

#### National Direct Sales Force

Our direct sales force has been trained extensively in cancer genetic testing and consultative selling skills to service the needs of clients. Our sales team for the clinical cancer testing services is organized into nine regions - Northeast, Southeast, South Central, Great Lakes, Midwest, Southwest, Mid-Atlantic, Florida, and Capital. Our Pharma Services segment has a dedicated team of business development specialists who are experienced in working with pharma sponsors and helping them with the testing needs of their research and development projects as well as Phase I, II and III studies. These sales representatives utilize our custom Customer Relationship Management System ("CRM") to manage their territories, and we have integrated all of the important customer care functionality within our Laboratory Information Services ("LIS") into the CRM so that our sales representatives can stay informed of emerging issues and opportunities within their regions. Our in-house customer care team is aligned with our field sales team to serve the needs of our clients by utilizing the same LIS and CRM. Our field teams can see in real-time when a client calls the laboratory, the reason for the call, the resolution, and if face-to-face interaction is needed for follow-up. Our sales force educates clients on new test offerings and their proper utilization and our representatives are often seen as trusted advisors by our clients.

#### **Seasonality**

The majority of our clinical testing volume is dependent on patients being treated by hematology/oncology professionals and other healthcare providers. The volume of our testing services generally declines modestly during the summer vacation season, year-end holiday periods and other major holidays, particularly when those holidays fall during the middle of the week. In addition, the volume of our testing tends to decline due to extreme adverse weather conditions, such as excessively hot or cold spells, heavy snow, hurricanes or tornadoes in certain regions, consequently reducing revenues and cash flows in any affected period.

In our Pharma Services segment, we enter into both short-term and long-term contracts, ranging from one month to several years. While the volume of this testing is not as directly affected by seasonality as described above, the testing volume does

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vary based on the terms of the contract. Our volumes are often based on how quickly sponsors can get patient enrollees for their trials and seasonality can impact how quickly they can get patients enrolled. Many of our long-term contracts contain specific performance obligations where the testing is performed on a specific schedule. This results in revenue that is not consistent among periods. In addition, this results in backlog that can be significant.

**Results of Operations for the Three and Six Months Ended June 30, 2021 as Compared to the Three and Six Months Ended June 30, 2020**

The following table presents the Consolidated Statements of Operations as a percentage of net revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	56.5 %	67.8 %	60.1 %	61.5 %
Gross Profit	43.5 %	32.2 %	39.9 %	38.5 %
Operating expenses:				
General and administrative	44.9 %	39.8 %	40.1 %	36.7 %
Research and development	2.9 %	2.4 %	2.5 %	2.2 %
Sales and marketing	14.2 %	11.7 %	13.1 %	12.2 %
Total operating expenses	62.0 %	53.9 %	55.7 %	51.1 %
Loss from operations	(18.5)%	(21.7)%	(15.8)%	(12.6)%
Interest expense, net	0.7 %	1.8 %	0.9 %	1.2 %
Other income, net	(0.1)%	(8.5)%	(0.1)%	(4.0)%
Gain on investment in and loan receivable from non-consolidated affiliate, net	(79.3)%	— %	(38.6)%	— %
Loss on extinguishment of debt	— %	1.6 %	— %	0.7 %
Loss on termination of cash flow hedge	— %	4.0 %	— %	1.8 %
Income (loss) before taxes	60.2 %	(20.6)%	22.0 %	(12.3)%
Income tax benefit	(2.0)%	(12.8)%	(0.6)%	(5.2)%
Net income (loss)	62.2 %	(7.8)%	22.6 %	(7.1)%

Clinical and Pharma Services net revenues for the periods presented are as follows (\$ in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Net revenue:								
Clinical Services	\$ 101,405	\$ 73,884	\$ 27,521	37.2 %	\$ 197,892	\$ 166,866	\$ 31,026	18.6 %
Pharma Services	20,319	13,093	7,226	55.2 %	39,365	26,141	13,224	50.6 %
Total revenue	\$ 121,724	\$ 86,977	\$ 34,747	39.9 %	\$ 237,257	\$ 193,007	\$ 44,250	22.9 %

**Revenue**

Consolidated revenues increased \$34.7 million, or 39.9%, year-over-year. Clinical Services revenue for the three and six months ended June 30, 2021 increased \$27.5 million and \$31 million, respectively, when compared to the same periods in 2020. Clinical testing volume<sup>(1)</sup> increased by approximately 37.3% and 19.1% for the three and six months ended June 30, 2021, respectively, compared to the same periods in 2020. These increases in revenue and testing volume were primarily driven by increased patient access to testing as recovery from the COVID-19 pandemic continued.

Due to the broad roll-out of the COVID-19 vaccine and a sharp decline in the demand for COVID-19 PCR testing, we made the decision at the end of the first quarter 2021 to exit from COVID-19 PCR testing which was included in Clinical Services segment revenue. The Clinical division's continued focus is its broad and innovative testing menu as well as any future new product offerings.

Pharma Services revenue for the three and six months ended June 30, 2021 increased \$7.2 million and \$13.2 million, respectively, compared to the same periods in 2020. In addition, our backlog of signed contracts has continued to grow from

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\$208.9 million as of December 31, 2020 to \$238.1 million as of June 30, 2021. We expect this backlog to result in higher revenues in future quarters.

The following table shows Clinical revenue, cost of revenue, requisitions received and tests performed for the three and six months ended June 30, 2021 and 2020, excluding requisitions, tests, revenue and costs of revenue for Pharma Services and COVID-19 PCR tests. Testing revenue and cost of revenue are presented in thousands below:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
<b>Clinical<sup>(1)</sup>:</b>						
Requisitions (cases) received	163,128	114,413	42.6 %	314,273	258,732	21.5 %
Number of tests performed	281,335	204,844	37.3 %	542,276	455,220	19.1 %
Average number of tests/requisitions	1.72	1.79	(3.9)%	1.73	1.76	(1.7)%
Clinical testing revenue	\$ 101,405	\$ 71,921	41.0 %	\$ 196,335	\$ 164,903	19.1 %
Average revenue/requisition	\$ 622	\$ 629	(1.1)%	\$ 625	\$ 637	(1.9)%
Average revenue/test	\$ 360	\$ 351	2.6 %	\$ 362	\$ 362	— %
Cost of revenue	\$ 56,504	\$ 47,320	19.4 %	\$ 110,135	\$ 96,244	14.4 %
Average cost/requisition	\$ 346	\$ 414	(16.4)%	\$ 350	\$ 372	(5.9)%
Average cost/test	\$ 201	\$ 231	(13.0)%	\$ 203	\$ 211	(3.8)%

<sup>(1)</sup> Clinical tests exclude requisitions, tests, revenue and costs of revenue for Pharma Services, COVID-19 PCR tests. Cost of revenue excludes the amortization for acquired intangible assets.

Average revenue per test increased 2.6% for the three months ended June 30, 2021 and was flat for the six months ended June 30, 2021 compared to the corresponding periods in 2020.

**Cost of Revenue and Gross Profit**

Cost of revenue includes payroll and payroll related costs for performing tests, maintenance and depreciation of laboratory equipment, rent for laboratory facilities, laboratory reagents, probes and supplies, and delivery and courier costs relating to the transportation of specimens to be tested.

Average cost per clinical test decreased 13.0% and 3.8% for the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020, reflecting an increase in volume due to the overall recovery from the COVID-19 pandemic and the fixed nature of many of our laboratory costs. In 2020, we did not reduce our workforce due to temporary declines in volume related to the COVID-19 pandemic.

The consolidated cost of revenue and gross profit metrics are as follows:

(\$ in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
<b>Cost of revenue:</b>						
Clinical Services <sup>(2)</sup>	\$ 57,233	\$ 48,757	17.4 %	\$ 118,798	\$ 97,680	21.6 %
Pharma Services	11,501	10,214	12.6 %	23,895	20,952	14.0 %
Total cost of revenue	\$ 68,734	\$ 58,971	16.6 %	\$ 142,693	\$ 118,632	20.3 %
Cost of revenue as a % of revenue	56.5%	67.8%		60.1%	61.5%	
<b>Gross profit:</b>						
Clinical Services	\$ 44,172	\$ 25,127	75.8 %	\$ 79,094	\$ 69,186	14.3 %
Pharma Services	8,818	2,879	206.3 %	15,470	5,189	198.1 %
Total gross profit	\$ 52,990	\$ 28,006	89.2 %	\$ 94,564	\$ 74,375	27.1 %
Gross profit margin	43.5%	32.2%		39.9%	38.5%	

<sup>(2)</sup> Clinical cost of revenue for the three months ended June 30, 2021 includes \$0.7 million amortization of acquired intangible assets. Clinical cost of revenue for the six months ended June 30, 2021 includes \$0.7 million amortization of acquired

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intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.

Consolidated cost of revenue increased for the three and six months ended June 30, 2021 when compared to the same periods in 2020 due to increases in supplies expense due to higher volume, write-offs related to our exit from COVID-19 PCR testing, and payroll related costs. Gross profit margin improvement for the three and six months ended June 30, 2021, compared to the same periods in 2020 were the result of the combined effect of higher testing volume and recovery from the COVID-19 pandemic in both segments.

General and Administrative Expenses

General and administrative expenses consist of payroll and payroll related costs for our executive, billing, finance, human resources, information technology and other administrative personnel as well as stock-based compensation. We also allocate professional services, facilities expense, IT infrastructure costs, depreciation, amortization and other administrative-related costs to general and administrative expenses.

Consolidated general and administrative expenses are as follows:

(\$ in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
General and administrative	\$ 54,638	\$ 34,613	\$ 20,025	57.9 %	\$ 95,114	\$ 70,957	\$ 24,157	34.0 %
As a % of revenue	44.9 %	39.8 %			40.1 %	36.7 %		

General and administrative expenses increased \$20 million and \$24.2 million for the three and six months ended June 30, 2021, respectively, when compared to the same periods in 2020. These increases reflect acquisition and integration costs of approximately \$11 million and \$11.8 million for the three and six months ended June 30, 2021, respectively, related to the acquisitions of Inivata and Trapelo, as well as higher payroll and payroll related costs due to increases in personnel to support our near and long-term growth.

We expect our general and administrative expenses to increase in total but decrease as a percentage of revenue over time as we add employee and compensation expenses, incur additional expenses associated with the expansion of our facilities, and continue to expand our physical and technological infrastructure to support our anticipated growth.

Research and Development Expenses

Research and development expenses relate to costs of developing new proprietary and non-proprietary genetic tests, including payroll and payroll related costs, maintenance of laboratory equipment, laboratory supplies (reagents), and outside consultants and experts assisting our research and development team.

Consolidated research and development expenses for the periods presented are as follows:

(\$ in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Research and development	\$ 3,495	\$ 2,105	\$ 1,390	66.0 %	\$ 5,951	\$ 4,165	\$ 1,786	42.9 %
As a % of revenue	2.9 %	2.4 %			2.5 %	2.2 %		

Research and development expenses increased \$1.4 million and \$1.8 million for the three and six months ended June 30, 2021 when compared to the same periods in 2020. These increases were driven by investments in new test development, particularly in our next-generation sequencing and FDA initiatives.

We anticipate research and development expenditures will significantly increase in future quarters as we continue to invest in development costs for innovation projects and bringing new tests to market.

Sales and Marketing Expenses

Sales and marketing expenses are primarily attributable to employee-related costs including sales management, sales representatives, sales and marketing consultants and marketing and customer service personnel.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Consolidated sales and marketing expenses for the periods presented are as follows:

(\$ in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	\$ Change	% Change	2021	2020	\$ Change	% Change
Sales and marketing	\$17,224	\$ 10,195	\$ 7,029	68.9 %	\$ 30,973	\$ 23,453	\$ 7,520	32.1 %
As a % of revenue	14.2 %	11.7 %			13.1 %	12.2 %		

Sales and marketing expenses increased \$7 million and \$7.5 million for the three and six months ended June 30, 2021 when compared to the same periods in 2020. This increase primarily reflects higher commissions due to our increase in revenues, the expansion of our sales team and continued investment in marketing. We expect higher commissions expense in the coming quarters as our sales representatives continue generating new business in both of our business segments. We expect our sales and marketing expenses over the long term to align with changes in revenue.

Interest Expense, net

Net interest expense decreased \$0.6 million and \$0.3 million for the three and six months ended June 30, 2021 compared to the same periods in 2020. Interest expense reflects the effective interest rate on the 2028 Convertible Notes and the 2025 Convertible Notes which is 0.70% and 1.96%, respectively. Interest on the 2028 Convertible Notes and 2025 Convertible Notes began accruing upon issuance and is payable semi-annually. For further details regarding the convertible notes, please refer to Note 8. Debt, in the accompanying notes to the unaudited Consolidated Financial Statements.

Income (Loss) Per Share

The following table provides consolidated net income (loss) for each period along with the computation of basic and diluted net income (loss) per share for the three and six months ended June 30, 2021 and 2020 (in thousands, except net income (loss) per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<i>Adjustment to net income (loss) for convertible notes in diluted EPS<sup>(3)</sup></i>				
<b>Net income (loss)</b>	\$ 75,873	\$ (6,824)	\$ 53,759	\$ (13,802)
Convertible note accretion, amortization, and interest, net of tax	1,552	—	2,997	—
<b>Net income (loss) used in diluted EPS</b>	<u>\$ 77,425</u>	<u>\$ (6,824)</u>	<u>\$ 56,756</u>	<u>\$ (13,802)</u>
Basic weighted average shares outstanding	118,287	107,887	117,249	106,209
Diluted weighted average shares outstanding	131,237	107,887	130,247	106,209
Basic net income (loss) per share	\$ 0.64	\$ (0.06)	\$ 0.46	\$ (0.13)
Diluted net income (loss) per share	\$ 0.59	\$ (0.06)	\$ 0.44	\$ (0.13)

<sup>(3)</sup> This adjustment compensates for the effects of the if-converted impact of convertible notes in adjusted net income. Since an entity using the if-converted method assumes that a convertible debt instrument was converted into common shares at the beginning of the reporting period, net income (loss) is adjusted to reverse any recognized interest expense (including any amortization of discounts).

Non-GAAP Measures

*Use of Non-GAAP Financial Measures*

The financial results and financial guidance are provided in accordance with GAAP and using certain non-GAAP financial measures. Management believes that the presentation of operating results using non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the core operating results and comparison of core operating results across reporting periods. Management also uses non-GAAP financial measures for financial and operational decision making, planning and forecasting purposes and to manage the business. Management believes that these non-GAAP financial measures enable investors to evaluate the operating results and future prospects in the same manner as management. The non-GAAP financial measures do not replace the presentation of GAAP financial results and should only be used as a supplement to, and not as a substitute for, the financial results presented in accordance with GAAP. There are limitations inherent in non-

**NEOGENOMICS, INC.**  
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GAAP financial measures because they exclude charges and credits that are required to be included in a GAAP presentation, and do not present the full measure of the recorded costs against its net revenue. In addition, the definition of the non-GAAP financial measures below may differ from non-GAAP measures used by other companies.

**Definitions of Non-GAAP Measures**

Non-GAAP Adjusted EBITDA

“Adjusted EBITDA” is defined by NeoGenomics as net income (loss) from continuing operations before: (i) interest expense, net, (ii) tax benefit, (iii) depreciation and amortization expense, (iv) non-cash stock-based compensation expense, and, if applicable in a reporting period, (v) acquisition and integration related expenses, (vi) write-off of COVID-19 PCR testing inventory and equipment, (vii) new headquarters moving expenses, (viii) gain on investment in and loan receivable from non-consolidated affiliate, net, and (ix) other significant non-recurring or non-operating expenses (income), net.

The following is a reconciliation of GAAP net income (loss) to Non-GAAP EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2021:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss) (GAAP)</b>	\$ 75,873	\$ (6,824)	\$ 53,759	\$ (13,802)
<i>Adjustments to net income (loss):</i>				
Interest expense, net	902	1,548	2,079	2,367
Income tax benefit	(2,437)	(11,132)	(1,461)	(10,043)
Amortization of intangibles	3,751	2,467	6,209	4,919
Depreciation	6,949	5,937	13,629	12,177
<b>EBITDA (non-GAAP)</b>	<b>\$ 85,038</b>	<b>\$ (8,004)</b>	<b>\$ 74,215</b>	<b>\$ (4,382)</b>
<i>Further adjustments to EBITDA:</i>				
Acquisition and integration related expenses	10,998	110	11,812	1,406
Write-off of COVID-19 PCR testing inventory and equipment	—	—	6,061	—
New headquarters moving expenses	368	—	368	—
Non-cash stock-based compensation expense	4,506	2,635	7,159	4,821
Gain on investment in and loan receivable from non-consolidated affiliate, net	(96,534)	—	(91,510)	—
Other significant non-recurring expenses (income), net <sup>(1)</sup>	174	(1,965)	631	(1,996)
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 4,550</b>	<b>\$ (7,224)</b>	<b>\$ 8,736</b>	<b>\$ (151)</b>

<sup>(1)</sup> Other significant non-recurring expenses (income), net, includes CEO transition costs, reimbursements received related to the CARES Act, cash flow hedge termination fees, debt retirement fees, and other non-recurring items.

**Liquidity and Capital Resources**

To date, we have financed our operations primarily through cash generated from operations, public and private sales of debt and equity securities, and bank debt borrowings.

The following table presents a summary of our consolidated cash flows for operating, investing and financing activities for the six months ended June 30, 2021 and 2020 as well balances of cash and cash equivalents and working capital:

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(in thousands)	Six Months Ended June 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ 820	\$ (5,051)
Investing activities	(608,098)	(59,871)
Financing activities	729,545	223,217
Net change in cash, cash equivalents and restricted cash	122,267	158,295
Cash, cash equivalents and restricted cash, beginning of period	\$ 250,632	\$ 173,016
Cash, cash equivalents and restricted cash, end of period	\$ 372,899	\$ 331,311
Working Capital <sup>(1)</sup> , end of period	\$ 622,664	\$ 357,300

<sup>(1)</sup> Defined as current assets less current liabilities.

Cash Flows from Operating Activities

During the six months ended June 30, 2021, cash provided by operating activities was \$0.8 million, consisting of net income of \$53.8 million less adjustments to the net income of \$53.0 million. Included in net income was \$11.8 million of acquisition and integration costs. Included in the adjustments to the net income was \$91.5 million of realized net gain on investment in and loan receivable from non-consolidated affiliate and \$6.1 million of write-offs of COVID-19 PCR testing inventory and equipment related to the exit from COVID-19 PCR testing. The cash flow impact of net changes in operating assets and liabilities did not impact income from operations. The change in operating assets and liabilities was primarily driven by an increase in amounts funded for the development of our new headquarters and other prepaid assets offset by a decrease in inventory due to COVID-19 PCR testing inventory write-offs in the first quarter of 2021, an increase in accrued payroll liabilities due to increases in personnel, and an increase in accounts receivable, net, due to timing of cash receipts.

Cash Flows from Investing Activities

During the six months ended June 30, 2021, cash used in investing activities was \$608.1 million, an increase of approximately \$548.2 million compared to the same period in 2020. This was due to \$419.4 million of net cash used for the acquisitions of Inivata and Trapelo as well as an increase of net investments in marketable securities of \$136.5 million, \$37.2 million of cash used for capital expenditures and the disbursement of a \$15 million loan receivable from non-consolidated affiliate.

Cash Flows from Financing Activities

During the six months ended June 30, 2021, cash provided by financing activities was \$729.5 million compared to \$223.2 million in the same period in 2020. Cash provided by financing activities during the six months ended June 30, 2021 consisted of \$418.3 million of net proceeds from equity offerings, convertible debt proceeds of \$334.4 million, net of issuance costs and \$8.0 million for the net issuance of common stock. This activity was offset by the use of cash in the amounts of \$29.3 million for premiums paid for capped call confirmations and \$1.9 million for the net repayment of equipment financing obligations.

Liquidity Outlook

We had \$368.8 million in unrestricted cash and cash equivalents as of June 30, 2021 in addition to \$203 million of marketable securities available to support current operational liquidity needs. We anticipate that the cash on hand, marketable securities and cash collections are sufficient to fund our near-term capital and operating needs for at least the next 12 months. Operating needs include, but are not limited to, the planned costs to operate our business, including amounts required to fund working capital and capital expenditures, continued research and development efforts, and potential strategic acquisitions and investments.

On January 6, 2021, we entered into an underwriting agreement relating to the issuance and sale of 4,081,632 shares of our common stock (the "2021 Common Stock Offering"), \$0.001 par value per share. The price to the public in this offering was \$49.00 per share and we agreed to sell the shares to the Underwriters at the public offering price, less underwriting discounts and commission of \$2.45 per share. Under the terms of the underwriting agreement, we also granted the Underwriters a 30-day option to purchase up to 612,244 additional shares of common stock at the public offering price, less underwriting discounts and commissions. On January 6, 2021, the Underwriters exercised their option and purchased all 612,244 shares. The net proceeds from the 2021 Common Stock Offering and full exercise of the Underwriters' option were approximately \$218.3 million, net of underwriting commissions of approximately \$11.7 million.

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On January 11, 2021, we completed the sale of \$345 million of 0.25% Convertible Senior Notes due January 2028 (the "2028 Convertible Notes"), including the full exercise of the underwriters' option to purchase an additional \$45 million aggregate principal amount of the 2028 Convertible Notes (the "2028 Over-allotment Option") on the same terms and conditions, solely to cover over-allotments with respect to the 2028 Convertible Notes offering. The total net proceeds from the issuance of the 2028 Convertible Notes and the total exercise of the 2028 Over-allotment Option was approximately \$334.4 million, which includes approximately \$10.6 million of discounts, commissions and offering expenses paid by the Company. For further details regarding the 2028 Convertible Notes, please refer to Note 8. Debt, in the accompanying notes to the unaudited Consolidated Financial Statements.

We used \$29.3 million of the net proceeds from the offerings to enter into capped call transactions. We intend to use the remaining net proceeds from the offerings for general corporate purposes and/or to acquire or invest in complementary businesses and technologies.

On June 18, 2021, we completed a private placement ("Private Placement") to certain accredited investors of an aggregate of 4,444,445 shares of our common stock at a price of \$45.00 per share. The net proceeds from the Private Placement were approximately \$189.9 million, after deducting fees to the placement agents and other offering expenses of approximately \$10.1 million. We used the net proceeds from the Private Placement for the acquisition of Inivata.

We anticipate that the cash on hand, marketable securities and cash collections are sufficient to fund our near-term capital and operating needs for at least the next 12 months. Operating needs include, but are not limited to, the planned costs to operate our business, including amounts required to fund working capital and capital expenditures, continued research and development efforts, and potential strategic acquisitions and investments.

**Capital Expenditures**

We forecast capital expenditures in order to execute on our business plan and maintain growth; however, the actual amount and timing of such capital expenditures will ultimately be determined by the volume of business. We currently anticipate that our capital expenditures for the year ending December 31, 2021 will be in the range of \$55 million to \$70 million, including capital expenditures related to Trapelo and Inivata. During the six months ended June 30, 2021, we purchased, with cash, approximately \$37.2 million of capital equipment, software and leasehold improvements. We have funded and plan to continue funding these capital expenditures with cash and financing.

**Critical Accounting Policies**

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. Please refer to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and Note 2. Summary of Significant Accounting Policies, in the accompanying notes to the unaudited Consolidated Financial Statements for a complete description of our significant accounting policies.

**Off-balance Sheet Arrangements**

As of June 30, 2021, we do not use or have special purpose entities or other off-balance sheet financing techniques that we believe have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates and other relevant market rate or price changes. We are exposed to market risks, including changes in interest rates and foreign currency exchange rates.

#### Interest Rate Risk

We are exposed to interest rate risk on our short-term investments. The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in highly liquid and high-quality U.S. government and other highly credit rated debt securities. To minimize our exposure due to adverse shifts in interest rates, we invest in short-term securities with short maturities. If a 1% change in interest rates were to have occurred on June 30, 2021, this change would not have had a material effect on the fair value of our investment portfolio as of that date. Due to the short holding period of our investments, we have concluded that we do not have a material financial market risk exposure.

#### Foreign Currency Exchange Risk

We have operations in Cambridge, United Kingdom; Rolle, Switzerland; Suzhou, China; and Singapore. Our international revenues and expenses denominated in foreign currencies (primarily British Pounds, Swiss Francs, Chinese Renminbi and Singapore Dollars), expose us to the risk of fluctuations in foreign currency exchange rates against the U.S. dollar. We do not hedge foreign currency exchange risks and do not currently believe that these risks are significant.

### ITEM 4. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 15d-15, our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

#### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the six months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On July 1, 2021, we shifted from our existing Great Plains Dynamics enterprise resource planning (“ERP”) system to a hosted, cloud-based Oracle ERP system (“Oracle”). In connection with the Oracle implementation, we performed pre-implementation planning, design and testing of internal controls that became effective in the third quarter of 2021. We continue to conduct post-implementation monitoring and process modifications in order to maintain effective internal control over financial reporting.

## PART II — OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is engaged in legal proceedings in the ordinary course of business. For further information on legal proceedings, please refer to Note 14. Commitments and Contingencies, in the notes to the unaudited Consolidated Financial Statements.

On January 20, 2021, Natera, Inc. filed a patent infringement complaint against the Company's newly-acquired subsidiaries, Inivata, Inc. and Inivata, in United States District Court for the district of Delaware, alleging Inivata's InVisionFirst-Lung cancer diagnostic test of infringing two patents. The litigation is presently in the pleadings stage. The Company intends to defend the matter vigorously, and believes that the Company has good and substantial defenses to the claims alleged in the suit, but there is no guarantee that the Company will prevail.

## ITEM 1A. RISK FACTORS

The following risk factors are in addition to the risks described in Part I, Item 1A, "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 25, 2021. The effects of the events and circumstances described in the following risk factors may heighten the risks contained in the Company's Form 10-K.

**We may be unable to make, on a timely basis, necessary changes to our internal control structure resulting from the acquisitions of Trapelo and Inivata.**

Trapelo and Inivata are now included in our reporting under the Securities Exchange Act of 1934. Under the Sarbanes-Oxley Act of 2002, we must maintain effective disclosure controls and procedures and internal control over financial reporting. We are in the process of migrating Trapelo's and Inivata's operations to our system of internal controls. Therefore, we may face difficulties or experience delays in developing changes or potentially necessary improvements to their internal controls and accounting systems in order to ensure compliance with the requirements of the Sarbanes-Oxley Act. We may need to commit substantial resources, including substantial time from existing accounting personnel and from external consultants, to implement additional procedures and improved controls. This in turn could have an adverse effect on our business, results of operations, or financial condition, harm our reputation, or otherwise cause a decline in investor confidence and our stock price.

**Trapelo and Inivata may have liabilities that are not known, probable or estimable at this time.**

Trapelo and Inivata are now wholly-owned subsidiaries of ours and there could be unasserted claims or assessments that we failed or were unable to discover or identify in the course of performing due diligence investigations of these entities. In addition, there may be liabilities that are neither probable nor estimable at this time which may become probable and estimable in the future. We may learn additional information about Trapelo and Inivata that adversely affects us, such as unknown, unasserted or contingent liabilities and issues relating to compliance with applicable laws, including federal healthcare laws. Any of the foregoing, individually or in the aggregate, if not covered by the indemnification obligations of the Trapelo or Inivata sellers or our representation and warranty insurance, could have a material adverse effect on our business.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Unregistered Sales of Equity Securities

None for the quarterly period ended June 30, 2021 that have not previously been included in a Current Report on Form 8-K.

## Issuer Purchases of Equity Securities

The following table sets forth information concerning our purchases of common stock for the periods indicated:

Period of Repurchase	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2021 - April 30, 2021	—	\$ —	—	—
May 1, 2021 - May 31, 2021	3,212	48.92	—	—
June 1, 2021 - June 30, 2021	143	42.19	—	—
Total	3,355	48.64	—	—

<sup>(1)</sup>The Company's Equity Incentive Plan, as amended on May 27, 2021, allows participants to surrender already-owned shares having a fair market value equal to the required withholding tax related to the vesting of restricted stock. Pursuant to a share withholding election made by participants in connection with the vesting of such awards, all of which were outside of a publicly-announced repurchase plan, we acquired from such participants the shares noted in the table above to satisfy tax withholding obligations related to the vesting of their restricted stock. The average prices listed in the above table are averages of the fair market prices at which we valued shares withheld for purposes of calculating the number of shares to be withheld.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

NEOGENOMICS, INC.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1	<a href="#">Securities Purchase Agreement, dated as of May 4, 2021, among NeoGenomics, Inc. and each purchaser party thereto. (Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 5, 2021.)</a>
10.2	<a href="#">Registration Rights Agreement, dated as of May 4, 2021, among NeoGenomics, Inc. and each party thereto. (Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 5, 2021.)</a>
10.3	<a href="#">Share Purchase Agreement, dated May 4, 2021. (Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 5, 2021.)</a>
10.4*#	<a href="#">Services Agreement between Inivata Limited and Clive Morris dated June 18, 2021.</a>
10.5*	<a href="#">Employment Agreement between NeoGenomics, Inc. and George Cardoza dated July 5, 2021.</a>
10.6*	<a href="#">Employment Agreement between NeoGenomics, Inc. and Gina Wallar dated July 5, 2021.</a>
31.1	<a href="#">Certification by Principal Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification by Principal Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification by Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Comprehensive Income (Loss) and (v) related notes
104	The cover page of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in iXBRL (included within Exhibit 101 attachments)
*	Denotes a management contract or compensatory plan or arrangement.
#	Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10)(iv). The omitted information is not material and is the type of information that the Company treats as private.



**SIGNATURES**

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

**Date: August 9, 2021**

**NEOGENOMICS, INC.**

By: /s/ Mark W. Mallon  
Name: Mark W. Mallon  
Title: Director and Chief Executive Officer

By: /s/ Kathryn B. McKenzie  
Name: Kathryn B. McKenzie  
Title: Chief Financial Officer

CERTAIN INFORMATION IDENTIFIED WITH [\*\*\*] HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

**DATED 2021**

**INIVATA LIMITED (1)**

**and**

**CLIVE MORRIS (2)**

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**SERVICE AGREEMENT**

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**THIS AGREEMENT IS DATED 2021**

**PARTIES:**

- (1) **Inivata Limited** whose registered office is at The Glenn Berge Building, Babraham, Cambridge, England, CB22 3FH (the **Employer**"); and
- (2) **Clive Morris** of [\*\*\*] ("**you**")

**AGREED TERMS:**

**1. DEFINITIONS**

1.1 In this agreement, the following expressions have the following meanings:

**"Board"** means the board of directors for the time being of the Employer or any committee of the board of directors duly appointed by it;

**"Closing"** means "Completion" as defined in, and in accordance with the terms of, the Share Purchase Agreement dated 4 May 2021 and entered into between the Employer, NeoGenomics Laboratories, Inc. and the Initial Sellers (as defined therein) in respect of the purchase by NeoGenomics Laboratories, Inc. of the entire issued and to be issued share capital of the Employer." **Confidential Information** means all and any information, in whatever form, of or relating to the Employer or any member of the Group which you (or, where the context so requires, another person) have obtained by virtue of your employment or engagement and which the Employer or any member of the Group regards as confidential, including (but not limited to):

- (a) financial information, results and forecasts, sales targets and statistics, market share and pricing statistics, profit margins, price lists, discounts, credit and payment policies and procedures;
- (b) information relating to business methods, corporate plans, business strategy, marketing plans, management systems, maturing new business opportunities, tenders, advertising and promotional material;
- (c) information relating to and details of customers, prospective customers, suppliers and prospective suppliers including their identities, business requirements and contractual arrangements and negotiations with the Employer or any member of the Group;
- (d) details of employees, officers and workers of and consultants to the Employer or any member of the Group, their remuneration details, job skills, experience and capabilities and other personal information;
- (e) information relating to trade secrets, research activities, development projects, engineering, manufacturing, inventions, designs, know-how, product complain and testing information, technical specification and other technical information in relation to the development or supply of any future product or service of the Employer or any member of the Group and information concerning the intellectual property portfolio and strategy of the Employer or any member of the Group;
- (f) any inside information (as defined in section 118C of the Financial Services and Markets Act 2000); and
- (g) any information in respect of which the Employer or any member of the Group is bound by an obligation of confidence to a third party,

but excluding any information which:

- (i) is part of your own stock in trade;
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- (ii) is readily ascertainable to persons not connected with the Employer or any member of the Group without significant expenditure of labour, skill or money; or
- (iii) which becomes available to the public generally other than by reason of a breach by you of your obligations under this agreement;

**"Copies"** means copies or records of any Confidential Information in whatever form (including, without limitation, in written, oral, visual or electronic form or on any magnetic or optical drive or solid state memory device or cloud server and wherever located) including, without limitation, extracts, analysis, studies, plans, compilations or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from Confidential Information;

**"Employment"** means your employment under this agreement;

**"Employment IPRs"** means all Intellectual Property Rights subsisting (or which may in the future subsist) in all Work Product or created or contributed by you in the course of your Employment (whether or not during working hours or using the Employer's resources or premises) and all works and materials embodying them including, but not limited to, all works, publications, records and any materials used in and associated with the business activities of the Employer (and any member of the Group) and any other know-how or strategies that might be used, developed or contributed to by you;

**"Garden Leave"** means any period during which the Employer exercises its rights under clause 17;

**"Group"** means the Employer, any subsidiary undertaking or parent undertaking of the Employer and any subsidiary undertaking of any such parent undertaking and **"member of the Group"** includes any undertaking in the Group. In this Agreement, "subsidiary undertaking" and "parent undertaking" have the meanings set out in sections 1161 and 1162 of the Companies Act 2006 (and include, without limitation, limited liability partnerships), modified so that: sections 1162(2)(c) and 1162(4) do not apply; and in section 1162(3)(b), without limitation, a person is deemed to be "acting on behalf of" an undertaking or any of its subsidiary undertakings if any of that undertaking's shares are registered in the name of that person (i) as bare nominee; or (ii) by way of security or in connection with the taking of security;

**"HMRC"** means HM Revenue and Customs;

**"Intellectual Property Rights"** means patents, rights to Work Product, copyright and related rights, trademarks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, rights in designs, rights in computer software, database rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which may now or in the future subsist in any part of the world;

**"Investment"** means any holding as a bona fide investment of not more than three per cent of the total issued share capital in any company, whether or not its shares are listed or dealt in on any recognised investment exchange;

**"Investor Agreement"** means the Investment Agreement dated 9 August 2018 (as amended and restated on 25 March 2019) in respect of the Employer and entered into between the Employer, the Managers and the Subscribing Investors (each as defined therein);

**"Restrictive Covenant Deed"** means the deed of restriction between you, NeoGenomics Laboratories, Inc. and the Employer entered into around the time of this agreement; and

**"Work Product"** means any and all information, ideas, concepts, improvements, discoveries and inventions, whether patentable or not, and all other works of a creative, technical or professional nature (and any derivatives of any of the foregoing) that are conceived, made, developed, or acquired by you during your Employment (either for the Employer or any other member of the Group) that

relate in any way to the Employer's current, proposed or planned research, developments, operations, business, strategies, products or services.

## 2. **APPOINTMENT AND TERM**

- 2.1 You will be employed as President, or in such other capacity commensurate with your skills, experience and status as the Employer may determine, on the terms set out in this agreement.
- 2.2 The Employment will commence on the date of this agreement and will, subject to the remaining terms of this agreement, continue until terminated by either party giving to the other not less than six months' prior written notice.
- 2.3 Your previous employment with the Employer from 1 May 2016 counts as part of your continuous employment with the Employer.

## 3. **DUTIES**

- 3.1 During the Employment you will:
    - 3.1.1 abide by your statutory, fiduciary and common law duties to the Employer;
    - 3.1.2 comply with the articles of association (as amended from time to time) of the Employer;
    - 3.1.3 devote the whole of your working time, attention and abilities to the business of the Employer;
    - 3.1.4 diligently exercise such powers and perform such duties as may from time to time be assigned to you;
    - 3.1.5 use your best endeavours to promote, protect, develop and extend the business of the Employer and any member of the Group in existence from time to time;
    - 3.1.6 comply with all reasonable and lawful directions given to you by the Employer;
    - 3.1.7 under no circumstances whatsoever either directly or indirectly receive or accept for your own benefit any commission, rebate, discount, gratuity or profit from any person, firm or company having business transactions with the Employer or any member of the Group in existence from time to time unless previously agreed with the Board;
    - 3.1.8 promptly make such reports to the Board on any matters concerning the affairs of the Employer as are reasonably required;
    - 3.1.9 comply with any code relating to dealing in the Employer's securities adopted by the Employer from time to time;
    - 3.1.10 comply with any law, principles, rules and regulations which apply to the Employer or you as a director of the Employer, including those of any regulatory authority or of any market on which the Employer's securities are quoted or traded;
    - 3.1.11 comply with any corporate governance code or guidelines to the extent required by law or regulation or as adopted by the Employer from time to time; and
    - 3.1.12 notify the Board or such other person stipulated in the Employer's data protection policy immediately on becoming aware of an actual or potential data security breach and take such steps that may be required to handle such breach.
  - 3.2 The Employer may issue policies, procedures and rules on the conduct that it expects from its employees and may amend or replace them from time to time. You must familiarise yourself with and comply with the content of any such policies, procedures and rules.
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- 3.3 You may be required to carry out work for or to hold office in any member of the Group at any time without additional remuneration.
- 3.4 Subject to clause 4.3, the Employer may at its sole discretion transfer this agreement, or second you on a full-time or part-time, temporary or permanent basis, to any member of the Group at any time.
- 3.5 While you work for, hold office in or are seconded to any member of the Group you will have the same obligations and owe the same duties towards that member of the Group as you owe towards the Employer under the terms of this agreement.

#### 4. HOURS AND PLACE OF WORK

- 4.1 Your normal working hours are 9.00 am to 5.30 pm, Monday to Friday, together with such additional hours as may be necessary for the proper performance of your duties.
- 4.2 The Working Time Regulations 1998 provides a limit on weekly working time of an average of 48 hours. However, you acknowledge that you may be required to work in excess of these hours and you agree that the limit on working time will not apply to your employment. You are entitled to terminate this opt-out at any time by giving not less than three months' written notice addressed to the Employer.
- 4.3 Your normal place of work is your home but the Employer may require you to work at such other place within England on a temporary basis as the Employer may reasonably decide.
- 4.4 You agree to travel (both within the United Kingdom and abroad) as and when required for the proper performance of your duties. However, you will not be required to work outside the United Kingdom for any continuous period of more than one month.

#### 5. REMUNERATION

- 5.1 You will be paid a salary of £405,000 per annum, which will accrue from day to day and be payable, less any deductions required by law, by equal monthly instalments in arrears on or before the 25th of each calendar month.
- 5.2 The Employer will review your salary annually (except where notice has been served by either party to terminate this agreement). There shall be no obligation to increase your salary at any time.
- 5.3 You will be eligible for a performance based bonus as a participant in the Employer's management incentive plan (the "**Plan**") with a target bonus for the first year of the Plan (2021/2022) of 50% of your salary, subject to the rules from time to time in force. You will thereafter be informed annually of your target bonus and objectives for subsequent bonus years for the purposes of the Plan, such objectives to be determined by the Employer's compensation committee in its absolute discretion. The Employer confirms that your target bonus in subsequent bonus years shall be no less than 50%. The actual amount of the bonus paid to you under the Plan, if any, will be determined by the compensation committee in its absolute discretion. You acknowledge that you have no right to receive a bonus and that the Employer is under no obligation to operate a bonus scheme and that if the Employer makes one or more bonus payments to you under the Plan during the Employment it shall not become obliged to make any subsequent bonus payments. If on or prior to the last day of a fiscal year, the Employer has terminated your Employment, or given you notice to terminate your Employment, for any reason other than for a reason set out in clause 15.4 below, or if you have been constructively dismissed, you will remain eligible to receive a bonus on a pro-rata basis for such fiscal year. If the Employment has been terminated for a reason set out in clause 15.4 below or you are serving any period of notice given by you (whether on Garden Leave or otherwise) on or prior to the last day of a fiscal year, you will not be eligible for a bonus for such fiscal year.
- 5.4 In recognition of your continued service, the Employer is offering you a retention cash bonus of £607,500 (the "**Retention Cash Bonus**"), subject to the terms and conditions set out below.
- 5.4.1 You will be eligible to receive 50% of the Retention Cash Bonus (the "**Time Component**") if, as at 30 June 2022 (the "**Vesting Date**"), you remain in continuous employment with the
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Company or any Group Company. In the event that the Time Component becomes payable, it will be paid within 30 calendar days of the Vesting Date.

5.4.2 You will be eligible to receive the remaining 50% of the Retention Cash Bonus (the "**Performance Component**") subject to achievement by the Employer of the milestone by the deadline set out in the below table.

<b>Milestone</b>	<b>Performance Component Payout</b>
[***]	100% of the Performance Component of the Retention Bonus will be payable within 30 calendar days following such completion
[***]	50% of the Performance Component of the Retention Bonus will be payable within 30 calendar days following such completion
[***]	0% of the Performance Component of the Retention Bonus will be payable

5.4.3 You will only be eligible to receive any Time Component or Performance Component of the Retention Cash Bonus if, as at the relevant payment date:

- (a) you remain in continuous employment with the Company or any Group Company; and
- (b) neither the Employer nor any Group Company (as applicable) has terminated this agreement in accordance with clause 15.4 below

save that if, prior to the relevant payment date, the Employer has terminated your Employment, or given you notice to terminate your Employment, for any reason other than for a reason set out in clause 15.4 below, or if you have been constructively dismissed, you will remain eligible to receive any Time Component and Performance Component of the Retention Cash Bonus (to the extent not yet paid).

5.5 Upon Closing you will be eligible to receive a cash payment of \$100,000 such payment to be made within 30 days of Closing.

5.6 In order to give you an opportunity to share in the benefits of NeoGenomics' success, NeoGenomics, Inc. will offer you restricted stock and stock options, subject to the rules of the NeoGenomics Equity Incentive Plan and your individual award and option agreements. Your individual agreements will include details as to vesting and exercise dates. The combined value of the restricted stock and stock options to be offered to you by NeoGenomics at the date of grant is \$1,400,000, one third in the form of restricted stock and two thirds in the form of stock options.

5.7 The Employer may deduct from your salary or any other payments due to you any sums owed by you to the Employer or any member of the Group at any time and/or any amounts that the Employer is obliged by law to deduct.

## 6. **EXPENSES**

The Employer will reimburse all reasonable expenses wholly, properly and necessarily incurred by you in the performance of your duties under this agreement, subject to production of such receipts or other appropriate evidence as the Employer may require.

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7. **HOLIDAYS**

- 7.1 You will be entitled to 25 days' paid holiday in each holiday year (being the period from 1 January to 31 December) together with the usual bank and other public holidays in England. In the respective holiday years in which the Employment commences or terminates, your holiday entitlement will be calculated on a pro rata basis for each complete month of service during the relevant year.
- 7.2 Holiday can only be taken with the advance approval of the Board. You will not without the consent of the Board carry forward any accrued and unused holiday entitlement in excess of 5 days to a subsequent holiday year, unless otherwise required by applicable law, and you are not entitled to receive any payment in lieu in respect of such entitlement, save on termination as provided in clause 7.3. Any holiday entitlement carried forward must be used by the end of March of the following year.
- 7.3 On termination of the Employment, the Employer may either require you to take any unused and accrued holiday entitlement during any notice period by giving you at least one day's notice (but such holiday entitlement will be deemed to be taken during any period of Garden Leave) or make a payment in lieu based on your entitlement under clause 7.1 for the holiday year in which your employment terminates. If the Employer terminates the Employment for any of the reasons in clause 15.4 or if you resign in breach of clause 2.2, your entitlement to payment in lieu will be based on the minimum holiday entitlement under the Working Time Regulations 1998 only. If you have taken more holiday than your accrued entitlement, you will be required to reimburse the Employer in respect of the excess days taken and the Employer is authorised to deduct the appropriate amount from any sums due to you. Any payment in lieu or deduction made shall be calculated on the basis that each day of paid holiday is equivalent to 1/260th of your salary.

8. **SICKNESS ABSENCE**

- 8.1 Your qualifying days for SSP purposes are your normal working days.
- 8.2 Provided you comply with the sickness absence procedures below (or such additional or alternative procedures as the Employer shall notify from time to time), you will be eligible to receive statutory sick pay ("SSP"). The Employer may, at its discretion, continue to pay your salary at the normal rate for a period of time. Such payments will be inclusive of any statutory sick pay that may be due and the Employer may deduct from such payments the amount of any social security or other benefits that you may be entitled to receive and, to the extent that damages for loss of earnings are recoverable from any third party in relation to such incapacity, any payments under this clause will constitute a loan repayable to the Employer on demand at such time as you receive such third party payment (provided that you will not be required to repay a sum in excess of the amount of damages recovered).
- 8.3 You will notify the Board as soon as possible on the first day of absence of the reasons for your absence and how long it is likely to last. You will be required to complete self-certification forms in respect of any period of absence and to provide a medical certificate for any period of incapacity of more than seven days (including weekends). Further certificates must be provided to cover any further periods of incapacity.
- 8.4 You agree to consent to medical examinations (at the Employer's expense) by a doctor appointed by the Employer should the Employer reasonably require and you will provide to that doctor copies of your medical records. The results of the examination may be disclosed to the Employer and the Employer may discuss such results with the relevant doctor. Alternatively, you may be asked to obtain a medical report from your GP or another person responsible for your clinical care and to provide this to the Employer.
- 8.5 If you are away from work due to illness or injury the Employer may appoint another person or persons to perform your duties.
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9. **OTHER PAID LEAVE**

You may be eligible to take other types of paid leave, subject to any statutory eligibility requirements or conditions and the Employer's rules, such leave includes statutory maternity, paternity, adoption, shared parental, parental and parental bereavement leave.

10. **PENSION**

You will become an active member of the Employer's group personal pension scheme with effect from the start of the Employment, subject to the rules of the scheme and HMRC limits from time to time. The Employer will contribute an amount equal to ten per cent of your annual salary in equal monthly instalments in arrears into the scheme (or such other HMRC registered group personal pension scheme as may be set up by the Employer to replace it). You will be required to pay a contribution equal to four per cent, payable by way of deductions from your salary. Contributions to the scheme will be subject to the rules of the relevant scheme and the tax relief, limits and exemptions available from HMRC from time to time. Details of the scheme can be obtained from the HR department. The scheme is not a contracted-out scheme.

11. **OTHER BENEFITS**

11.1 You will be entitled to participate in the following insurance schemes, details of which can be obtained from the HR department:

11.1.1 private medical insurance for you and your immediate family; and

11.1.2 life assurance.

11.2 Your right to participate in the schemes in clause 11.1 above is subject to the rules of the relevant scheme and of any related insurance policy as amended from time to time.

11.3 The Employer reserves the right to discontinue, vary or amend the schemes (including the level of cover) or change the providers at any time and is under no obligation to provide or continue to provide these benefits if they are not available for you or not available at a cost the Employer considers reasonable. If the insurance providers refuse for any reason to provide any of the benefits to you, the Employer will not be liable to provide you with any replacement benefits of the same or similar kind or to pay any compensation in lieu of such benefits. The Employer will further not assume any liability for any payments that any insurer shall decline to make.

11.4 All insurances are provided to you at no expense to the Employer, save for any premiums that may be payable to the insurer from time to time, in accordance with the rules of the applicable plan.

11.5 Nothing in this agreement shall prevent the Employer from terminating your Employment, even if such termination results in the loss to you or any of your eligible dependants of any actual or prospective benefit or payment, including (but not limited to) any benefit or payment under any insurance policy.

12. **OTHER INTERESTS**

12.1 You will not (except as a representative of the Employer or with the prior written approval of the Board, save in respect of your existing non-executive appointment as a director of Whatsheaf Group Limited to which the Employer hereby consents) whether paid or unpaid, directly or indirectly:

12.1.1 undertake, be engaged or concerned in the conduct of;

12.1.2 be or become an employee, agent, partner, consultant or director of; or

12.1.3 assist or have any financial interest (other than the holding of an Investment) in,

any other business, trade, profession or occupation, whether actual or prospective.

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12.2 You agree to disclose to the Board any matters relating to your spouse or civil partner (or anyone living as such), children or parents which may reasonably be considered to interfere, conflict or compete with the proper performance of your obligations under this agreement.

13. **CONFIDENTIAL INFORMATION**

13.1 You will not (save in the proper course of your duties or as specifically authorised by the Employer) either during the Employment or at any time after its termination (howsoever arising) directly or indirectly:

13.1.1 use any Confidential Information;

13.1.2 disclose or permit the disclosure of Confidential Information to any person, company, or organisation whatsoever; or

13.1.3 make or use any Copies.

13.2 You are responsible for protecting the confidentiality of the Confidential Information and shall:

13.2.1 use your best endeavours to prevent the use or communication of any Confidential Information by any unauthorised person, company or organisation; and

13.2.2 inform the Employer immediately upon becoming aware, or suspecting, that any such person, company or organisation knows or has used any Confidential Information.

13.3 The restrictions above shall not apply to information which you or another person may be ordered to disclose by a court of competent jurisdiction or which you disclose pursuant to and in accordance with the Public Interest Disclosure Act 1998, or as may be required by law.

14. **INTELLECTUAL PROPERTY**

14.1 You shall give the Employer full written details of all Work Product and of all materials and works embodying Intellectual Property Rights made wholly or partially by you at any time during the course of your Employment (whether or not for the Employer or any other member of the Group, or during working hours or using the Employer's premises or resources) which relate to, or are reasonably capable of being used in, the business of the Employer or any member of the Group. You acknowledge that all Employment IPRs shall automatically, on creation, vest in the Employer absolutely regardless of whether it was created in the course of providing services to another member of the Group. At any time on the Employer's request and in any event on the termination of the Employment you shall give the Employer all originals and copies of all works, publications, records and any materials, including, without limitation, code, backups, correspondence, documents, papers and records on all media which record or relate to any Work Product or Employment IPRs. To the extent that any Work Product or Employment IPRs do not vest automatically, you hold them on trust for the Employer. You agree promptly to execute all documents and do all acts as may, in the opinion of the Employer, be necessary to give effect to this clause 14.1.

14.2 You understand and agree that the Employment IPRs are the exclusive property of the Employer and shall be owned by the Employer.

14.3 You hereby irrevocably waive all moral rights under the Copyright, Designs and Patents Act 1988 (and all similar rights in other jurisdictions) which you have or will have in any existing or future works referred to in clause 14.1 above.

14.4 You hereby irrevocably appoint the Employer to be your attorney to execute and do any such instrument or thing and generally to use your name for the purpose of giving the Employer or its nominee the benefit of this clause 14 and acknowledge in favour of any third party that a certificate in writing signed by any Director or the Secretary of the Employer that any instrument or act falls within the authority conferred by this clause 14 shall be conclusive evidence that such is the case.

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14.5 You must ensure that any business contacts which you make in the course of the Employment are reported to the Employer and entered into such customer relationship management database as the Employer may from time to time direct.

15. **TERMINATION**

15.1 Notwithstanding clause 2.2, the Employer may (in its sole and absolute discretion) terminate the Employment at any time and with immediate effect by giving you notice whether orally or in writing that it is exercising its right to do so under this clause and that it will make you a payment in lieu of notice equal to your salary only which you would have been entitled to receive during the notice period (or remainder of the notice period) referred to in clause 2.2, less income tax and national insurance contributions.

15.2 You will have no right to receive a payment in lieu of notice unless the Employer has exercised its discretion in clause 15.1 above. Nothing in this clause 15 shall prevent the Employer from terminating the Employment and electing not to make you any payment in lieu of notice.

15.3 Notwithstanding clause 15.1, you will not be entitled to any payment in lieu if the Employer would otherwise have been entitled to terminate the Employment without notice in accordance with clause 15.4. In that case the Employer will also be entitled to recover from you any payment in lieu (or instalments thereof) already made.

15.4 The Employer may also terminate the Employment at any time with immediate effect without notice and without payment in lieu of notice if you:

15.4.1 are guilty of gross misconduct or commit any material or (after warning) repeated or continued breach or non-observance of your obligations to the Employer (whether under this agreement or otherwise) or if you refuse or neglect to comply with any reasonable and lawful directions of the Employer;

15.4.2 are guilty of any fraud or dishonesty or act in a manner which in the opinion of the Employer brings or is likely to bring you or the Employer or any member of the Group into disrepute or is materially adverse to the interests of the Employer or any member of the Group;

15.4.3 are, in the reasonable opinion of the Employer, negligent and/or incompetent in the performance of your duties, or fail to perform your duties to a satisfactory standard (having previously been given written notice of such failure (whether by means of routine appraisal or otherwise) and a reasonable opportunity to improve);

15.4.4 are guilty of a serious breach of any principles, rules, regulations or policies or any corporate governance code or guidelines applicable to you or the Employer or adopted by the Employer from time to time;

15.4.5 commit any criminal offence (other than a motoring offence for which a non-custodial penalty may be imposed);

15.4.6 facilitate tax evasion;

15.4.7 are disqualified from holding any office which you hold in the Employer or any member of the Group or resign from such office without the prior written approval of the Board;

15.4.8 have provided false or misleading information to the Employer in respect of your suitability for the Employment or your qualifications and experience;

15.4.9 have failed to promptly report a notifiable data security breach of which you are aware in accordance with the Employer's data protection policy; or

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- 15.4.10 become bankrupt or make any arrangement with or for the benefit of your creditors or have a county court administration order made against you under the County Court Act 1984.
- 15.5 The rights of the Employer under clause 15.4 are without prejudice to any other rights that it might have at law to terminate the Employment or to accept any breach by you of this agreement as having brought the agreement to an end. Any delay by the Employer in exercising its rights to terminate shall not constitute a waiver thereof.
16. **OBLIGATIONS ON TERMINATION**
- 16.1 On the termination of the Employment (howsoever arising) or, if earlier, at the start of any period of Garden Leave or otherwise upon request, you will:
- 16.1.1 immediately deliver to the Employer all property of the Employer or any member of the Group which may be in your possession or control including, without limitation, keys, mobile phone, company car (if any), blackberry, computer equipment, and all Copies, correspondence, documents, papers, memoranda, notes and records (including, without limitation, any records stored by electronic means, together with any codes or implements necessary to give full access to such records), system designs, software designs and software programmes (in whatever media) relating to the business or affairs of the Employer and all copies of the above;
  - 16.1.2 irretrievably delete any information relating to the business of the Employer or any member of the Group stored on any magnetic or optical drive or solid state memory device or cloud server and all matter derived from such sources which is in your possession or under your control outside the Employer's premises;
  - 16.1.3 provide a signed statement that you have complied fully with your obligations under clauses 16.1.1 and 16.1.2;
- 16.2 If the Employment is terminated at any time in connection with any reconstruction or amalgamation of the Employer whether by winding up or otherwise and you receive an offer of employment (on terms no less favourable overall than the terms of this agreement) from an undertaking involved in or resulting from such reconstruction or amalgamation you will have no claim whatsoever against the Employer arising out of or connected with such termination.
17. **GARDEN LEAVE**
- 17.1 The Employer is under no obligation to provide you with work and may (if either party serves notice to terminate the Employment or if you purport to terminate the Employment in breach of contract) require you not to perform any duties or to perform only specified duties.
- 17.2 During any period of Garden Leave, you shall:
- 17.2.1 remain an employee of the Employer and be bound by the terms of this agreement (including, but not limited to, your implied duties of good faith and fidelity);
  - 17.2.2 continue to receive your salary and contractual benefits in the usual way (subject to the rules of the relevant benefits scheme(s) in force from time to time and the terms of this agreement);
  - 17.2.3 not, without the prior written consent of the Board attend your place of work or any other premises of the Employer or any member of the Group;
  - 17.2.4 not contact or deal with (or attempt to contact or deal with) any officer or employee (other than on a purely social basis), consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Employer or any member of the Group except such person(s) as the Employer shall designate in writing, and the Employer may
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suspend your access to all or any information technology systems of the Employer and any member of the Group;

17.2.5 be deemed to take any accrued but unused holiday entitlement; and

17.2.6 (except during any periods taken as holiday, which should be notified in advance in accordance with the usual procedures) ensure that the Board knows where and how you can be contacted during normal working hours.

17.3 During any period of Garden Leave, the Employer may, in its absolute discretion, appoint another person to perform your responsibilities jointly with you or in your place.

## 18. RESTRICTIVE COVENANTS

18.1 In this clause 18:

**"Business Contact"** means any person who is an investor, shareholder, partner, researcher, developer, investigator, collaborator, licensor, licensee, manufacturer, supplier, re-seller, distributor, Customer or client, or Prospective Customer or client of, or who otherwise works with or has a business relationship with, the Employer and/or any other member of the Group;

**"Capacity"** means as agent, consultant, director, employee, owner, shareholder or in any other capacity;

**"Customer"** means any person, firm, company or entity who or which at any time during the Relevant Period (i) was provided with goods or services by the Employer or any member of the Group; or (ii) was in the habit of dealing with the Employer or any member of the Group, other than in a de minimis way, and about whom or which you have confidential information; and in each case with whom or which you, or any person who reported directly to you, had material dealings at any time during the Relevant Period;

**"Group Goods and Services"** means good and services which, at the Termination Date or during the Relevant Period, were: (i) offered or available for supply; or (ii) the subject of substantive research and development and/or commercialisation activities (including, without limitation, activities concerning liquid biopsy and the detection, sequencing and analysis of circulating tumour DNA), in each case directly or indirectly by the Employer or any member of the Group (including without limitation through any sub-licensee, distributor or other third party acting under any arrangement with a member of the Group);

**"Key Employee"** means any person who immediately prior to the Termination Date was employed or engaged by the Employer or any member of the Group who could materially damage the interests of the Employer or any member of the Group if they were involved in any Capacity in any business which competes with any Restricted Business, and with whom you had personal dealings during the Relevant Period;

**"Prospective Customer"** means any person, firm, company or entity to whom or which, during the period of six months prior to the Termination Date, the Employer or any member of the Group had submitted a tender, made a pitch or presentation or with whom or which it was otherwise negotiating for the supply of goods or services and with whom or which you, or any person who reported directly to you, had material dealings at any time during the Relevant Period;

**"Relevant Period"** means the period of 12 months ending on the Termination Date;

**"Restricted Business"** means the research, development, commercialisation, manufacture, sale and supply of Restricted Goods and Services in the Restricted Territory with which you were involved to a material extent during the Relevant Period;

**"Restricted Goods and Services"** means goods and/or services which compete with (or are intended or reasonably likely to compete with) Group Goods and Services;

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**"Restricted Territory"** means the United States, the United Kingdom and the European Union (being the principal markets for which the Group seeks to commercially supply Group Goods and Services subject to obtaining relevant regulatory approvals) and any and each territory in which Group Goods and Services are commercially supplied or in respect of which substantive efforts have been made to obtain any regulatory approval so as to permit the commercial supply of Group Goods and Services therein;

**"Supplier"** means any person, firm, company or entity who or which was at any time during the Relevant Period a supplier of services or goods (other than utilities and goods or services supplied for administrative purposes) to the Employer or any member of the Group and with whom or which you, or any person who reported directly to you, had material dealings during the Relevant Period; and

**"Termination Date"** means the date on which the Employment terminates or, if you spend a period on Garden Leave immediately before the termination of the Employment, such earlier date on which that period of Garden Leave commences.

18.2 You covenant with the Employer (for itself and as trustee and agent for each member of the Group) that you will not, directly or indirectly, on your own behalf or on behalf of or in conjunction with any firm, company or person:

18.2.1 for twelve months following the Termination Date be engaged, concerned or involved in any Capacity with any business which is (or intends to be) in competition with any Restricted Business;

18.2.2 for twelve months following the Termination Date solicit or endeavour to entice away from the Employer or any member of the Group the business or custom of a Business Contact with a view to providing goods or services to that Business Contact in competition with any Restricted Business or otherwise induce, solicit or entice or endeavour to induce, solicit or entice any Business Contact to cease conducting, or reduce the amount of, business with the Employer or any member of the Group or discourage or prevent any Business Contact from conducting business with the Employer or any member of the Group;

18.2.3 for twelve months following the Termination Date be involved with the provision of goods or services to, or otherwise have any business dealings with, any Business Contact in the course of any business which is in competition with any Restricted Business;

18.2.4 for twelve months following the Termination Date solicit or endeavour to entice away from the Employer or any member of the Group the business or custom of any Supplier in the course of any business which is in competition with any Restricted Business;

18.2.5 for twelve months following the Termination Date be involved with the receipt of goods or services from any Supplier where such receipt would adversely affect the ability or willingness of the Supplier to meet the requirements of the Employer or any member of the Group;

18.2.6 for twelve months following the Termination Date offer to employ or engage or otherwise endeavour to entice away from the Employer or any member of the Group any Key Employee (whether or not such person would breach their contract of employment or engagement);

18.2.7 for twelve months following the Termination Date employ or engage or facilitate the employment or engagement of any Key Employee (whether or not such person would breach their contract of employment or engagement) in any business which is in competition with any Restricted Business; or

18.2.8 at any time after the Termination Date represent yourself as being in any way connected with (other than as a former employee), or interested in the business of the Employer or any member of the Group or use any registered names or trading names associated with the Employer or any member of the Group.

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- 18.3 None of the restrictions in clause 18.2 above shall prevent you from:
- 18.3.1 holding an Investment;
  - 18.3.2 being engaged or concerned in any business insofar as your duties or work relate solely to geographical areas where that business is not in competition with any Restricted Business; or
  - 18.3.3 being engaged or concerned in any business insofar as your duties or work relate solely to services or activities of a kind with which you were not concerned to a material extent during the Relevant Period.
- 18.4 Each of the restrictions contained in this clause 18 (on which you have had the opportunity to take independent legal advice) is intended to be separate and severable and while they are considered by the parties to be reasonable in all the circumstances, it is agreed that if any one or more of such restrictions is held to go beyond what is reasonable in all the circumstances for the protection of the legitimate interests of the Employer or any member of the Group but would be valid if any particular restriction(s) were deleted or some part or parts of its or their wording were deleted, restricted or limited then such restriction(s) shall apply with such deletions, restrictions or limitations as the case may be.
- 18.5 You agree that you will (at the request and cost of the Employer) enter into a separate agreement with any member of the Group for which you perform services under which you will agree to be bound by restrictions corresponding to the restrictions contained in this clause 18 (or such similar restrictions as will be appropriate provided that such restrictions shall be no wider in scope than those contained in this clause) in relation to such member of the Group.
- 18.6 You agree that if your employment is transferred to any person, company, firm, organisation or other entity other than the Employer or any member of the Group (the "New Employer") pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, you will, if required, enter into an agreement with the New Employer that will contain provisions that provide protection to the New Employer similar to that provided to the Employer and any member of the Group under clause 18.2.
- 18.7 If, during the Employment or any period during which the restrictions in this clause 18 apply you receive an offer to be involved in a business in any Capacity, you will notify the person making the offer of the terms of this clause 18.
19. **DISCIPLINARY AND GRIEVANCE PROCEDURE**
- 19.1 You are subject to the Employer's disciplinary procedures, which can be found in the Staff Handbook. These procedures do not form part of your contract of employment.
- 19.2 The Employer may at any time suspend you on full pay for such period as shall be reasonably necessary, for the purposes of investigating any allegation of misconduct or neglect against you.
- 19.3 If you wish to obtain redress of any grievance relating to the Employment you should refer to the Employer's grievance procedures which can be found in the Staff Handbook. These procedures do not form part of your contract of employment.
20. **PERSONAL DATA**
- 20.1 You acknowledge that the Employer will from time to time process data that relates to you for the purposes of the administration and management of its employees and its business, for compliance with applicable procedures, laws and regulations, and for other legitimate purposes. You will have received a privacy notice with further details of how we process your personal data.
- 20.2 You will at all times comply with the Employer's data protection policy when processing other people's personal data.
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20.3 You are referred to the Employer's data protection policy (as amended from time to time) for further details.

21. **E-MAIL AND INTERNET**

Telephone calls made and received by you using the Employer's equipment, use of the e-mail system to send or receive business or personal correspondence and use of the internet may be monitored and/or recorded by the Employer. You acknowledge that the content of any communications using the Employer's systems or anything stored on such systems will not be private and confidential to you but will belong to the Employer and that the use of such systems is for business purposes only, although limited personal use by you is permitted. Further details can be found in the Employer's e-mail and internet policy which can be found in the Staff Handbook.

22. **TRAINING**

No specific training is currently envisaged to be provided to you during the Employment but if any training is required you will be informed.

23. **COLLECTIVE AGREEMENTS**

There are no collective agreements which directly affect the Employment.

24. **NOTICES**

Any notice to be given under this agreement shall be in writing. Notices may be given by either party by personal delivery or post or by fax addressed to the other party at (in the case of the Employer) its registered office for the time being and (in the case of you) either to your address shown in this agreement or to your last known address and shall be deemed to have been served at the time at which it was delivered personally or transmitted or, if sent by post, would be delivered in the ordinary course of post. For the avoidance of doubt, no notices may be served by e-mail except with the written consent of the other party.

25. **FORMER AGREEMENTS**

25.1 This agreement together with the NeoGenomics Equity Incentive Plan, your individual award and option agreements referred to at clause 5.6 above and the Restrictive Covenant Deed contains the entire understanding between the parties and is in substitution for any previous letters of appointment, agreements or arrangements, whether written, oral or implied, relating to your employment or engagement, which shall be deemed to have been terminated by mutual consent as from the commencement of this agreement. For the avoidance of doubt the Employer hereby waives any rights it has to enforce against you the restrictive covenants set out in the Investor Agreement.

25.2 You hereby warrant and represent to the Employer that you will not, in entering into this agreement or carrying out your duties under this agreement, be in breach of any other terms of employment or any other, whether express or implied, or any other obligation binding upon you.

26. **CONSTRUCTION**

26.1 The headings in this agreement are inserted for convenience only and shall not affect its construction.

26.2 Any reference to a statutory provision shall be construed as a reference to any statutory modification or re-enactment of such provision (whether before or after the date of this agreement) for the time being in force.

26.3 The schedules to this agreement, if any, form part of and are incorporated into this agreement.

26.4 No modification, variation or amendment to this agreement shall be effective unless such modification, variation or amendment is in writing (not including e-mail) and has been signed by or on behalf of both parties.

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27. **THIRD PARTY RIGHTS**

The Contracts (Rights of Third Parties) Act 1999 shall not apply to this agreement and no person other than you and the Employer and any member of the Group benefitting from a provision of this agreement shall have any rights under it.

28. **COUNTERPARTS**

This agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument. The agreement is not effective until each party has executed at least one counterpart, and it has been received by the other party (transmission by fax or email (in a PDF format) being acceptable for this purpose) and the agreement has been dated by agreement.

29. **GOVERNING LAW**

29.1 Any claim or matter of whatever nature arising out of or relating to this agreement or its subject matter (including, but not limited to, non-contractual disputes or claims) shall be governed by, and this agreement shall be construed in all respects in accordance with, the law of England and Wales.

29.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and Wales over any claim or matter arising out of or relating to this agreement or its subject matter (including, but not limited to, non-contractual disputes or claims).

This agreement has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

**EXECUTED** as a deed by

*Signature*

**INIVATA LIMITED**

*/s/ Mark Mallon*

acting by a director, in the presence of:

Director

Print name */s/ Mark Mallon*

Witness signature */s/ Alicia Olivo*

Name (in BLOCK CAPITALS) ALICIA OLIVO

Address 12701 Commonwealth Drive, Suite 9 Fort Myers, FL 33913

**SIGNED** as a deed by **Clive Morris**

*Signature*

in the presence of:

*/s/ Clive Morris*

Witness signature */s/ Dawn Pich*

Name (in BLOCK CAPITALS) DAWN PICH

Address [\*\*\*]

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made this 5<sup>th</sup> day of July, 2021 by and between NeoGenomics, Inc. a Nevada corporation ("NeoGenomics" and collectively with any entity that is wholly or partially owned by NeoGenomics, the "Company"), located at 12701 Commonwealth Drive, Suite #5, Fort Myers, Florida 33913 and George Cardoza ("Executive"), an individual who resides at [\*\*\*].

RECITALS:

**WHEREAS** the Company is engaged in the business of providing genetic and molecular diagnostic testing services to doctors, hospitals and other healthcare institutions; and

**WHEREAS**, NeoGenomics desires to employ Executive as an officer in the capacity of President and Chief Operating Officer, Laboratory Operations, and Executive desires to be employed by NeoGenomics in such capacity, in accordance with the terms, covenants, and conditions as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NeoGenomics and Executive agree as follows:

1. **Employment and Term.** Subject to the terms and conditions set forth in this Agreement, the Company hereby offers and the Executive hereby accepts employment as President and Chief Operating Officer, Laboratory Operations, beginning on July 5, 2021, or such other date as may be mutually agreed upon in writing (the "Effective Date"). The Executive's employment with the Company will be "at will" as such term is construed under Florida law. Either the Executive or the Company may terminate such employment at any time and for any reason, subject to the provisions of Sections 4 and 5 hereof. For purposes of this Agreement, the period from the Effective Date until the termination of the Executive's employment shall hereinafter be referred to as the "Term".

2. **Position and Duties.**

a ) **Position.** During the Term hereof, Executive shall serve the Company as the President and Chief Operating Officer, Laboratory Operations, of both NeoGenomics, Inc., the parent company, and NeoGenomics Laboratories, Inc., the primary operating subsidiary, or such other position or positions as the Company may in the future determine, at such location or locations as the Company may determine after consultation with the Executive. Executive will report to and be subject to the general supervision and direction of the Company's Chief Executive Officer (the "CEO"). If requested, Executive will serve in similar capacities for each or any subsidiary of NeoGenomics without additional compensation.

b ) **Duties.** Executive shall perform such duties as are customarily performed by someone holding the title of President and Chief Operating Officer in the same or similar businesses or enterprises as that engaged in by the Company and such other duties as the CEO may assign from time to time. Executive shall devote his full business time and his best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company and its affiliates and to the discharge of his duties and responsibilities hereunder. Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental or academic position during the Term, except as may be expressly be approved in advance by the CEO in writing; provided, however, that Executive may, without advance approval, participate in charitable activities and passive personal activities, provided that such activities do not, individually or in the aggregate, interfere with the performance of Executive's duties under this Agreement, are not in conflict with the business interests of the Company or any of its affiliates, and do not violate the terms of that certain Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A.

c) **Compliance with Policies, Practices, etc.** During the Term hereof, Executive shall comply with all Company policies, practices and procedures and all codes of ethics and or business conduct as may be in effect for officers of the Company from time to time.

Employee Initials  
/s/ GC

3. **Compensation and Benefits of Executive.** The Company shall compensate Executive for Executive's services rendered under this Agreement as follows:

a ) **Base Salary.** Unless otherwise adjusted by the Culture and Compensation Committee of the Board (the "**Compensation Committee**"), the Company shall pay Executive a base salary of \$500,000 per annum (the "**Base Salary**"), payable in equal installments at such times as is consistent with normal Company payroll policy.

b ) **Bonus.** Executive will be eligible for a performance-based bonus as a participant in the Company's Management Incentive Plan ("**MIP**"), which shall set annual target incentives for the Executive and other senior ranking employees that are determined by the Compensation Committee. The Company will target an annual bonus of up to 60% of the Executive's Base Salary (the "**Target Bonus**"), with the actual amount of the bonus, if any, to be determined by and in the sole discretion of the Compensation Committee after consideration of specified metrics established by the Company's Board or the Compensation Committee for such fiscal year. The Target Bonus for fiscal year 2021 shall be established within 90 days of the Effective Date. Executive shall be eligible to receive up to 200% of the Target Bonus in the event that the Company's and/or the Executive's performance exceeds the thresholds set for the Target Bonus. Except as otherwise agreed to by the parties in writing, Executive must be employed hereunder on the last day of a fiscal year in order to be eligible for a bonus for such fiscal year.

c ) **Benefits.** Subject to the eligibility requirements (including, but not limited to, participation by part-time employees), and enrollment provisions of the Company's employee benefit plans, Executive may, to the extent he so chooses, participate in any and all of the Company's employee benefit plans, at the Company's expense. All Company benefits are identified in the Company's Employee Handbook and are subject to change without notice or explanation. In addition, subject to the eligibility requirements (including, but not limited to, participation by a part-time employee) and enrollment provisions of the Company's executive benefit programs, Executive shall also be entitled to participate in any and all other benefits programs established for officers of the Company.

d ) **Sign-On Equity Award** On the Effective Date and, subject to CEO approval, Executive will receive an equity grant pursuant to and governed by the Company's Amended and restated Equity Incentive Plan (the "**Plan**"). The equity grant shall have an aggregate target value equal to \$1,000,000 (the "**Sign-On Equity Award**"). The number of Restricted Shares and Stock Options included in the Sign-On Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Sign-On Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

e ) **Annual Equity Award** Beginning in 2022 and, subject to Compensation Committee approval, Executive will receive an annual equity grant pursuant to and governed by the Company's Plan. The number of Restricted Shares and Stock Options included in the Annual Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Annual Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

f ) **Paid Time-Off and Holidays** Executive's paid time-off ("PTO") and holidays shall be consistent with the standards set forth in the Company's Employee Handbook, as revised from time to time or as otherwise published by the Company. Notwithstanding the previous sentence, Executive will be eligible for one hundred sixty (160) hours of PTO/year, which will accrue on a pro-rata basis throughout the year, provided, however, that it is the Company's policy that no more than forty (40) hours of PTO can be accrued beyond this annual limit for any employee at any time. Thus, when accrued PTO reaches two hundred forty (240) hours, Executive will cease accruing PTO until accrued PTO is one hundred sixty (160) hours or less, at which point Executive will again accrue

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/s/ GC

PTO until Executive reaches two hundred forty (240) hours. In addition to PTO, there are also three (3) paid sick days, six (6) paid national holidays and one (1) "floater" day available to Company employees. Executive agrees to schedule such PTO so that it minimally interferes with the Company's operations.

**g ) Reimbursement of Normal Business Expenses** The Company will reimburse all reasonable business expenses of Executive, including, but not limited to, cell phone expenses and business related travel, meals and entertainment expenses in accordance with the Company's policies for such reimbursement.

**4. Termination.** The parties agree that any termination of the Executive's employment under this Agreement will be governed as follows:

**a) By the Company for Cause.** The Company shall have the right to terminate this Agreement and to discharge the Executive for Cause (as defined below), at any time during the Term. For the purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon:

(i) failure to materially perform and discharge the duties and responsibilities of Executive under this Agreement after receiving written notice and allowing Executive ten (10) business days to create a plan to cure such failure(s), such plan being acceptable to the Board, and a further thirty (30) days to cure such failure(s), if so curable, *provided, however*, that after one such notice has been given to Executive and the thirty (30) day cure period has lapsed, the Company is no longer required to provide time to cure subsequent failures under this provision, or

(ii) any breach by Executive of the material provisions of this Agreement; or

(iii) misconduct which, in the good faith opinion and sole discretion of the Board, is injurious to the Company; or

(iv) felony conviction involving the personal dishonesty or moral turpitude of Executive; or a determination by the Board, after consideration of all available information, that Executive has willfully and knowingly violated Company policies or procedures involving discrimination, harassment, or work place violence; or

(v) engagement in illegal drug use or alcohol abuse which prevents Executive from performing his duties in any manner, or

(vi) any misappropriation, embezzlement or conversion of the Company's opportunities or property by the Executive; or

(vii) willful misconduct, recklessness or gross negligence by the Executive in respect of the duties or obligations of the Executive under this Agreement and/or the Confidentiality, Non-Solicitation or Non-Competition Agreement.

Any termination for Cause pursuant to this Section shall be given to the Executive in writing and shall set forth in detail all acts or omissions upon which the Company is relying to terminate the Executive for Cause. If an Executive is terminated for Cause, the Executive shall only be entitled to receive his accrued and unpaid Salary, bonus and other benefits through the termination date and the Company shall have no further obligations under this Agreement from and after the date of termination.

**b ) Termination by Company Without Cause.** At any time during the Term, the Company shall have the right to terminate this Agreement and to discharge the Executive without Cause effective upon delivery of sixty (60) days written notice to the Executive. If the Company terminates the Executive without "Cause" for any reason, as long as the Executive executes a general waiver and release of all claims which the Executive may have against the Company which form of the general waiver and release will be determined in the sole discretion of the Company, then the Company agrees that, as severance, it will continue to pay the Executive's Base Salary in accordance with Section 3(a) above (the "Severance Payments") for twelve (12) months from the date of the separation in the notice of termination. In addition, Executive will be entitled to receive the Target Bonus Executive

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/s/ GC

would have been eligible to receive for the fiscal year, prorated based on the date of separation in the notice of termination, and payable in accordance with the Company's regular payment schedule and procedures for such Target Bonus (the "Prorated Target Bonus").

Executive further agrees that in the event that Executive obtains employment during any period where Severance Payments are being made, Executive will promptly notify the Company of the nature of his new employment. Provided that such employment does not violate the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement, such Severance Payments will continue to be paid. Other than the Severance Payments and the Prorated Target Bonus, the Company shall have no further obligation to the Executive after the date of such termination; provided, however, that the Executive shall only be entitled to continuation of the Severance Payments as long as Executive is in compliance with the provisions of the Confidentiality, Non-Solicitation & Non-Compete Agreement, which is part of this Agreement.

If termination without Cause shall occur at any time, then the pro rata portion of any unvested time-based equity or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) up until the date of separation in the notice of termination that are due to vest in the twelve (12) month period following the date of separation shall vest, and any remaining unvested time-based or performance based equity shall vest only at the discretion of the Compensation Committee in accordance with the terms of the Company's Plan.

c ) **By Resignation of the Executive.** The Executive may terminate his employment hereunder, upon giving sixty (60) days written notice to the Company. The Executive agrees that, unless otherwise agreed upon in writing, during such sixty (60) day period no more than one week of unused PTO may be utilized and that all other unused PTO up to the time of termination shall be forfeited. In the event of such a termination, the Executive shall comply with any reasonable request of the Company to assist in providing for an orderly transition of authority, but such assistance shall not delay the Executive's termination of employment longer than the Executive's original notice of termination. Upon such a termination, the Executive shall become entitled to any accrued but unpaid salary and other benefits up to and including the date of termination and the pro rata portion of any unvested time-based or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) that are due to vest up until the date of separation shall vest.

d ) **Disability of the Executive.** This Agreement may be terminated by the Company upon the Disability of the Executive. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents the Executive from reasonably discharging his duties and responsibilities under this Agreement for a period of ninety (90) days in any one hundred eighty (180) day period. In the event that any disagreement or dispute shall arise between the Company and the Executive as to whether the Executive suffers from any Disability, then, in such event, the Executive shall submit to the physical or mental examination of a physician licensed under the laws of the State of Florida, who is agreeable to the Company and the Executive, and such physician shall determine whether the Executive suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and the Executive. The entire cost of such examination shall be paid solely by the Company. In the event the Company has purchased disability insurance for Executive, the Executive shall be deemed disabled if he is disabled as defined by the terms of the disability policy. On the date that the Executive is deemed to have a Disability, this Agreement will be deemed to have been terminated and the Executive shall be entitled to receive from the Company his accrued and unpaid Base Salary, bonus and other benefits through the termination date. If a termination of the Executive by Disability shall occur at any time, then any unvested time-based equity or performance-based equity shall vest on the date that the Executive is deemed to have a Disability. Other than as set forth in the immediately preceding two sentences, the Company shall have no further salary or bonus payment or other benefits obligations under this Agreement from and after the date of termination due to Disability.

e ) **Death of the Executive.** In the event of the death of Executive, the employment of the Executive by the Company shall automatically terminate on the date of the Executive's death and the Company shall be obligated to pay Executive's estate (i) the Executive's accrued and unpaid Base Salary, bonus and other benefits through the termination date. If the death of the Executive shall occur at any time, then any unvested time-based equity or performance-based equity shall vest on the date of the Executive's death. Other than as set forth in the

Employee Initials  
/s/ GC

immediately preceding two sentences, the Company shall have no further obligations under this Agreement from and after the date of termination due to the death of the Executive.

5. **Effect of Termination.** The provisions of this Section 5 shall apply to any termination of the Executive's employment under this Agreement, whether pursuant to Section 4 or otherwise.

a) Provision by the Company of Severance Payments, if any, due to the Executive in accordance with this Agreement shall constitute the entire obligation of the Company to the Executive hereunder. The Executive shall promptly give the Company notice of all facts necessary for the Company to determine the amount and duration of its obligations in connection with any termination pursuant to this Agreement.

b) Except for any right of the Executive to continue medical, vision, or dental plan participation in accordance with applicable law or as expressly provided herein, the Executive's participation in all Employee Benefit Plans shall terminate pursuant to the terms of the applicable plan documents based on the date of termination of the Executive's employment without regard to any Severance Payments, notice required hereunder, or any other payment made to or on behalf of the Executive following such date of termination.

c) Provisions of this Agreement shall survive any termination of the Executive's employment if so provided herein or if necessary or desirable fully to accomplish the purposes of other surviving provisions, including without limitation the obligations of the Executive under the Confidentiality, Non-Solicitation & Non-Compete Agreement. The obligation of the Company to provide Severance Payments hereunder is expressly conditioned on the Executive's execution of a general release and waiver, as referenced in Section 4(b), and the Executive's continued full compliance with the terms of the Confidentiality, Non-Compete & Non-Solicitation Agreement. The Executive acknowledges that, except as expressly provided in Section 4(b), no compensation is earned after termination of employment.

6 . **Confidentiality, Non-Solicitation & Non-Compete Agreement.** Executive agrees to the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A and has signed that Agreement. Such Confidentiality, Non-Solicitation and Non-Compete Agreement is hereby incorporated into and made a part of this Agreement.

7 . **Importance of Certain Clauses.** Executive and the Company agree that the covenants contained in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto and incorporated into this Agreement are material terms of this Agreement and all parties understand the importance of such provisions to the ongoing business of the Company. As such, because the Company's continued business and viability depend on the protection of such secrets and non-competition, these clauses are interpreted by the parties to have the widest and most expansive applicability as may be allowed by law and Executive understands and acknowledges his or his understanding of same.

8 . **Consideration.** Executive acknowledges and agrees that the provision of employment under this Agreement and the execution by the Company of this Agreement constitute full, adequate and sufficient consideration to Executive for the Executive's duties, obligations and covenants under this Agreement and under the Confidentiality, Non-Solicitation and Non-Compete Agreement incorporated into this Agreement.

9. **Acknowledgement of Post Termination Obligations.** Upon the effective date of termination of Executive's employment (unless due to Executive's death), if requested by the Company, Executive shall participate in an exit interview with the Company and certify in writing that Executive has complied with his contractual obligations and intends to comply with his continuing obligations under this Agreement, including, but not limited to, the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement. To the extent it is known or applicable at the time of such exit interview, Executive shall also provide the Company with information concerning Executive's subsequent employer and the capacity in which Executive will be employed. Executive's failure to comply shall be a material breach of this Agreement, for which the Company, in addition to any other civil remedy, may seek equitable relief.

10 . **Withholding.** All payments made to Executive shall be made net of any applicable withholding for income taxes and Executive's share of FICA, FUTA or other employment taxes. The Company shall withhold such amounts

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/s/ GC

from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

**11. Representations of Executive.** Executive represents and warrants to the Company that (a) nothing in his past legal and/or work and/or personal experiences, which if became broadly known in the marketplace, would impair his ability to serve as the President and Chief Operating Officer, Laboratory Operations of a publicly-traded company or materially damage his credibility with public shareholders; (b) Executive has not been convicted of any criminal offense related to health care, or been debarred, sanctioned, excluded or otherwise made ineligible for participation in a federal or state health care program by any federal or state agency; (c) there are no restrictions, agreements, or understandings whatsoever to which Executive is a party which would prevent or make unlawful his execution of this Agreement or employment hereunder, (d) Executive's execution of this Agreement and his employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Executive is a party or by which Executive is bound, (e) Executive is free and able to execute this Agreement and to continue employment with the Company, and (f) Executive has not used and will not use confidential information or trade secrets belonging to any prior employers to perform services for the Company.

**12. Compliance Agreements.** Executive agrees to provide services to the Company in compliance with all applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies, including, without limitation, the Medicare and Medicaid anti-kickback law, the Stark self-referral prohibition, and compliance guidance published by the Office of the Inspector General of the Department of Health and Human Service, and to assist the Company in remaining educated and in compliance with respect to such laws and regulations and compliance guidance. Executive acknowledges that he understands these requirements, and shall remain educated and informed regarding the applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies. In the event that Executive knows or suspect that any activities of the Company or any personnel or contractor of the Company, or any client of the Company implicates any such requirements or guidance, Executive agrees that he will immediately inform the Board and cooperate fully with the Company to investigate and address any compliance issues arising as a result of such known or suspected activities. Executive further understands and acknowledges that compliance with this paragraph shall be a condition of employment.

**13. Effect of Partial Invalidity.** The invalidity of any portion of this Agreement shall not affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall remain in full force and effect.

**14. Entire Agreement.** This Agreement, together with the other documents referenced herein, reflects the complete agreement between the parties regarding the subject matter identified herein and shall supersede all other previous agreements, either oral or written, between the parties. The parties stipulate that neither of them, nor any person acting on their behalf has made any representations except as are specifically set forth in this Agreement and each of the parties acknowledges that it or he has not relied upon any representation of any third party in executing this Agreement, but rather have relied exclusively on it or his own judgment in entering into this Agreement.

**15. Assignment.** The Company may assign its interest and rights under this Agreement at its sole discretion and without approval of Executive to a successor in interest by the Company's merger, consolidation or other form of business combination with or into a third party where the Company's stockholders before such event do not control a majority of the resulting business entity after such event. All rights and entitlements arising from this Agreement, including but not limited to those protective covenants and prohibitions set forth in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached as

Addendum A and incorporated into this Agreement shall inure to the benefit of any purchaser, assignor or transferee of this Agreement and shall continue to be enforceable to the extent allowable under applicable law. Neither this Agreement, nor the employment status conferred with its execution is assignable or subject to transfer in any manner by Executive.

**16. Notices.** All notices, requests, demands, and other communications shall be in writing and shall be given by hand delivery or by overnight delivery, a) if to the Company, at the Company's then current headquarters

Employee Initials  
/s/ GC

location, and b) if to Executive, via hand delivery or at the most recent address on file with the Company for Executive or to such subsequent addresses as either party shall so designate in writing to the other party.

**17. Remedies.** If any action at law, equity or in arbitration, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party may, if the court or arbitrator hearing the dispute, so determines, have its reasonable attorneys' fees and costs of enforcement recouped from the non-prevailing party.

**18. Amendment/Waiver.** No waiver, modification, amendment or change of any term of this Agreement shall be effective unless it is in a written agreement signed by both parties. No waiver by the Employer of any breach or threatened breach of this Agreement shall be construed as a waiver of any subsequent breach unless it so provides by its terms.

**19. Governing Law, Venue and Jurisdiction.** This Agreement and all transactions contemplated by this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Florida without regard to any conflicts of laws, statutes, rules, regulations or ordinances. Executive consents to personal jurisdiction and venue in the Circuit Court in and for Lee County, Florida regarding any action arising under the terms of this Agreement and any and all other disputes between Executive and Employer.

**20. Arbitration.** Any and all controversies and disputes between Executive and Company arising from this Agreement or regarding any other matter whatsoever shall be submitted to arbitration before a single unbiased arbitrator skilled in arbitrating such disputes under the American Arbitration Association, utilizing its Employment Arbitration Rules and Mediation Procedures. Any arbitration action brought pursuant to this section shall be heard in Fort Myers, Lee County, Florida. The Circuit Court in and for Lee County, Florida shall have concurrent jurisdiction with any arbitration panel for the purpose of entering temporary and permanent injunctive relief, but only with respect to any alleged breach of the Confidentiality, Non-Solicitation and Non- Compete Agreement.

**21. Headings.** The titles to the sections of this Agreement are solely for the convenience of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Miscellaneous Terms.** The parties to this Agreement declare and represent that:

- a. They have read and understand this Agreement;
- b. They have been given the opportunity to consult with an attorney if they so desire;
- c. They intend to be legally bound by the promises set forth in this Agreement and enter into it freely, without duress or coercion;
- d. They have retained signed copies of this Agreement for their records; and
- e. The rights, responsibilities and duties of the parties hereto, and the covenants and agreements contained herein, shall continue to bind the parties and shall continue in full force and effect until each and every obligation of the parties under this Agreement has been performed.

**23. Counterparts.** This Agreement may be executed in counterparts and by electronic signature (e.g. DocuSign), facsimile, or by pdf, each of which shall be deemed an original for all intents and purposes.

*Signatures appear on the following page.*

Employee Initials  
/s/ GC



IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

NEOGENOMICS, INC.

By: /s/ Mark Mallon

Name: Mark Mallon

Title: Chief Executive Officer

EXECUTIVE

By: /s/ George Cardoza

Name: George Cardoza

Employee Initials  
/s/ GC

Addendum A

**Form of Confidentiality, Non-Solicitation & Non-Compete Agreement**

Employee Initials  
/s/ GC

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made this 5th day of July, 2021 by and between NeoGenomics, Inc. a Nevada corporation ("NeoGenomics" and collectively with any entity that is wholly or partially owned by NeoGenomics, the "Company"), located at 12701 Commonwealth Drive, Suite #9, Fort Myers, Florida 33913 and Gina Wallar ("Executive"), an individual who resides at [\*\*\*].

RECITALS:

**WHEREAS** the Company is engaged in the business of providing genetic and molecular diagnostic testing services to doctors, hospitals and other healthcare institutions; and

**WHEREAS**, NeoGenomics desires to employ Executive as an officer in the capacity of President, Pharma Services Division, and Executive desires to be employed by NeoGenomics in such capacity, in accordance with the terms, covenants, and conditions as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, NeoGenomics and Executive agree as follows:

1. **Employment and Term.** Subject to the terms and conditions set forth in this Agreement, the Company hereby offers and the Executive hereby accepts employment as President, Pharma Services Division, beginning on July 5, 2021, or such other date as may be mutually agreed upon in writing (the "Effective Date"). The Executive's employment with the Company will be "at will" as such term is construed under Florida law. Either the Executive or the Company may terminate such employment at any time and for any reason, subject to the provisions of Sections 4 and 5 hereof. For purposes of this Agreement, the period from the Effective Date until the termination of the Executive's employment shall hereinafter be referred to as the "Term".

2. **Position and Duties.**

a ) **Position.** During the Term hereof, Executive shall serve the Company as the President, Pharma Services Division, of both NeoGenomics, Inc., the parent company, and NeoGenomics Laboratories, Inc., the primary operating subsidiary, or such other position or positions as the Company may in the future determine, at such location or locations as the Company may determine after consultation with the Executive. Executive will report to and be subject to the general supervision and direction of the Company's Chief Executive Officer (the "CEO"). If requested, Executive will serve in similar capacities for each or any subsidiary of NeoGenomics without additional compensation.

b ) **Duties.** Executive shall perform such duties as are customarily performed by someone holding the title of President, Pharma Services Division in the same or similar businesses or enterprises as that engaged in by the Company and such other duties as the CEO may assign from time to time. Executive shall devote his full business time and his best efforts, business judgment, skill and knowledge exclusively to the advancement of the business and interests of the Company and its affiliates and to the discharge of his duties and responsibilities hereunder. Executive shall not engage in any other business activity or serve in any industry, trade, professional, governmental or academic position during the Term, except as may be expressly be approved in advance by the CEO in writing; provided, however, that Executive may, without advance approval, participate in charitable activities and passive personal activities, provided that such activities do not, individually or in the aggregate, interfere with the performance of Executive's duties under this Agreement, are not in conflict with the business interests of the Company or any of its affiliates, and do not violate the terms of that certain Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A.

c) **Compliance with Policies, Practices, etc.** During the Term hereof, Executive shall comply with all Company policies, practices and procedures and all codes of ethics and or business conduct as may be in effect for officers of the Company from time to time.

Employee Initials  
/s/ GW

3. **Compensation and Benefits of Executive.** The Company shall compensate Executive for Executive's services rendered under this Agreement as follows:

a ) **Base Salary.** Unless otherwise adjusted by the Culture and Compensation Committee of the Board (the "**Compensation Committee**"), the Company shall pay Executive a base salary of \$370,000 per annum (the "**Base Salary**"), payable in equal installments at such times as is consistent with normal Company payroll policy.

b ) **Bonus.** Executive will be eligible for a performance-based bonus as a participant in the Company's Management Incentive Plan ("**MIP**"), which shall set annual target incentives for the Executive and other senior ranking employees that are determined by the Compensation Committee. The Company will target an annual bonus of up to 50% of the Executive's Base Salary (the "**Target Bonus**"), with the actual amount of the bonus, if any, to be determined by and in the sole discretion of the Compensation Committee after consideration of specified metrics established by the Company's Board or the Compensation Committee for such fiscal year. The Target Bonus for fiscal year 2021 shall be established within 90 days of the Effective Date. Executive shall be eligible to receive up to 200% of the Target Bonus in the event that the Company's and/or the Executive's performance exceeds the thresholds set for the Target Bonus. Except as otherwise agreed to by the parties in writing, Executive must be employed hereunder on the last day of a fiscal year in order to be eligible for a bonus for such fiscal year.

c ) **Benefits.** Subject to the eligibility requirements (including, but not limited to, participation by part-time employees), and enrollment provisions of the Company's employee benefit plans, Executive may, to the extent she so chooses, participate in any and all of the Company's employee benefit plans, at the Company's expense. All Company benefits are identified in the Company's Employee Handbook and are subject to change without notice or explanation. In addition, subject to the eligibility requirements (including, but not limited to, participation by a part-time employee) and enrollment provisions of the Company's executive benefit programs, Executive shall also be entitled to participate in any and all other benefits programs established for officers of the Company.

d ) **Sign-On Equity Award** On the Effective Date and, subject to CEO approval, Executive will receive an equity grant pursuant to and governed by the Company's Amended and restated Equity Incentive Plan (the "**Plan**"). The equity grant shall have an aggregate target value equal to \$250,000 (the "**Sign-On Equity Award**"). The number of Restricted Shares and Stock Options included in the Sign-On Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Sign-On Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

e ) **Annual Equity Award** Beginning in 2022 and, subject to Compensation Committee approval, Executive will receive an annual equity grant pursuant to and governed by the Company's Plan. The number of Restricted Shares and Stock Options included in the Annual Equity Award shall be determined according to the Company's customary practice for valuing equity grants and the Restricted Shares and Stock Options included in the Annual Equity Award shall each vest ratably over a period of four years from the date of the grant, so long as Executive remains employed by the Company. With regard to Stock Options referenced herein, the Stock Options shall be treated as incentive stock options (ISOs) to the maximum extent permitted under applicable law, and the remainder of the Stock Options, if any, shall be treated as non-qualified stock options.

f ) **Paid Time-Off and Holidays** Executive's paid time-off ("PTO") and holidays shall be consistent with the standards set forth in the Company's Employee Handbook, as revised from time to time or as otherwise published by the Company. Notwithstanding the previous sentence, Executive will be eligible for one hundred sixty (160) hours of PTO/year, which will accrue on a pro-rata basis throughout the year, provided, however, that it is the Company's policy that no more than forty (40) hours of PTO can be accrued beyond this annual limit for any employee at any time. Thus, when accrued PTO reaches two hundred forty (240) hours, Executive will cease accruing PTO until accrued PTO is one hundred sixty (160) hours or less, at which point Executive will again accrue

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/s/ GW

PTO until Executive reaches two hundred forty (240) hours. In addition to PTO, there are also three (3) paid sick days, six (6) paid national holidays and one (1) "floater" day available to Company employees. Executive agrees to schedule such PTO so that it minimally interferes with the Company's operations.

**g ) Reimbursement of Normal Business Expenses** The Company will reimburse all reasonable business expenses of Executive, including, but not limited to, cell phone expenses and business related travel, meals and entertainment expenses in accordance with the Company's policies for such reimbursement.

**4. Termination.** The parties agree that any termination of the Executive's employment under this Agreement will be governed as follows:

**a ) By the Company for Cause.** The Company shall have the right to terminate this Agreement and to discharge the Executive for Cause (as defined below), at any time during the Term. For the purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon:

(i) failure to materially perform and discharge the duties and responsibilities of Executive under this Agreement after receiving written notice and allowing Executive ten (10) business days to create a plan to cure such failure(s), such plan being acceptable to the Board, and a further thirty (30) days to cure such failure(s), if so curable, *provided, however*, that after one such notice has been given to Executive and the thirty (30) day cure period has lapsed, the Company is no longer required to provide time to cure subsequent failures under this provision, or

(ii) any breach by Executive of the material provisions of this Agreement; or

(iii) misconduct which, in the good faith opinion and sole discretion of the Board, is injurious to the Company; or

(iv) felony conviction involving the personal dishonesty or moral turpitude of Executive; or a determination by the Board, after consideration of all available information, that Executive has willfully and knowingly violated Company policies or procedures involving discrimination, harassment, or work place violence; or

(v) engagement in illegal drug use or alcohol abuse which prevents Executive from performing his duties in any manner, or

(vi) any misappropriation, embezzlement or conversion of the Company's opportunities or property by the Executive; or

(vii) willful misconduct, recklessness or gross negligence by the Executive in respect of the duties or obligations of the Executive under this Agreement and/or the Confidentiality, Non-Solicitation or Non-Competition Agreement.

Any termination for Cause pursuant to this Section shall be given to the Executive in writing and shall set forth in detail all acts or omissions upon which the Company is relying to terminate the Executive for Cause. If an Executive is terminated for Cause, the Executive shall only be entitled to receive his accrued and unpaid Salary, bonus and other benefits through the termination date and the Company shall have no further obligations under this Agreement from and after the date of termination.

**b ) Termination by Company Without Cause.** At any time during the Term, the Company shall have the right to terminate this Agreement and to discharge the Executive without Cause effective upon delivery of sixty (60) days written notice to the Executive. If the Company terminates the Executive without "Cause" for any reason, as long as the Executive executes a general waiver and release of all claims which the Executive may have against the Company which form of the general waiver and release will be determined in the sole discretion of the Company, then the Company agrees that, as severance, it will continue to pay the Executive's Base Salary in accordance with Section 3(a) above (the "Severance Payments") for twelve (12) months from the date of the separation in the notice of termination. In addition, Executive will be entitled to receive the Target Bonus Executive

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/s/ GW

would have been eligible to receive for the fiscal year, prorated based on the date of separation in the notice of termination, and payable in accordance with the Company's regular payment schedule and procedures for such Target Bonus (the "Prorated Target Bonus").

Executive further agrees that in the event that Executive obtains employment during any period where Severance Payments are being made, Executive will promptly notify the Company of the nature of his new employment. Provided that such employment does not violate the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement, such Severance Payments will continue to be paid. Other than the Severance Payments and the Prorated Target Bonus, the Company shall have no further obligation to the Executive after the date of such termination; provided, however, that the Executive shall only be entitled to continuation of the Severance Payments as long as Executive is in compliance with the provisions of the Confidentiality, Non-Solicitation & Non-Compete Agreement, which is part of this Agreement.

If termination without Cause shall occur at any time, then the pro rata portion of any unvested time-based equity or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) up until the date of separation in the notice of termination that are due to vest in the twelve (12) month period following the date of separation shall vest, and any remaining unvested time-based or performance based equity shall vest only at the discretion of the Compensation Committee in accordance with the terms of the Company's Plan.

c ) **By Resignation of the Executive.** The Executive may terminate his employment hereunder, upon giving sixty (60) days written notice to the Company. The Executive agrees that, unless otherwise agreed upon in writing, during such sixty (60) day period no more than one week of unused PTO may be utilized and that all other unused PTO up to the time of termination shall be forfeited. In the event of such a termination, the Executive shall comply with any reasonable request of the Company to assist in providing for an orderly transition of authority, but such assistance shall not delay the Executive's termination of employment longer than the Executive's original notice of termination. Upon such a termination, the Executive shall become entitled to any accrued but unpaid salary and other benefits up to and including the date of termination and the pro rata portion of any unvested time-based or performance-based equity (assuming that the target threshold associated with such performance-based equity has been met) that are due to vest up until the date of separation shall vest.

d ) **Disability of the Executive.** This Agreement may be terminated by the Company upon the Disability of the Executive. "Disability" shall mean any mental or physical illness, condition, disability or incapacity which prevents the Executive from reasonably discharging his duties and responsibilities under this Agreement for a period of ninety (90) days in any one hundred eighty (180) day period. In the event that any disagreement or dispute shall arise between the Company and the Executive as to whether the Executive suffers from any Disability, then, in such event, the Executive shall submit to the physical or mental examination of a physician licensed under the laws of the State of Florida, who is agreeable to the Company and the Executive, and such physician shall determine whether the Executive suffers from any Disability. In the absence of fraud or bad faith, the determination of such physician shall be final and binding upon the Company and the Executive. The entire cost of such examination shall be paid solely by the Company. In the event the Company has purchased disability insurance for Executive, the Executive shall be deemed disabled if he is disabled as defined by the terms of the disability policy. On the date that the Executive is deemed to have a Disability, this Agreement will be deemed to have been terminated and the Executive shall be entitled to receive from the Company his accrued and unpaid Base Salary, bonus and other benefits through the termination date. If a termination of the Executive by Disability shall occur at any time, then any unvested time-based equity or performance-based equity shall vest on the date that the Executive is deemed to have a Disability. Other than as set forth in the immediately preceding two sentences, the Company shall have no further salary or bonus payment or other benefits obligations under this Agreement from and after the date of termination due to Disability.

e ) **Death of the Executive.** In the event of the death of Executive, the employment of the Executive by the Company shall automatically terminate on the date of the Executive's death and the Company shall be obligated to pay Executive's estate (i) the Executive's accrued and unpaid Base Salary, bonus and other benefits through the termination date. If the death of the Executive shall occur at any time, then any unvested time-based equity or performance-based equity shall vest on the date of the Executive's death. Other than as set forth in the

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/s/ GW

immediately preceding two sentences, the Company shall have no further obligations under this Agreement from and after the date of termination due to the death of the Executive.

**5. Effect of Termination.** The provisions of this Section 5 shall apply to any termination of the Executive's employment under this Agreement, whether pursuant to Section 4 or otherwise.

a) Provision by the Company of Severance Payments, if any, due to the Executive in accordance with this Agreement shall constitute the entire obligation of the Company to the Executive hereunder. The Executive shall promptly give the Company notice of all facts necessary for the Company to determine the amount and duration of its obligations in connection with any termination pursuant to this Agreement.

b) Except for any right of the Executive to continue medical, vision, or dental plan participation in accordance with applicable law or as expressly provided herein, the Executive's participation in all Employee Benefit Plans shall terminate pursuant to the terms of the applicable plan documents based on the date of termination of the Executive's employment without regard to any Severance Payments, notice required hereunder, or any other payment made to or on behalf of the Executive following such date of termination.

c) Provisions of this Agreement shall survive any termination of the Executive's employment if so provided herein or if necessary or desirable fully to accomplish the purposes of other surviving provisions, including without limitation the obligations of the Executive under the Confidentiality, Non-Solicitation & Non-Compete Agreement. The obligation of the Company to provide Severance Payments hereunder is expressly conditioned on the Executive's execution of a general release and waiver, as referenced in Section 4(b), and the Executive's continued full compliance with the terms of the Confidentiality, Non-Compete & Non-Solicitation Agreement. The Executive acknowledges that, except as expressly provided in Section 4(b), no compensation is earned after termination of employment.

**6 . Confidentiality, Non-Solicitation & Title to Work Product Agreement.** Executive agrees to the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto as Addendum A and has signed that Agreement. Such Confidentiality, Non-Solicitation and Title To Work Product Agreement is hereby incorporated into and made a part of this Agreement.

**7 . Importance of Certain Clauses.** Executive and the Company agree that the covenants contained in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached hereto and incorporated into this Agreement are material terms of this Agreement and all parties understand the importance of such provisions to the ongoing business of the Company. As such, because the Company's continued business and viability depend on the protection of such secrets and non-competition, these clauses are interpreted by the parties to have the widest and most expansive applicability as may be allowed by law and Executive understands and acknowledges his or his understanding of same.

**8 . Consideration.** Executive acknowledges and agrees that the provision of employment under this Agreement and the execution by the Company of this Agreement constitute full, adequate and sufficient consideration to Executive for the Executive's duties, obligations and covenants under this Agreement and under the Confidentiality, Non-Solicitation and Non-Compete Agreement incorporated into this Agreement.

**9. Acknowledgement of Post Termination Obligations.** Upon the effective date of termination of Executive's employment (unless due to Executive's death), if requested by the Company, Executive shall participate in an exit interview with the Company and certify in writing that Executive has complied with his contractual obligations and intends to comply with his continuing obligations under this Agreement, including, but not limited to, the terms of the Confidentiality, Non-Solicitation and Non-Compete Agreement. To the extent it is known or applicable at the time of such exit interview, Executive shall also provide the Company with information concerning Executive's subsequent employer and the capacity in which Executive will be employed. Executive's failure to comply shall be a material breach of this Agreement, for which the Company, in addition to any other civil remedy, may seek equitable relief.

**10 . Withholding.** All payments made to Executive shall be made net of any applicable withholding for income taxes and Executive's share of FICA, FUTA or other employment taxes. The Company shall withhold such amounts

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/s/ GW

from such payments to the extent required by applicable law and remit such amounts to the applicable governmental authorities in accordance with applicable law.

**11. Representations of Executive.** Executive represents and warrants to the Company that (a) nothing in his past legal and/or work and/or personal experiences, which if became broadly known in the marketplace, would impair his ability to serve as the President and Chief Operating Officer, Laboratory Operations of a publicly-traded company or materially damage his credibility with public shareholders; (b) Executive has not been convicted of any criminal offense related to health care, or been debarred, sanctioned, excluded or otherwise made ineligible for participation in a federal or state health care program by any federal or state agency; (c) there are no restrictions, agreements, or understandings whatsoever to which Executive is a party which would prevent or make unlawful his execution of this Agreement or employment hereunder, (d) Executive's execution of this Agreement and his employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which Executive is a party or by which Executive is bound, (e) Executive is free and able to execute this Agreement and to continue employment with the Company, and (f) Executive has not used and will not use confidential information or trade secrets belonging to any prior employers to perform services for the Company.

**12. Compliance Agreements.** Executive agrees to provide services to the Company in compliance with all applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies, including, without limitation, the Medicare and Medicaid anti-kickback law, the Stark self-referral prohibition, and compliance guidance published by the Office of the Inspector General of the Department of Health and Human Service, and to assist the Company in remaining educated and in compliance with respect to such laws and regulations and compliance guidance. Executive acknowledges that he understands these requirements, and shall remain educated and informed regarding the applicable federal and state laws and regulations, as well as all compliance guidance published by federal or state agencies. In the event that Executive knows or suspect that any activities of the Company or any personnel or contractor of the Company, or any client of the Company implicates any such requirements or guidance, Executive agrees that she will immediately inform the Board and cooperate fully with the Company to investigate and address any compliance issues arising as a result of such known or suspected activities. Executive further understands and acknowledges that compliance with this paragraph shall be a condition of employment.

**13. Effect of Partial Invalidity.** The invalidity of any portion of this Agreement shall not affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall remain in full force and effect.

**14. Entire Agreement.** This Agreement, together with the other documents referenced herein, reflects the complete agreement between the parties regarding the subject matter identified herein and shall supersede all other previous agreements, either oral or written, between the parties. The parties stipulate that neither of them, nor any person acting on their behalf has made any representations except as are specifically set forth in this Agreement and each of the parties acknowledges that it or she has not relied upon any representation of any third party in executing this Agreement, but rather have relied exclusively on it or his own judgment in entering into this Agreement.

**15. Assignment.** The Company may assign its interest and rights under this Agreement at its sole discretion and without approval of Executive to a successor in interest by the Company's merger, consolidation or other form of business combination with or into a third party where the Company's stockholders before such event do not control a majority of the resulting business entity after such event. All rights and entitlements arising from this Agreement, including but not limited to those protective covenants and prohibitions set forth in the Confidentiality, Non-Solicitation and Non-Compete Agreement attached as

Addendum A and incorporated into this Agreement shall inure to the benefit of any purchaser, assignor or transferee of this Agreement and shall continue to be enforceable to the extent allowable under applicable law. Neither this Agreement, nor the employment status conferred with its execution is assignable or subject to transfer in any manner by Executive.

**16. Notices.** All notices, requests, demands, and other communications shall be in writing and shall be given by hand delivery or by overnight delivery, a) if to the Company, at the Company's then current headquarters

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/s/ GW



location, and b) if to Executive, via hand delivery or at the most recent address on file with the Company for Executive or to such subsequent addresses as either party shall so designate in writing to the other party.

**17. Remedies.** If any action at law, equity or in arbitration, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party may, if the court or arbitrator hearing the dispute, so determines, have its reasonable attorneys' fees and costs of enforcement recouped from the non-prevailing party.

**18. Amendment/Waiver.** No waiver, modification, amendment or change of any term of this Agreement shall be effective unless it is in a written agreement signed by both parties. No waiver by the Employer of any breach or threatened breach of this Agreement shall be construed as a waiver of any subsequent breach unless it so provides by its terms.

**19. Governing Law, Venue and Jurisdiction.** This Agreement and all transactions contemplated by this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Florida without regard to any conflicts of laws, statutes, rules, regulations or ordinances. Executive consents to personal jurisdiction and venue in the Circuit Court in and for Lee County, Florida regarding any action arising under the terms of this Agreement and any and all other disputes between Executive and Employer.

**20. Arbitration.** Any and all controversies and disputes between Executive and Company arising from this Agreement or regarding any other matter whatsoever shall be submitted to arbitration before a single unbiased arbitrator skilled in arbitrating such disputes under the American Arbitration Association, utilizing its Employment Arbitration Rules and Mediation Procedures. Any arbitration action brought pursuant to this section shall be heard in Fort Myers, Lee County, Florida. The Circuit Court in and for Lee County, Florida shall have concurrent jurisdiction with any arbitration panel for the purpose of entering temporary and permanent injunctive relief, but only with respect to any alleged breach of the Confidentiality, Non-Solicitation and Non-Compete Agreement.

**21. Headings.** The titles to the sections of this Agreement are solely for the convenience of the parties and shall not affect in any way the meaning or interpretation of this Agreement.

**22. Miscellaneous Terms.** The parties to this Agreement declare and represent that:

- a. They have read and understand this Agreement;
- b. They have been given the opportunity to consult with an attorney if they so desire;
- c. They intend to be legally bound by the promises set forth in this Agreement and enter into it freely, without duress or coercion;
- d. They have retained signed copies of this Agreement for their records; and
- e. The rights, responsibilities and duties of the parties hereto, and the covenants and agreements contained herein, shall continue to bind the parties and shall continue in full force and effect until each and every obligation of the parties under this Agreement has been performed.

**23. Counterparts.** This Agreement may be executed in counterparts and by electronic signature (e.g. DocuSign), facsimile, or by pdf, each of which shall be deemed an original for all intents and purposes.

*Signatures appear on the following page.*

Employee Initials  
/s/ GW

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

NEOGENOMICS, INC.

By: /s/ Mark Mallon

Name: Mark Mallon

Title: Chief Executive Officer

EXECUTIVE

By: /s/ Gina Wallar

Name: Gina Wallar

Employee Initials  
/s/ GW

**Addendum A**

**Confidentiality, Non-Solicitation & Title to Work Product Agreement**

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*/s/ GW*

## CERTIFICATIONS

I, Mark W. Mallon, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 9, 2021

*/s/ Mark W. Mallon*

Mark W. Mallon  
Chief Executive Officer

## CERTIFICATIONS

I, Kathryn B. McKenzie, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 9, 2021

*/s/ Kathryn B. McKenzie*

Kathryn B. McKenzie  
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 this Quarterly Report of NeoGenomics, Inc. (the "Company") on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his or her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2021

/s/ Mark W. Mallon

Mark W. Mallon  
Chief Executive Officer

Date: August 9, 2021

/s/ Kathryn B. McKenzie

Kathryn B. McKenzie  
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.