

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

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2022**

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

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number: **001-35756**

**NEOGENOMICS, INC.**

(Exact name of registrant as specified in its charter)

<u>Nevada</u> (State or other jurisdiction of incorporation or organization)	<u>74-2897368</u> (I.R.S. Employer Identification No.)
<u>9490 NeoGenomics Way, Fort Myers, Florida</u> (Address of principal executive offices)	<u>33912</u> (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 November 4, 2022, the registrant had 126,303,261 shares of Common Stock, par value \$0.001 per share outstanding.

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## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements generally can be identified by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intends,” “may,” “plan,” “potential,” “project,” “will,” “would” and similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements address various matters, including the Company’s 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. 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, 2022, and in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q.

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 \$345.0 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 have sufficient cash to pay our obligations under the 2025 Convertible Notes or the 2028 Convertible Notes;
- The dilutive impact of the conversion of the 2025 Convertible Notes or the 2028 Convertible Notes;
- 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; and
- 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.

The forward-looking statements included in this Quarterly Report on Form 10-Q speak only as of the date of this report, 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)

	September 30, 2022 (unaudited)	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 266,126	\$ 316,827
Marketable securities, at fair value	177,414	198,563
Accounts receivable, net	111,994	112,130
Inventories	23,799	23,395
Prepaid assets	16,511	12,354
Assets held for sale	—	10,050
Other current assets	7,516	8,189
Total current assets	603,360	681,508
Property and equipment (net of accumulated depreciation of \$125,018 and \$109,952, respectively)	106,818	109,465
Operating lease right-of-use assets	98,945	102,197
Intangible assets, net	416,848	442,325
Goodwill	522,766	527,115
Other assets	6,845	7,168
Total non-current assets	1,152,222	1,188,270
Total assets	\$ 1,755,582	\$ 1,869,778
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 13,708	\$ 17,921
Accrued compensation	37,992	38,304
Accrued expenses and other liabilities	20,420	17,796
Current portion of equipment financing obligations	118	1,135
Current portion of operating lease liabilities	6,379	6,884
Pharma contract liabilities	6,386	5,192
Total current liabilities	85,003	87,232
<b>Long-term liabilities</b>		
Convertible senior notes, net	534,609	532,483
Operating lease liabilities	70,471	72,289
Deferred income tax liabilities, net	38,345	55,475
Other long-term liabilities	14,166	14,022
Total long-term liabilities	657,591	674,269
Total liabilities	\$ 742,594	\$ 761,501
Commitments and contingencies (Note 11)		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value, (250,000,000 shares authorized; 126,562,037 and 124,107,500 shares issued and outstanding, respectively)	\$ 127	\$ 124
Additional paid-in capital	1,154,365	1,123,628
Accumulated other comprehensive loss	(5,104)	(638)
Accumulated deficit	(136,400)	(14,837)
Total stockholders' equity	\$ 1,012,988	\$ 1,108,277
Total liabilities and stockholders' equity	\$ 1,755,582	\$ 1,869,778

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>NET REVENUE</b>				
Clinical Services	\$ 106,162	\$ 102,227	\$ 310,588	\$ 300,119
Pharma Services	22,620	19,113	60,435	58,478
Total net revenue	128,782	121,340	371,023	358,597
<b>COST OF REVENUE</b>	79,889	74,101	239,952	216,794
<b>GROSS PROFIT</b>	48,893	47,239	131,071	141,803
Operating expenses:				
General and administrative	64,282	63,839	188,481	158,953
Research and development	7,312	7,409	23,651	13,360
Sales and marketing	16,809	15,704	50,179	46,677
Total operating expenses	88,403	86,952	262,311	218,990
<b>LOSS FROM OPERATIONS</b>	(39,510)	(39,713)	(131,240)	(77,187)
Interest expense, net	139	1,296	2,366	3,375
Other (income) expense, net	(25)	(89)	212	(431)
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(17,750)	—	(109,260)
(Loss) income before taxes	(39,624)	(23,170)	(133,818)	29,129
Income tax benefit	(2,772)	(2,822)	(12,255)	(4,283)
<b>NET (LOSS) INCOME</b>	\$ (36,852)	\$ (20,348)	\$ (121,563)	\$ 33,412
<b>NET (LOSS) INCOME PER SHARE</b>				
Basic	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28
Diluted	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	124,425	122,559	124,055	119,087
Diluted	124,425	122,559	124,055	121,356

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>NET (LOSS) INCOME</b>	\$ (36,852)	\$ (20,348)	\$ (121,563)	\$ 33,412
<b>OTHER COMPREHENSIVE LOSS:</b>				
Net unrealized loss on marketable securities, net of tax	(1,048)	(57)	(4,466)	(400)
Total other comprehensive loss, net of tax	(1,048)	(57)	(4,466)	(400)
<b>COMPREHENSIVE (LOSS) INCOME</b>	<u>\$ (37,900)</u>	<u>\$ (20,405)</u>	<u>\$ (126,029)</u>	<u>\$ 33,012</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 Loss	Accumulated Deficit	Total
	Shares	Amount				
<b>Balance, December 31, 2021</b>	124,107,500	\$ 124	\$ 1,123,628	\$ (638)	\$ (14,837)	\$ 1,108,277
Common stock issuance ESPP Plan	47,853	—	971	—	—	971
Issuance of restricted stock, net of forfeitures	100,253	—	(1,049)	—	—	(1,049)
Issuance of common stock for stock options	466,609	1	6,479	—	—	6,480
ESPP expense	—	—	249	—	—	249
Stock-based compensation expense - options and restricted stock	—	—	11,855	—	—	11,855
Net unrealized loss on marketable securities, net of tax	—	—	—	(2,371)	—	(2,371)
Net loss	—	—	—	—	(49,408)	(49,408)
<b>Balance, March 31, 2022</b>	124,722,215	\$ 125	\$ 1,142,133	\$ (3,009)	\$ (64,245)	\$ 1,075,004
Common stock issuance ESPP Plan	89,374	—	807	—	—	807
Issuance of restricted stock, net of forfeitures	773,010	1	(311)	—	—	(310)
Issuance of common stock for stock options	94,974	—	743	—	—	743
ESPP expense	—	—	293	—	—	293
Stock-based compensation expense - options and restricted stock	—	—	3,332	—	—	3,332
Net unrealized loss on marketable securities, net of tax	—	—	—	(1,047)	—	(1,047)
Net loss	—	—	—	—	(35,303)	(35,303)
<b>Balance, June 30, 2022</b>	125,679,573	\$ 126	\$ 1,146,997	\$ (4,056)	\$ (99,548)	\$ 1,043,519
Common stock issuance ESPP Plan	150,585	—	1,133	—	—	1,133
Issuance of restricted stock, net of forfeitures	493,907	1	(6)	—	—	(5)
Issuance of common stock for stock options	237,972	—	1,961	—	—	1,961
ESPP expense	—	—	257	—	—	257
Stock-based compensation expense - options and restricted stock	—	—	4,023	—	—	4,023
Net unrealized loss on marketable securities, net of tax	—	—	—	(1,048)	—	(1,048)
Net loss	—	—	—	—	(36,852)	(36,852)
<b>Balance, September 30, 2022</b>	126,562,037	\$ 127	\$ 1,154,365	\$ (5,104)	\$ (136,400)	\$ 1,012,988

**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
Common stock issuance ESPP Plan	27,210	—	1,020	—	—	1,020
Issuance of restricted stock, net of forfeitures	160,971	—	(304)	—	—	(304)
Issuance of common stock for stock options	317,477	—	3,374	—	—	3,374
Stock issuance fees and expenses	—	—	(35)	—	—	(35)
ESPP expense	—	—	236	—	—	236
Stock based compensation expense - options and restricted stock	—	—	5,001	—	—	5,001
Net unrealized loss on marketable securities, net of tax	—	—	—	(57)	—	(57)
Net loss	—	—	—	—	(20,348)	(20,348)
<b>Balance, September 30, 2021</b>	123,217,010	\$ 123	\$ 1,110,590	\$ (390)	\$ 26,922	\$ 1,137,245

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income	\$ (121,563)	\$ 33,412
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	25,894	21,807
Amortization of intangibles	25,470	14,683
Non-cash stock-based compensation	20,009	12,396
Non-cash operating lease expense	7,375	6,167
Amortization of convertible debt discount	1,989	1,904
Amortization of debt issue costs	136	133
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(109,260)
Interest receivable on loan receivable from non-consolidated affiliate	—	(391)
Loss on disposal of assets, net	3,066	166
Gain on sale of assets held for sale	(2,048)	—
Write-off of COVID-19 PCR testing inventory and equipment	—	6,061
Other adjustments	1,428	1,222
Changes in assets and liabilities, net		
Accounts receivable, net	136	2,475
Inventories	(403)	3,196
Prepaid lease asset	—	(4,435)
Prepaid and other assets	(3,605)	(11,796)
Accounts payable, operating lease liabilities, deferred taxes, accrued and other liabilities	(20,192)	15,313
Net cash used in operating activities	(62,308)	(6,947)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(73,973)	(180,961)
Proceeds from sales and maturities of marketable securities	89,812	44,736
Purchases of property and equipment	(26,357)	(52,155)
Proceeds from assets held for sale	12,098	—
Business acquisitions, net of cash acquired	—	(419,404)
Loan receivable from non-consolidated affiliate	—	(15,000)
Net cash provided by (used in) investing activities	1,580	(622,784)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of equipment financing obligations	(706)	(2,537)
Issuance of common stock, net	10,733	12,110
Proceeds from issuance of convertible debt, net of issuance costs	—	334,410
Premiums paid for capped call confirmations	—	(29,291)
Proceeds from equity offering, net of issuance costs	—	408,133
Net cash provided by financing activities	10,027	722,825
Net change in cash, cash equivalents and restricted cash	(50,701)	93,094
Cash, cash equivalents and restricted cash, beginning of period	316,827	250,632
Cash, cash equivalents and restricted cash, end of period	\$ 266,126	\$ 343,726

	Nine Months Ended September 30,	
	2022	2021
<b>Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets:</b>		
Cash and cash equivalents	\$ 266,126	\$ 340,565
Restricted cash, non-current	—	3,161
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 266,126</b>	<b>\$ 343,726</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 2,145	\$ 1,792
Income taxes paid, net	\$ 155	\$ 113
<b>Supplemental disclosure of non-cash investing and financing information:</b>		
Fair value of common stock issued to fund business acquisition	\$ —	\$ 29,174
Purchases of property and equipment included in accounts payable	\$ 1,144	\$ 2,184

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 (the “Company,” or “NeoGenomics”), and its subsidiaries, operate as a certified, high complexity clinical laboratory in accordance with the federal government’s CLIA, as amended, 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**

The impact from the COVID-19 pandemic, including recent COVID-19 variants, and the related disruptions had a significant adverse impact on the Company’s results of operations, volume growth rates and test volumes in 2020, 2021, and in the first three quarters of 2022. 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 expected 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 nine months ended September 30, 2021. There were no COVID-19 PCR testing laboratory equipment or COVID-19 PCR testing inventory write-offs recorded for the three months ended September 30, 2021 and the three and nine months ended September 30, 2022.

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

The Federal government passed legislation that 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”). The CARES Act permits the deferral of payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020. Fifty percent of the deferred amount was due on December 31, 2021 and the remaining 50% is due on December 31, 2022. As of September 30, 2022 and December 31, 2021, the total accrued deferred social security taxes related to the CARES Act was \$3.0 million. This amount was recorded in accrued expenses and other liabilities on the Consolidated Balance Sheets.

**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, 2021, except for new accounting standards discussed under Recent Accounting Pronouncements.

**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, 2021.

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.

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

**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.

**Assets Held for Sale**

Assets to be disposed of by sale are reclassified as held for sale if their carrying amounts are expected to be recovered through a sale transaction rather than through continuing use and when the Company commits to a plan to sell the assets. Assets classified as held for sale are measured at the lower of their carrying value or fair value less selling costs. Such assets are classified within current assets if there is reasonable certainty that the sale and collection of consideration will take place within one year. Upon reclassification as held for sale, long-lived assets are no longer depreciated or amortized and a measurement for impairment is performed to determine if there is an excess of carrying value over fair value less costs to sell. Any remeasurement is reported as an adjustment to the carrying value of the assets. Subsequent changes to estimated fair value less the selling costs will impact the measurement of assets held for sale if the fair value is determined to be less than the carrying value of the assets.

The Company owned 43,560 square feet of its Carlsbad, California facility. During the third quarter of 2021, the Company committed to selling this property and the associated land and concluded that these assets met the held for sale criteria. As of December 31, 2021, \$10.1 million was recorded as assets held for sale within current assets on the Consolidated Balance Sheets for this property and associated land and reflected its carrying value which was lower than its fair value less costs to sell. The Company sold this property and associated land for proceeds of \$12.1 million, net of closing costs, in the first quarter of 2022. For the nine months ended September 30, 2022, a net gain on the sale of this property and associated land of \$2.0 million is included in general and administrative expenses on the Consolidated Statements of Operations.

**Goodwill**

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management performs a quantitative goodwill impairment test. The quantitative analysis is performed by comparing the fair value of the reporting unit to its carrying value. If the carrying value is greater than the estimate of fair value, an impairment loss will be recognized for the amount in which the carrying amount exceeds the reporting unit's fair value. The Company estimates the fair values of its reporting units using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data.

At June 30, 2022, the Company performed a qualitative assessment to determine whether it was more likely than not that the fair values of its reporting units were less than their carrying values. Such qualitative factors included macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant events. As a result of the qualitative assessment, the Company determined that there were indicators that it was more likely than not that the fair values of its reporting units were less than their carrying values. Accordingly, the Company performed a quantitative analysis and determined the reporting units' fair values exceeded the reporting units' carrying values and there was no impairment of the recorded goodwill as of June 30, 2022.

**General and Administrative Expenses**

General and administrative expenses consist of payroll and payroll related costs for the Company's billing, finance, human resources, information technology, and other administrative personnel as well as stock-based compensation. The Company also includes professional services, facilities expense, IT infrastructure costs, gains or losses on disposals of assets, depreciation, amortization, and other administrative-related costs in general and administrative expenses in the Consolidated Statements of Operations.

**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 in the Clinical Services

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segment. Advertising costs are expensed at the time they are incurred and were immaterial for the three and nine months ended September 30, 2022 and 2021.

**Recent Accounting Pronouncements**

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance* (“ASU 2021-10”). This update requires business entities to disclose information annually about certain government assistance they receive. Such annual disclosure requirements include the nature of the transactions and the related accounting policy used, the line items on the balance sheet and income statement that are affected and the amounts applicable to each financial statement line item and significant terms and conditions of the transactions. ASU 2021-10 is effective for annual periods beginning after December 15, 2021, with early adoption permitted. ASU 2021-10 should be applied either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions. The Company will adopt this new accounting standard in its Annual Report on Form 10-K for the year ended December 31, 2022 and does not expect the adoption of this standard to have a material impact on its Consolidated Financial Statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (“ASU 2021-08”). This update amends guidance to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with *Revenue from Contracts with Customers (Topic 606)*. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments is permitted including adoption in an interim period. If the Company early adopts in an interim period, the Company is required to apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The amendments in ASU 2021-08 should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is currently evaluating its adoption date of this standard and the impact of the standard on its Consolidated Financial Statements.

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 was effective beginning on March 12, 2020 and may be applied prospectively to such transactions through December 31, 2022 and ASU 2021-01 was effective beginning on January 7, 2021 and may be applied retrospectively or prospectively to such transactions through December 31, 2022. The Company will evaluate 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 September 30, 2022, there was no impact to the Company’s Consolidated Financial Statements related to ASU 2020-04 or ASU 2021-01.

**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 were based upon management’s best estimates and assumptions and were considered final as of March 31, 2022. The following table summarizes the purchase consideration recorded for the acquisition of Trapelo, the fair value of the net assets acquired and liabilities assumed, and the calculation of goodwill based on

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the excess of the consideration transferred over the 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>	\$ 64,765
<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>	\$ 64,765

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 was 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.

The results of operations of Trapelo are included in the Company's unaudited Consolidated Financial Statements beginning on the Trapelo Acquisition Date. 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 loss on a pro forma basis.

**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 \$25.0 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 \$390.0 million (the "Purchase Option"). The Company and Inivata also entered into a line of credit agreement in the amount of \$15.0 million (the "Line of Credit") in May 2020. In the first quarter of 2021, prior to the Inivata Acquisition Date, an observable transaction of an identical investment in Inivata Preference Shares occurred which resulted in a remeasurement of the Preference Shares to the value of this observable transaction. The Company recorded a net unrealized loss of \$5.0 million on investment in non-consolidated affiliate for this remeasurement for the three months ended March 31, 2021 in other expense (income), net on the Consolidated Statements of Operations.

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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.

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 were 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 \$64.9 million in Preference Shares and a \$74.3 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 \$15.0 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 \$109.3 million for the year ended December 31, 2021 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.

The purchase price and purchase price allocation were based upon management's best estimates and assumptions and were considered final as of June 30, 2022. The following table summarizes the 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 and includes measurement period adjustments recorded during 2021 (in thousands):

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	June 18, 2021 (as initially reported)	Measurement Period Adjustments	Adjustment	June 18, 2021 (as adjusted)
<b>Fair value of business combination:</b>				
Cash paid at closing	\$ 398,594	\$ —	\$ —	\$ 398,594
Fair value of Line of Credit	15,000	—	—	15,000
Fair value of consideration transferred	\$ 413,594	\$ —	\$ —	\$ 413,594
Fair value of previously-held equity interest <sup>(1)</sup>	62,919	1,987	—	64,906
Fair value of Purchase Option <sup>(1)</sup>	58,537	15,763	—	74,300
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>	<b>\$ 17,750</b>	<b>\$ —</b>	<b>\$ 552,800</b>
<b>Allocation of the fair value business combination:</b>				
Cash	\$ 14,068	\$ —	\$ —	\$ 14,068
Other current assets <sup>(2)</sup>	5,366	345	—	5,711
Property and equipment	1,753	—	—	1,753
Identifiable intangible assets - developed technology <sup>(1)</sup>	302,982	(11,796)	—	291,186
Identifiable intangible assets - trademarks <sup>(1)</sup>	31,700	(226)	—	31,474
Identifiable intangible asset - trade name <sup>(1)</sup>	2,322	253	—	2,575
Other long-term assets	6,240	—	—	6,240
<b>Total identifiable assets acquired</b>	<b>364,431</b>	<b>(11,424)</b>	<b>—</b>	<b>353,007</b>
Current liabilities	(4,241)	(1,650)	—	(5,891)
Deferred income tax liabilities <sup>(3)(4)</sup>	(64,680)	3,686	4,349	(56,645)
Other long-term liabilities	(4,690)	—	—	(4,690)
<b>Net identifiable assets acquired</b>	<b>290,820</b>	<b>(9,388)</b>	<b>4,349</b>	<b>285,781</b>
Goodwill <sup>(4)</sup>	244,230	27,138	(4,349)	267,019
<b>Total fair value of business combination</b>	<b>\$ 535,050</b>	<b>\$ 17,750</b>	<b>\$ —</b>	<b>\$ 552,800</b>

<sup>(1)</sup> Measurement period adjustment primarily relates to a change in estimated taxes based on jurisdictions in which forecasted profits are expected to be generated.

<sup>(2)</sup> Measurement period adjustment relates to the recognition of a credit which Inivata is entitled to claim for certain research and development expenditures

<sup>(3)</sup> Measurement period adjustment relates to a change in estimated deferred income tax liabilities as a result of the reduction in the amounts for intangibles assets and related future amortization.

<sup>(4)</sup> During the third quarter of 2022, we recorded a \$4.3 million decrease to goodwill and corresponding decrease to deferred income tax liabilities, net, on the Consolidated Balance Sheets to correct an immaterial error related to a prior period. The error was not material to any previously reported annual or interim consolidated financial statements.

The identified developed technology intangible assets and the trademark intangible assets are both being amortized over fifteen 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 \$234.6 million and \$32.4 million was 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 \$56.6 million. None of the goodwill resulting from the acquisition of Inivata is expected to be deductible for income tax purposes.

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The following unaudited pro forma information 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 (in thousands):

	<b>Three Months Ended September 30, 2021</b>		<b>Nine Months Ended September 30, 2021</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Net revenue	\$	121,340	\$	358,499
Net loss	\$	(37,017)	\$	(88,134)

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. These unaudited pro forma consolidated historical results exclude, \$17.8 million of measurement period adjustments recorded in the three months ended September 30, 2021 and \$109.3 million of gain on investment in and loan receivable from non-consolidated affiliate, net, recorded in the nine months ended September 30, 2021.

**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.

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 September 30, 2022 and December 31, 2021.

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September 30, 2022				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Financial Assets:				
Short-term marketable securities:				
U.S. Treasury securities	\$ 52,826	\$ —	\$ (889)	\$ 51,937
Yankee bonds	8,373	—	(141)	8,232
Agency bonds	8,890	—	(147)	8,743
Municipal bonds	12,877	—	(1,119)	11,758
Commercial paper	6,974	—	(29)	6,945
Asset-backed securities	30,117	—	(510)	29,607
Corporate bonds	62,725	—	(2,533)	60,192
Total	<u>\$ 182,782</u>	<u>\$ —</u>	<u>\$ (5,368)</u>	<u>\$ 177,414</u>

December 31, 2021				
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Financial Assets:				
Short-term marketable securities:				
U.S. Treasury securities	\$ 52,791	\$ 11	\$ (138)	\$ 52,664
Yankee bonds	6,175	1	(16)	6,160
Agency bonds	17,546	—	(16)	17,530
Municipal bonds	12,440	—	(211)	12,229
Commercial paper	17,694	—	(4)	17,690
Asset-backed securities	27,620	1	(86)	27,535
Corporate bonds	65,198	9	(452)	64,755
Total	<u>\$ 199,464</u>	<u>\$ 22</u>	<u>\$ (923)</u>	<u>\$ 198,563</u>

The Company had \$0.7 million and \$0.6 million of accrued interest receivable at September 30, 2022 and December 31, 2021, 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 and nine months ended September 30, 2022 and September 30, 2021 were immaterial.

The following tables set forth the fair value of available-for-sale marketable securities by contractual maturity at September 30, 2022 and December 31, 2021.

September 30, 2022				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
Financial Assets:				
Marketable Securities:				
U.S. Treasury securities	\$ 36,102	\$ 15,835	\$ —	\$ 51,937
Yankee bonds	5,704	2,528	—	8,232
Agency bonds	6,419	2,324	—	8,743
Municipal bonds	—	11,758	—	11,758
Commercial paper	6,945	—	—	6,945
Asset-backed securities	25,052	4,555	—	29,607
Corporate bonds	31,945	28,247	—	60,192
Total	<u>\$ 112,167</u>	<u>\$ 65,247</u>	<u>\$ —</u>	<u>\$ 177,414</u>

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December 31, 2021				
(in thousands)	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
Financial Assets:				
Marketable Securities:				
U.S. Treasury securities	\$ 22,550	\$ 30,114	\$ —	\$ 52,664
Yankee bonds	4,150	2,010	—	6,160
Agency bonds	14,041	3,489	—	17,530
Municipal bonds	—	12,229	—	12,229
Commercial paper	17,690	—	—	17,690
Asset-backed securities	20,868	6,667	—	27,535
Corporate bonds	25,412	39,343	—	64,755
<b>Total</b>	<b>\$ 104,711</b>	<b>\$ 93,852</b>	<b>\$ —</b>	<b>\$ 198,563</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 September 30, 2022 and December 31, 2021.

September 30, 2022				
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	\$ 197,901	\$ —	\$ —	\$ 197,901
Commercial paper	—	35,899	—	35,899
Marketable securities:				
U.S. Treasury securities	51,937	—	—	51,937
Yankee bonds	8,232	—	—	8,232
Agency bonds	8,743	—	—	8,743
Municipal bonds	11,758	—	—	11,758
Commercial paper	—	6,945	—	6,945
Asset-backed securities	—	29,607	—	29,607
Corporate bonds	—	60,192	—	60,192
<b>Total</b>	<b>\$ 278,571</b>	<b>\$ 132,643</b>	<b>\$ —</b>	<b>\$ 411,214</b>

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(in thousands)	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash equivalents:				
Money market funds	\$ 254,157	\$ —	\$ —	\$ 254,157
Commercial paper	—	22,491	—	22,491
<b>Marketable securities:</b>				
U.S. Treasury securities	52,664	—	—	52,664
Yankee bonds	6,160	—	—	6,160
Agency bonds	17,530	—	—	17,530
Municipal bonds	12,229	—	—	12,229
Commercial paper	—	17,690	—	17,690
Asset-backed securities	—	27,535	—	27,535
Corporate bonds	—	64,755	—	64,755
<b>Total</b>	<b>\$ 342,740</b>	<b>\$ 132,471</b>	<b>\$ —</b>	<b>\$ 475,211</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 nine months ended September 30, 2022 and September 30, 2021.

**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 September 30, 2022 and December 31, 2021 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.

**Note 5. Goodwill and Intangible Assets**

The following table summarizes the carrying amounts of goodwill by segment at September 30, 2022 and December 31, 2021 (in thousands):

	Clinical Services	Pharma Services	Total
<b>Balance at December 31, 2021</b>	\$ 462,603	\$ 64,512	\$ 527,115
Adjustment <sup>(1)</sup>	(3,821)	(528)	(4,349)
<b>Balance at September 30, 2022</b>	<b>\$ 458,782</b>	<b>\$ 63,984</b>	<b>\$ 522,766</b>

<sup>(1)</sup>During the third quarter of 2022, we recorded a \$4.3 million decrease to goodwill and corresponding decrease to deferred income tax liabilities, net, on the Consolidated Balance Sheets to correct an immaterial error related to a prior period. The error was not material to any previously reported annual or interim consolidated financial statements.

Intangible assets consisted of the following (in thousands):

	Amortization Period (years)	September 30, 2022		
		Cost	Accumulated Amortization	Net
Customer Relationships	7 - 15	\$ 143,101	\$ 53,172	\$ 89,929
Developed Technology	10 - 15	310,226	27,787	282,439
Marketing Assets	4	549	204	345
Trademarks	15	31,473	2,699	28,774
Trade Name	5	2,584	670	1,914
Trademark - Indefinite lived	—	13,447	—	13,447
<b>Total</b>		<b>\$ 501,380</b>	<b>\$ 84,532</b>	<b>\$ 416,848</b>

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	Amortization Period (years)	December 31, 2021		
		Cost	Accumulated Amortization	Net
Customer Relationships	7 - 15	\$ 143,101	\$ 45,756	\$ 97,345
Developed Technology	10 - 15	310,226	11,798	298,428
Marketing Assets	4	549	100	449
Trademarks	15	31,473	1,125	30,348
Trade Name	5	2,584	276	2,308
Trademark - Indefinite lived	—	13,447	—	13,447
Total		<u>\$ 501,380</u>	<u>\$ 59,055</u>	<u>\$ 442,325</u>

The Company records amortization expense within cost of revenue and general and administrative expense on the Consolidated Statement of Operations. The following table summarizes the amortization expense for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Amortization of intangibles included in cost of revenue	\$ 4,853	\$ 4,825	\$ 14,559	\$ 5,554
Amortization of intangibles included in general and administrative expenses	3,637	3,649	10,911	9,129
Total amortization of intangibles	<u>\$ 8,490</u>	<u>\$ 8,474</u>	<u>\$ 25,470</u>	<u>\$ 14,683</u>

The estimated amortization expense related to amortizable intangible assets for each of the following periods as of September 30, 2022 is as follows (in thousands):

Remainder of 2022	\$ 8,490
2023	33,962
2024	33,961
2025	33,858
2026	33,547
Thereafter	259,583
Total	<u>\$ 403,401</u>

#### Note 6. Debt

##### 2028 Convertible Senior Notes

On January 11, 2021, the Company completed the sale of \$345.0 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 last reported sales price of the Company's common stock was not greater than or equal to 130.0% of the conversion price of the 2028 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended June 30, 2022. Based on the terms of the 2028 Convertible Notes, the holders could not have converted all or a portion of their 2028 Convertible Notes in the third quarter of 2022. The last reported sales price of the Company's common stock was not greater than or equal to 130.0% of the conversion price of the 2028 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended September 30, 2022. Based on the terms of the 2028 Convertible Notes, the holders cannot convert all or a portion of their 2028 Convertible Notes in the fourth quarter of 2022. The value of the 2028 Convertible Notes, if-converted, does not exceed the principal amount based on a closing stock price of \$8.61 on September 30, 2022.

The interest expense recognized on the 2028 Convertible Notes includes \$0.2 million, \$0.4 million and \$8,500 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 September 30, 2022. The interest expense recognized on the 2028 Convertible Notes includes \$0.7 million, \$1.1 million and \$25,300 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2022. The interest expense

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recognized on the 2028 Convertible Notes includes \$0.2 million, \$0.4 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 September 30, 2021. The interest expense recognized on the 2028 Convertible Notes includes \$0.6 million, \$1.0 million and \$23,700 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2021. 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.

At September 30, 2022, the estimated fair values (Level 2) of the 0.25% Convertible Senior Notes due 2028 was \$217.4 million. At December 31, 2021, the estimated fair value (Level 2) of the 0.25% Convertible Senior Notes due 2028 was \$297.6 million.

**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 last reported sales price of the Company's common stock was not greater than or equal to 130.0% 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, 2022. Based on the terms of the 2025 Convertible Notes, the holders could not have converted all or a portion of their 2025 Convertible Notes in the third quarter of 2022. The last reported sales price of the Company's common stock was not greater than or equal to 130.0% of the conversion price of the 2025 Convertible Notes on at least 20 of the last 30 consecutive trading days of the quarter ended September 30, 2022. Based on the terms of the 2025 Convertible Notes, the holders cannot convert all or a portion of their 2025 Convertible Notes in the fourth quarter of 2022. The value of the 2025 Convertible Notes, if-converted, does not exceed the principal amount based on a closing stock price of \$8.61 on September 30, 2022.

The interest expense recognized on the 2025 Convertible Notes includes \$0.6 million, \$0.3 million and \$37,200 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 September 30, 2022. The interest expense recognized on the 2025 Convertible Notes includes \$1.9 million, \$0.9 million and \$0.1 million for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2022. The interest expense recognized on the 2025 Convertible Notes includes \$0.6 million, \$0.3 million and \$36,500 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 September 30, 2021. The interest expense recognized on the 2025 Convertible Notes includes \$1.9 million, \$0.9 million and \$0.1 million for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the nine months ended September 30, 2021. 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.

At September 30, 2022, the estimated fair values (Level 2) of the 1.25% Convertible Senior Notes due 2025 was \$171.1 million. At December 31, 2021, the estimated fair value (Level 2) of the 1.25% Convertible Senior Notes due 2025 was \$238.9 million.

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**Note 7. Stock-Based Compensation**

The Company recorded approximately \$4.3 million and \$5.2 million for stock-based compensation in general and administrative expenses on the Consolidated Statements of Operations for the three months ended September 30, 2022 and 2021, respectively, and approximately \$20.0 million and \$12.4 million for the nine months ended September 30, 2022 and 2021, respectively.

Stock Options

A summary of the stock option activity under the Company's plans for the nine months ended September 30, 2022 is as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2021	2,961,195	\$ 25.46
Options granted	3,849,603	\$ 14.94
Less:		
Options exercised	804,555	\$ 11.35
Options forfeited	1,758,886	\$ 28.75
Options outstanding at September 30, 2022	4,247,357	\$ 17.23
Exercisable at September 30, 2022	1,019,075	\$ 24.91

The fair value of each stock option award granted during the nine months ended September 30, 2022 was estimated as of the grant date using a Black-Scholes model with the following assumptions:

	Nine Months Ended September 30, 2022
Expected term (in years)	3.0 - 5.5
Risk-free interest rate (%)	1.4% - 3.4%
Expected volatility (%)	42% - 60%
Dividend yield (%)	—
Weighted average grant date fair value per share	\$6.51

As of September 30, 2022, there was approximately \$14.8 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.

Restricted Stock Awards

A summary of the restricted stock activity under the Company's plans for the nine months ended September 30, 2022 is as follows:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	851,403	\$ 36.00
Granted	2,477,418	\$ 14.58
Vested	(311,055)	\$ 36.71
Forfeited	(1,022,904)	\$ 27.10
Nonvested at September 30, 2022	1,994,862	\$ 13.84

As of September 30, 2022, there was approximately \$19.8 million of unrecognized stock-based compensation expense related to restricted stock that will be recognized over a weighted-average period of approximately 2.2 years.

Modification of Stock Option and Restricted Stock Awards

In the second quarter of 2022, upon the Chief Legal Officer's departure from the Company and in accordance with the terms of the Chief Legal Officer's employment agreement, 41,487 previously granted time-based vesting stock option awards and 76,138 previously granted time-vesting restricted stock awards accelerated vesting. The Company accounted for the effects of the accelerated vesting of these stock awards as a modification, and recognized \$2.2 million of incremental stock-based compensation which consisted of \$0.3 million and \$1.9 million for the acceleration of stock option awards and restricted stock

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awards, respectively, within general and administrative expenses on the Consolidated Statements of Operations for the nine months ended September 30, 2022. There were no such amounts for the three months ended September 30, 2022.

In the first quarter of 2022, upon the Chief Executive Officer's departure from the Company and in accordance with the terms of the Chief Executive Officer's separation agreement, 237,960 previously granted time-based vesting stock option awards and 142,302 previously granted time-vesting restricted stock awards accelerated vesting. The Company accounted for the effects of the accelerated vesting of these stock awards as a modification, and recognized \$5.9 million of incremental stock-based compensation which consisted of \$2.3 million and \$3.6 million for the acceleration of stock option awards and restricted stock awards, respectively, within general and administrative expenses on the Consolidated Statements of Operations for the nine months ended September 30, 2022. There were no such amounts for the three months ended September 30, 2022.

**Note 8. Revenue Recognition**

The Company's two reportable segments for which it recognizes revenue are (1) Clinical Services and (2) 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. 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 90 to 120 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, and/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 the sponsor(s) 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 or prospective deliveries of data. Informatics revenue is recognized upon delivery of retrospective data or over time for prospective data feeds. 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 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 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 customers, 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.

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

	September 30, 2022	December 31, 2021
Current pharma contract assets <sup>(1)</sup>	\$ 2,679	\$ 1,738
Long-term pharma contract assets <sup>(2)</sup>	257	236
<b>Total pharma contract assets</b>	<b>\$ 2,936</b>	<b>\$ 1,974</b>
Current pharma capitalized commissions <sup>(1)</sup>	\$ 106	\$ 109
Long-term pharma capitalized commissions <sup>(2)</sup>	1,527	882
<b>Total pharma capitalized commissions</b>	<b>\$ 1,633</b>	<b>\$ 991</b>
Current pharma contract liabilities	\$ 6,386	\$ 5,192
Long-term pharma contract liabilities <sup>(3)</sup>	1,128	917
<b>Total pharma contract liabilities</b>	<b>\$ 7,514</b>	<b>\$ 6,109</b>

<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.

Revenue recognized for the three and nine months ended September 30, 2022 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.7 million and \$4.8 million, respectively. Revenue recognized for the three and nine months ended September 30, 2021 related to Pharma contract liability balances outstanding at the beginning of the period was \$0.4 million and \$4.2 million, respectively. Amortization of capitalized commissions for the three and nine months ended September 30, 2022 was \$0.3 million and \$0.6 million, respectively. Amortization of capitalized commissions for the three and nine months ended September 30, 2021 was \$0.2 million and \$0.9 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. Clinical Services categories align with the types of customers 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 relate to contracts with large pharmaceutical and biotech customers as well as other CROs. Because the nature, timing, and uncertainty of revenue and cash flows are similar and primarily driven by individual contract terms Pharma Services revenue is not further disaggregated.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Clinical Services:				
Client direct billing	\$ 73,234	\$ 64,195	\$ 208,123	\$ 188,040
Commercial Insurance	17,105	19,539	53,904	58,642
Medicare and Medicaid	15,795	18,295	48,427	52,929
Self-Pay	28	198	134	508
Total Clinical Services	\$ 106,162	\$ 102,227	\$ 310,588	\$ 300,119
Pharma Services:	22,620	19,113	60,435	58,478
Total Revenue	<b>\$ 128,782</b>	<b>\$ 121,340</b>	<b>\$ 371,023</b>	<b>\$ 358,597</b>

**Note 9. Income Taxes**

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At the end of each interim period, management estimates the annual effective tax rate based on forecasted pre-tax results of the Company's global operations and applies such rate to its ordinary quarterly earnings to calculate income tax expense related to ordinary income. The tax effects of items significant, unusual and infrequent in nature are discretely calculated and recognized in the period during which they occur. These discrete items often relate to changes in tax laws, excess tax benefits/deficiencies related to share-based compensation or adjustments to previously reported tax expense/benefits.

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.

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 September 30, 2022, 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 nine months ended September 30, 2022, includes the unfavorable impact of a valuation allowance against the Company's deferred income tax assets expected to be created in 2022 for additional U.S. net operating loss and tax credit carryforwards.

**Note 10. Net (Loss) Income 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 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 loss per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>NET (LOSS) INCOME</b>	\$ (36,852)	\$ (20,348)	\$ (121,563)	\$ 33,412
Basic weighted average shares outstanding	124,425	122,559	124,055	119,087
Dilutive effect of stock options	—	—	—	2,077
Dilutive effect of restricted stock awards	—	—	—	192
Dilutive effect of Convertible Notes due 2025	—	—	—	—
Dilutive effect of Convertible Notes due 2028	—	—	—	—
Diluted weighted average shares outstanding	124,425	122,559	124,055	121,356
Basic net (loss) income per share	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28
Diluted net (loss) income per share	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28

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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	45	1,811	272	—
Restricted stock awards	295	201	266	—
2025 Convertible Notes	5,538	5,538	5,538	5,538
2028 Convertible Notes	5,215	5,215	5,215	5,101

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. The potential effect of the Capped Call Transactions were excluded from the calculation of diluted net loss per share in the three and nine months ended September 30, 2022 as the Company’s closing price on September 30, 2022 did not exceed the conversion price of \$85.75 per share. The Capped Call Transactions are not reflected in diluted net loss per share as they are anti-dilutive.

**Note 11. Commitments and Contingencies**

*Legal Proceeding*

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 believes that it 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.

*Regulatory Matter*

With the assistance of outside counsel, the Company is voluntarily conducting an internal investigation that focuses on the compliance of certain consulting and service agreements with federal healthcare laws and regulations, including those relating to fraud, waste and abuse. Based on this internal investigation, the Company voluntarily notified the Office of Inspector General of the U.S. Department of Health and Human Services (“OIG”) of the Company’s internal investigation in November 2021. The Company’s review of this matter is ongoing. The Company has a reserve of \$11.2 million in other long-term liabilities as of September 30, 2022 and December 31, 2021 on the Consolidated Balance Sheets for potential damages and liabilities primarily associated with the federal healthcare program revenue received by the Company in connection with the agreements at issue that were identified during the course of this internal investigation. This reserve reflects management’s best estimate of the minimum probable loss associated with this matter. As a result of the ongoing investigation and interactions with regulatory authorities, the Company may accrue additional reserves for any related potential damages and liabilities arising out of this matter. The Company was notified on June 30, 2022 that the Department of Justice (“DOJ”) will be participating in the investigation of this matter. At this time, the Company is unable to predict the duration, scope, result or related costs associated with any further investigation, including by the OIG, DOJ, or any other governmental authority, or what penalties or remedial actions they may seek. Accordingly, at this time, the Company is unable to estimate a range of possible loss in excess of the amount reserved. Any determination that the Company’s operations or activities are not in compliance with existing laws or regulations, however, could result in the imposition of civil or criminal fines, penalties, disgorgement, restitution, equitable relief, or other losses or conduct restrictions, which could be material to the Company’s financial results or business operations.

**Note 12. 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 \$0.8 million of testing services to the Company recorded in cost of revenue in the Consolidated Statements of Operations for the nine months ended September 30, 2021 through the Inivata Acquisition Date.

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.

The Company has Pharma Services contracts with CytomX Therapeutics, Inc., an entity with whom a director of the Company, Dr. Alison L. Hannah, was an officer at until September 2022, and the Company’s former Chief Legal Officer, Halley E.

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Gilbert, is a director. In connection with these contracts, the Company recognized \$0.1 million and \$0.5 million of revenue in the Consolidated Statements of Operations for the three and nine months ended September 30, 2022, respectively. For the three and nine months ended September 30, 2021, the Company recognized revenue in the Consolidated Statements Operations of \$0.2 million and \$0.4 million, respectively.

The Company has Pharma Services contracts with HOOKIPA Pharma, Inc., an entity with whom a director of the Company, Michael A. Kelly, is a director. In connection with these contracts, the Company recognized \$0.3 million of revenue in the Consolidated Statements of Operations for both the three and nine months ended September 30, 2022. For the three and nine months ended September 30, 2021, the Company recognized revenue in the Consolidated Statements of Operations of \$0.2 million and \$0.4 million, respectively.

**Note 13. Segment Information**

The Company recognizes revenue under two reportable segments, (1) Clinical Services and (2) Pharma Services. The 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 self-pay patients. The Pharma Services segment supports pharmaceutical firms' drug development programs by assisting with various clinical trials and research as well as providing informatics related services often supporting pharmaceutical commercialization efforts.

The financial information reviewed by the Chief Operating Decision Maker ("CODM") includes revenues, cost of revenue, and gross profit for both reportable 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):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net revenues:</b>				
Clinical Services	\$ 106,162	\$ 102,227	\$ 310,588	\$ 300,119
Pharma Services	22,620	19,113	60,435	58,478
Total revenue	128,782	121,340	371,023	358,597
<b>Cost of revenue:</b>				
Clinical Services <sup>(1)</sup>	65,261	59,560	197,563	178,358
Pharma Services <sup>(2)</sup>	14,628	14,541	42,389	38,436
Total cost of revenue	79,889	74,101	239,952	216,794
<b>Gross Profit:</b>				
Clinical Services	40,901	42,667	113,025	121,761
Pharma Services	7,992	4,572	18,046	20,042
Total gross profit	48,893	47,239	131,071	141,803
<b>Operating expenses:</b>				
General and administrative	64,282	63,839	188,481	158,953
Research and development	7,312	7,409	23,651	13,360
Sales and marketing	16,809	15,704	50,179	46,677
Total operating expenses	88,403	86,952	262,311	218,990
<b>Loss from operations</b>	<b>(39,510)</b>	<b>(39,713)</b>	<b>(131,240)</b>	<b>(77,187)</b>
Interest expense, net	139	1,296	2,366	3,375
Other (income) expense, net	(25)	(89)	212	(431)
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(17,750)	—	(109,260)
(Loss) income before taxes	(39,624)	(23,170)	(133,818)	29,129
Income tax benefit	(2,772)	(2,822)	(12,255)	(4,283)
<b>Net (loss) income</b>	<b>\$ (36,852)</b>	<b>\$ (20,348)</b>	<b>\$ (121,563)</b>	<b>\$ 33,412</b>

<sup>(1)</sup> Clinical Services cost of revenue for both the three months ended September 30, 2022 and September 30, 2021 includes \$3.3 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2022 include \$12.8 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2021 include write-offs of \$5.3 million for COVID-19 PCR testing inventory and \$5.0 million of amortization of acquired Inivata developed technology intangible assets.

<sup>(2)</sup> Pharma Services cost of revenue for both the three months ended September 30, 2022 and September 30, 2021 include \$0.6 million of amortization of acquired Inivata developed technology intangible assets. Pharma Services cost of revenue for the nine months ended September 30, 2022 and September 30, 2021 includes \$1.8 million and \$0.6 million of amortization, respectively, of acquired Inivata developed technology intangible assets.

*NeoGenomics, Inc., a Nevada corporation (referred to individually as the “Parent Company” or collectively with its subsidiaries as “NeoGenomics,” “we,” “us,” “our,” or the “Company” in this Quarterly Report) 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**

The outbreak of the COVID-19 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 pandemic 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 are likely to 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 significant adverse impact on our results of operations, volume growth rates and test volumes in 2021 and in the first three quarters of 2022. For example, our Pharma Services customers are facing challenges in recruiting patients and in conducting clinical trials for which our tests could be utilized. 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 a decreased number of tests, any of which could materially affect our business, financial condition, and results of operations.

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, 2021, as filed with the SEC on February 25, 2022, and in Part II, Item 1A. “Risk Factors” in the Quarterly Report on Form 10-Q.

## **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 September 30, 2022, the Company operates CAP accredited and CLIA certified laboratories in Fort Myers and Tampa, Florida; Aliso Viejo and Carlsbad, California; Research Triangle Park, North Carolina; Houston, Texas; Atlanta, Georgia; Nashville, Tennessee; and Phoenix, Arizona; and CAP accredited laboratories in Rolle, Switzerland; Singapore and China. We currently offer the following types of testing services:

- 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.
- 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.
- 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.

- 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.
- 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.
- 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 a second opinion. In the latter setting, the expert pathologists at NeoGenomics assist our client pathologists on some of 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 can empower them to expand their breadth of testing to provide a menu of services that could match or exceed 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 we provide overflow interpretation services when requested by clients.

We are a leading provider of Molecular and NGS testing for oncology. 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. We have 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 IHC and FISH. In addition, we offer molecular-only NGS targeted and comprehensive panels which combine DNA and RNA into a single work stream in order to report a full spectrum of genomic alterations, including mutation, fusions, copy number variations, and gene expression. 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. The acquisition of Inivata provided us with oncology Liquid Biopsy technology capabilities. InVisionFirst®-Lung is a highly sensitive, targeted plasma-based assay for patients with non-small cell lung cancer, and RaDaR™ is an industry-leading liquid biopsy assay designed to detect residual disease and recurrence in plasma samples from patients with solid tumor malignancies. We expect 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 serve 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 us. In these instances, we 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 seek to 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 we are well 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 (“CDx”) tests, that will be used on patients to determine if they could respond to a certain therapy. We are 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 a drug and can enable Pharma sponsors to reach patients through our broad distribution channel in the Clinical Services segment.

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 seek to ensure the data we maintain is secured at all times. 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 also offer testing and informatics tools to help health care professionals in the rapidly evolving field of precision medicine, such as Trapelo™. Trapelo™ is an end-to-end, clinical decision-support platform designed to resolve the complexities of precision oncology – from test ordering to therapy selection to navigating prior authorization. Trapelo™ helps oncologists determine which biomarkers to test and in selecting the appropriate tests from laboratory offerings, and then assists with interpreting test results to identify appropriate, evidence-based treatment options. Trapelo™ also collaborates with health plans to embed plan policy at the “point of decision” and streamline prior authorization to optimize the efficient delivery of precision care for better patient outcomes.

**2022 Focus Areas:**

We are committed to sustainable growth while transforming patient care by being an innovative leader in our industry. Our focus for 2022 is to sustain a purpose driven culture that maintains excellence in service and performance while growing through innovation. We expect the following initiatives to allow the Company to continue on its path to become one of the world’s leading cancer testing and information companies:

Growth through Innovation

- Successfully launch new test offerings and secure reimbursement;
- Expand development of new cancer treatments; and
- Accelerate precision medicine in the community.

Excellence in Service and Performance

- Achieve turnaround time targets;
- Grow consolidated revenue and profitability; and
- Design next-generation Laboratory Information Management System (“LIMS”) platform.

Purpose Driven Culture

- Drive an engaged and committed workforce; and
- Foster inclusive and effective leadership by expanding our culture of inclusion and developing our future leaders.

**Competitive Strengths**

In addition to the competitive strengths discussed below, we believe that our superior testing technologies and instrumentation, laboratory information system, client education programs, and broad domestic and growing international presence also differentiate 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. 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 PhDs are specialists in the field of genetics, oncology and pathology. As of September 30, 2022, we employed or contracted with approximately 180 MDs and PhDs. 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 MDs and PhDs 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 NGS 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 segment 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 five regions – Northeast, Southeast, North Central, South Central, and West. 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 the key 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 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.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Results of Operations for the Three and Nine Months Ended September 30, 2022 as Compared to the Three and Nine Months Ended September 30, 2021**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue <sup>(1)</sup>	62.0 %	61.1 %	64.7 %	60.5 %
Gross profit	38.0 %	38.9 %	35.3 %	39.5 %
Operating expenses:				
General and administrative	49.9 %	52.6 %	50.8 %	44.3 %
Research and development	5.7 %	6.1 %	6.4 %	3.7 %
Sales and marketing	13.1 %	12.9 %	13.5 %	13.0 %
Total operating expenses	68.7 %	71.6 %	70.7 %	61.0 %
Loss from operations	(30.7)%	(32.7)%	(35.4)%	(21.5)%
Interest expense, net	0.1 %	1.1 %	0.6 %	0.9 %
Other expense (income), net	— %	(0.2)%	0.1 %	(0.1)%
Gain on investment in and loan receivable from non-consolidated affiliate, net	— %	(14.6)%	— %	(30.5)%
(Loss) income before taxes	(30.8)%	(19.0)%	(36.1)%	8.2 %
Income tax benefit	(2.2)%	(2.3)%	(3.3)%	(1.2)%
Net (loss) income	(28.6)%	(16.7)%	(32.8)%	9.4 %

<sup>(1)</sup>Cost of revenue for the three months ended September 30, 2022 and September 30, 2021 includes \$4.9 million and \$4.8 million, respectively, of amortization of acquired Inivata developed technology intangible assets. Cost of revenue for the nine months ended September 30, 2022 includes \$14.6 million of amortization of acquired Inivata developed technology intangible assets. Cost of revenue for the nine months ended September 30, 2021 includes \$5.6 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
Net revenue:								
Clinical Services	\$ 106,162	\$ 102,227	\$ 3,935	3.8 %	\$ 310,588	\$ 300,119	\$ 10,469	3.5 %
Pharma Services	22,620	19,113	3,507	18.3 %	60,435	58,478	1,957	3.3 %
Total revenue	\$ 128,782	\$ 121,340	\$ 7,442	6.1 %	\$ 371,023	\$ 358,597	\$ 12,426	3.5 %

Revenue

Consolidated revenues increased \$7.4 million, or 6.1%, year-over-year. Clinical Services revenue for the three and nine months ended September 30, 2022 increased \$3.9 million and \$10.5 million, respectively, when compared to the same periods in 2021. Increases in Clinical Services revenue reflects an increase in average unit price due to strategic reimbursement initiatives and a more favorable test mix.

Pharma Services revenue for the three and nine months ended September 30, 2022 increased \$3.5 million and \$2.0 million, respectively, compared to the same periods in 2021 due to the timing of project billings.

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.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

(\$ in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
<b>Cost of revenue:</b>						
Clinical Services <sup>(2)</sup>	\$ 65,261	\$ 59,560	9.6 %	\$ 197,563	\$ 178,358	10.8 %
Pharma Services <sup>(3)</sup>	14,628	14,541	0.6 %	42,389	38,436	10.3 %
Total cost of revenue	\$ 79,889	\$ 74,101	7.8 %	\$ 239,952	\$ 216,794	10.7 %
Cost of revenue as a % of revenue	62.0%	61.1%		64.7%	60.5%	
<b>Gross profit:</b>						
Clinical Services	\$ 40,901	\$ 42,667	(4.1)%	\$ 113,025	\$ 121,761	(7.2)%
Pharma Services	7,992	4,572	74.8 %	18,046	20,042	(10.0)%
Total gross profit	\$ 48,893	\$ 47,239	3.5 %	\$ 131,071	\$ 141,803	(7.6)%
Gross profit margin	38.0%	38.9%		35.3%	39.5%	

<sup>(2)</sup> Clinical Services cost of revenue for both the three months ended September 30, 2022 and September 30, 2021 includes \$4.3 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2022 includes \$12.8 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the nine months ended September 30, 2021 includes write-offs of \$5.3 million for COVID-19 PCR testing inventory and \$5.0 million of amortization of acquired Inivata developed technology intangible assets.

<sup>(3)</sup> Pharma Services cost of revenue for both the three months ended September 30, 2022 and September 30, 2021 includes \$0.6 million of amortization of acquired Inivata developed technology intangible assets. Pharma Services cost of revenue for the nine months ended September 30, 2022 and September 30, 2021 includes \$1.8 million and \$0.6 million, respectively, of amortization of acquired Inivata developed technology intangible assets.

Consolidated cost of revenue increased for the three and nine months ended September 30, 2022 when compared to the same periods in 2021 primarily due to higher payroll and payroll-related costs and the amortization of acquired Inivata developed technology intangible assets. The cost of revenue in the first quarter of 2021 included write-offs of \$5.3 million for inventory due to the exit from COVID-19 PCR testing. There were no such inventory write-offs for the three months ended September 30, 2021 and the three and nine months ended September 30, 2022.

Gross profit margin for the three and nine months ended September 30, 2022 was 38.0% and 35.3%, respectively, compared to 38.9% and 39.5%, respectively, in the same periods of 2021. The decreases of 0.9% and 4.2% for the three and nine months ended September 30, 2022, respectively, are primarily due to amortization of acquired Inivata developed technology intangible assets and higher payroll and payroll-related costs.

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 September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
General and administrative	\$ 64,282	\$ 63,839	\$ 443	0.7 %	\$ 188,481	\$ 158,953	\$ 29,528	18.6 %
As a % of revenue	49.9 %	52.6 %			50.8 %	44.3 %		

General and administrative expenses increased \$0.4 million for the three months ended September 30, 2022, when compared to the same period in 2021. This increase was primarily due to \$4.4 million of higher payroll and payroll-related costs, \$2.8 million of net loss on disposal of assets, \$2.2 million of consulting fees related to Project Catalyst (our value capture program), and \$2.1 million of relocation costs for our new Chief Executive Officer. These increases in general and administrative expenses for the three months ended September 30, 2022 were partially offset by a decrease when compared to the same period in 2021 of \$10.5 million of loss contingency for a regulatory matter and \$0.8 million of facilities costs.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

General and administrative expenses increased \$29.5 million for the nine months ended September 30, 2022, when compared to the same period in 2021. This increase was partially due to \$10.8 million for the Inivata and Trapelo Health subsidiaries which were acquired in the second quarter of 2021 and a net increase in non-cash stock-based compensation expenses of \$7.6 million, which included incremental stock-based compensation for the acceleration of stock option and restricted stock awards upon the Chief Executive Officer and Chief Legal Officer's departures. Excluding the increase in general and administrative expenses for the Inivata and Trapelo Health subsidiaries, general and administrative expenses also increased by \$6.7 million of payroll and payroll-related costs, \$5.5 million of professional fees, \$4.1 million of investments in technology, \$2.9 million of severance costs primarily related to the prior Chief Executive Officer and Chief Legal Officer's departures, \$2.2 million in consulting fees related to Project Catalyst (our value capture program), \$2.1 million of relocation costs for our new Chief Executive Officer, \$1.8 million of depreciation, \$1.7 million of net loss on disposal of assets, and \$1.5 million of facilities costs. These increases in general and administrative expenses for the nine months ended September 30, 2022 were partially offset by a decrease when compared to the same period in 2021 of \$10.5 million of loss contingency for a regulatory matter and \$11.4 million of acquisition transaction costs related to the acquisitions of Inivata and Trapelo that occurred in the second quarter of 2021.

**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 September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
Research and development	\$ 7,312	\$ 7,409	\$ (97)	(1.3)%	\$ 23,651	\$ 13,360	\$ 10,291	77.0 %
As a % of revenue	5.7 %	6.1 %			6.4 %	3.7 %		

Research and development expenses were flat for the three months ended September 30, 2022 when compared to the same period in 2021 and primarily include research and development expenses for the Inivata subsidiary which was acquired in June of 2021. Research and development expenses increased \$10.3 million for the nine months ended September 30, 2022 when compared to the same period in 2021. This increase primarily reflects an increase in research and development expenses for the Inivata subsidiary which was acquired in June of 2021.

We anticipate research and development expenditures will 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.

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

(\$ in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
Sales and marketing	\$ 16,809	\$ 15,704	\$ 1,105	7.0 %	\$ 50,179	\$ 46,677	\$ 3,502	7.5 %
As a % of revenue	13.1 %	12.9 %			13.5 %	13.0 %		

Sales and marketing expenses increased \$1.1 million and \$3.5 million for the three and nine months ended September 30, 2022, respectively, when compared to the same periods in 2021. These increases primarily reflect an increase in payroll and payroll-related costs due to the expansion of our precision medicine sales team.

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 \$1.2 million and \$1.0 million for the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. 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 6. Debt, in the accompanying notes to the unaudited Consolidated Financial Statements.

**NEOGENOMICS, INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Gain on Investment In and Loan Receivable from Non-Consolidated Affiliate, net

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 \$17.8 million and \$109.3 million in the three and nine months ended September 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. There were no such amounts for the three and nine months ended September 30, 2022. For further details regarding the previously-held equity investment, purchase option in Inivata and the related gain, please refer to Note 3. Acquisitions, in the accompanying notes to the unaudited Consolidated Financial Statements.

Net (Loss) Income Per Share

The following table provides consolidated net (loss) income for each period along with the computation of basic and diluted net (loss) income per share for the three and nine months ended September 30, 2022 and 2021 (in thousands, except net (loss) income per share data):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>NET (LOSS) INCOME</b>	\$ (36,852)	\$ (20,348)	\$ (121,563)	\$ 33,412
Basic weighted average shares outstanding	124,425	122,559	124,055	119,087
Diluted weighted average shares outstanding	124,425	122,559	124,055	121,356
Basic net (loss) income per share	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28
Diluted net (loss) income per share	\$ (0.30)	\$ (0.17)	\$ (0.98)	\$ 0.28

Non-GAAP Measures

*Use of Non-GAAP Financial Measures*

In order to provide greater transparency regarding our operating performance, the financial results and financial guidance include the use of certain non-GAAP financial measures that involve adjustments to GAAP results. Non-GAAP financial measures exclude certain income and/or expense items that management believes are not directly attributable to the Company’s core operating results and/or certain items that are inconsistent in amounts and frequency, making it difficult to perform a meaningful evaluation of our current or past operating performance. Management believes that the presentation of operating results using non-GAAP financial measures provides useful supplemental information to investors by facilitating the analysis of the Company’s core test-level operating results across reporting periods and when comparing those same results to those published by our peers. These non-GAAP financial measures may also assist investors in evaluating future prospects. Management also uses non-GAAP financial measures for financial and operational decision making, planning and forecasting purposes and to manage the business. These non-GAAP financial measures do not replace the presentation of financial information in accordance with U.S. GAAP financial results, should not be considered measures of liquidity, and are unlikely to be comparable to non-GAAP financial measures used by other companies.

**Definitions of Non-GAAP Measures**

Non-GAAP Adjusted EBITDA

“Adjusted EBITDA” is defined by NeoGenomics as net (loss) income from continuing operations before: (i) interest expense, (ii) tax (benefit) or expense, (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) gain on investment in and loan receivable from non-consolidated affiliate, net, (viii) CEO transition costs, (ix) loss contingency for regulatory matter, and (x) other significant or non-operating (income) or expenses, net.

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a reconciliation of GAAP net (loss) income to Non-GAAP EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2022:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net (loss) income (GAAP)</b>	\$ (36,852)	\$ (20,348)	\$ (121,563)	\$ 33,412
<i>Adjustments to net (loss) income:</i>				
Interest expense, net	139	1,296	2,366	3,375
Income tax benefit	(2,772)	(2,822)	(12,255)	(4,283)
Depreciation	8,973	8,178	25,894	21,807
Amortization of intangibles	8,490	8,474	25,470	14,683
<b>EBITDA (non-GAAP)</b>	<b>\$ (22,022)</b>	<b>\$ (5,222)</b>	<b>\$ (80,088)</b>	<b>\$ 68,994</b>
<i>Further adjustments to EBITDA:</i>				
Acquisition and integration related expenses	197	1,533	2,479	13,345
Write-off of COVID-19 PCR testing inventory and equipment	—	—	—	6,061
CEO transition costs	2,792	11	4,518	575
Non-cash stock-based compensation expense	4,280	5,237	20,009	12,396
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(17,750)	—	(109,260)
Loss contingency for regulatory matter	—	10,500	—	10,500
Other significant (income) expenses, net <sup>(1)</sup>	3,195	2,578	6,240	3,013
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ (11,558)</b>	<b>\$ (3,113)</b>	<b>\$ (46,842)</b>	<b>\$ 5,624</b>

<sup>(1)</sup> For the three months ended September 30, 2022, other significant (income) expenses, net, includes consulting fees related to Project Catalyst (our value capture program), fees related to a regulatory matter and other non-recurring items. For the three months ended September 30, 2021, other significant (income) expenses, net, includes strategic deal costs, moving costs and other non-recurring items. For the nine months ended September 30, 2022, other significant (income) expenses, net, includes fees related to a regulatory matter, consulting fees related to Project Catalyst (our value capture program), moving costs, a gain on the sale of a building and other non-recurring items. For the nine months ended September 30, 2021, other significant (income) expenses, net, includes strategic deal costs, moving costs, 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 nine months ended September 30, 2022 and 2021 as well as balances of cash and cash equivalents and working capital:

(in thousands)	Nine Months Ended September 30,	
	2022	2021
<b>Net cash (used in) provided by:</b>		
Operating activities	\$ (62,308)	\$ (6,947)
Investing activities	1,580	(622,784)
Financing activities	10,027	722,825
Net change in cash, cash equivalents and restricted cash	(50,701)	93,094
Cash, cash equivalents and restricted cash, beginning of period	\$ 316,827	\$ 250,632
Cash, cash equivalents and restricted cash, end of period	<b>\$ 266,126</b>	<b>\$ 343,726</b>
Working Capital <sup>(1)</sup> , end of period	\$ 518,357	\$ 617,193

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

**Cash Flows from Operating Activities**

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

During the nine months ended September 30, 2022, cash used in operating activities was \$62.3 million compared to \$6.9 million in the same period in 2021. This \$55.4 million increase was primarily driven by our operating results (net loss adjusted for depreciation, amortization of intangibles, and other non-cash charges) which resulted in \$26.5 million of higher cash used by operating activities year-over-year, as well as a \$28.8 million year-over-year increase in cash used to fund net operating assets. The increase in cash used by operating activities in the nine months ended September 30, 2022 compared to the same period in 2021 reflects cash used to fund the operating activities of our Inivata subsidiary which was acquired in June of 2021 and higher payroll and payroll-related costs to support our strategic growth initiatives.

**Cash Flows from Investing Activities**

During the nine months ended September 30, 2022, cash provided by investing activities was \$1.6 million compared to \$622.8 million of cash used in investing activities in the same period in 2021. This change was primarily due to a \$419.4 million decrease in net cash used in business acquisitions, a \$107.0 million decrease in purchases of marketable securities and a \$45.1 million increase in sales and maturities of marketable securities year-over-year.

**Cash Flows from Financing Activities**

During the nine months ended September 30, 2022, cash provided by financing activities was \$10.0 million compared to \$722.8 million in the same period in 2021. The cash provided by financing activities during the nine months ended September 30, 2022 consisted of \$10.7 million for the net issuance of common stock offset by \$0.7 million used for the repayment of equipment financing obligations. The primary reason for the decrease in cash provided by financing activities year-over-year was that there were no convertible debt or equity offerings in the nine months ended September 30, 2022. Comparatively, the nine months ended September 30, 2021 had convertible debt net proceeds of \$334.4 million and equity offering net proceeds of \$408.1 million, partially offset by \$29.3 million of premiums paid for capped call confirmations.

**Liquidity Outlook**

We had \$266.1 million in unrestricted cash and cash equivalents as of September 30, 2022 in addition to \$177.4 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.

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, 2022 will be in the range of \$30.0 million to \$40.0 million. During the nine months ended September 30, 2022, we purchased, with cash, approximately \$26.4 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 and Estimates**

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, 2021 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.

**Goodwill**

We evaluate goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to, (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its

**NEOGENOMICS, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

carrying amount, management performs a quantitative goodwill impairment test. The quantitative analysis is performed by comparing the fair value of the reporting unit to its carrying value. If the carrying value is greater than the estimate of fair value, an impairment loss will be recognized for the amount in which the carrying amount exceeds the reporting unit's fair value. We estimate the fair values of our reporting units using a combination of the income, or discounted cash flows approach and the market approach, which utilizes comparable companies' data.

As of June 30, 2022 we performed a qualitative assessment to determine whether it was more likely than not that the fair values of our reporting units were less than their carrying values. Such qualitative factors included macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant events. As a result of the qualitative assessment, we determined that due to changes in executive leadership and the sustained decline in our stock price of \$12.15 per share as of March 31, 2022 to \$8.15 per share as of June 30, 2022, there were indicators that it was more likely than not that the fair values of the reporting units were less than their carrying values. Accordingly, we performed a quantitative analysis and compared our reporting units' fair values to their carrying values to determine whether goodwill was impaired. We determined the fair values of our reporting units using a combination of the income approach using discounted cash flows and the market approach utilizing comparable companies' data. The assumptions and estimates, including management's estimated future revenue growth rates, estimated future margins and discount rates, used in the quantitative analysis were based on management's best estimate about current and future conditions including projected net revenue from emerging market technologies acquired through the June 2021 acquisition of Inivata. The results of the quantitative analysis showed that the reporting units' fair values exceeded their carrying values and there was no impairment of the recorded goodwill as of June 30, 2022. However, to the extent we continue to experience declines in our stock price or experience other indicators, such as industry and market considerations or declines in financial performance, that the fair values of our reporting units are less than their carrying values, there could be a risk of goodwill impairment of our reporting units in future periods.

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

We are exposed to market risks, including changes in interest rates and foreign currency exchange rates.

**Interest Rate Risk**

In May 2020, we issued \$201.3 million aggregate principal amount of the 2025 Convertible Notes. The 2025 Convertible Notes have a fixed annual interest rate of 1.25%; therefore, we do not have economic interest rate exposure with respect to the 2025 Convertible Notes. In January 2021, we issued \$345.0 million aggregate principal amount of the 2028 Convertible Notes. The 2028 Convertible Notes have a fixed annual interest rate of 0.25%; therefore, we do not have economic interest rate exposure with respect to the 2028 Convertible Notes. However, the fair value of the 2025 Convertible Notes and 2028 Convertible Notes is exposed to interest rate risk. Generally, the fair market value will increase as interest rates fall and decrease as interest rates rise. In addition, the fair value is affected by our common stock price. The fair value will generally increase as our common stock price increases and will generally decrease as our common stock price declines. We carry the 2025 Convertible Notes and 2028 Convertible Notes at face value less unamortized debt discount and debt issuance costs on our balance sheet, and we present the fair value for required disclosure purposes only.

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. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. 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 September 30, 2022, 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 do not believe that we have a material financial market risk exposure and do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates. While we believe our marketable securities do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value.

**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 quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is engaged in legal proceedings in the ordinary course of business. For further information on legal proceedings, please refer to Note 11. Commitments and Contingencies, in the notes to the unaudited Consolidated Financial Statements.

## ITEM 1A. RISK FACTORS

You should carefully consider each of the risk factors described in Part I, Item 1A, “Risk Factors” contained in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 25, 2022, as well as the other information set forth in this Quarterly Report on Form 10-Q. In addition, we are supplementing such risk factors with the following disclosure:

**If goodwill and intangible assets that we recorded in connection with our acquisitions become impaired, we may have to take significant charges against earnings.**

In connection with the accounting for our completed acquisitions, we recorded a significant amount of goodwill and intangible assets. Goodwill and indefinite-lived intangible assets are evaluated for impairment annually, or more frequently if conditions warrant, by comparing the carrying value of a reporting unit to its estimated fair value. Intangible assets with definite lives are reviewed for impairment when events or circumstances indicate that their carrying value may not be recoverable. Declines in operating results, sustained market declines and other factors that impact the fair values of our reporting units could result in an impairment of goodwill or intangible assets and a charge against earnings, which could materially adversely affect our results of operations or financial condition in future periods.

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

## Unregistered Sales of Equity Securities

None for the quarterly period ended September 30, 2022 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:

<u>Period of Repurchase</u>	<u>Total Number of Shares Purchased<sup>(1)</sup></u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
July 1, 2022 - July 31, 2022	115	\$ 8.69	—	—
August 1, 2022 - August 31, 2022	108	\$ 11.15	—	—
September 1, 2022 - September 30, 2022	208	\$ 10.02	—	—
Total	431		—	—

<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

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION
10.1*	<a href="#">Retention Agreement, dated October 19, 2022, by and between NeoGenomics, Inc. and Cynthia Dieter.</a>
10.2*	<a href="#">Amendment to Employment Agreement, dated August 15, 2022, by and between NeoGenomics, Inc. and Christopher Smith.</a>
10.3*	<a href="#">Employment Agreement, executed July 20, 2022, by and between NeoGenomics, Inc. and Christopher Smith. (Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on July 21, 2022).</a>
10.4*	<a href="#">Settlement Agreement, dated as of July 11, 2022, by and between Inivata Limited and Clive Morris.(Incorporated by reference to the Company's Current Report on Form 8-K/A as filed with the SEC on July 18, 2022).</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.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive File (formatted as inline XBRL and contained within Exhibit 101)
*	Denotes a management contract or compensatory plan or arrangement.

**SIGNATURES**

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

**Date: November 8, 2022**

**NEOGENOMICS, INC.**

By: /s/ Christopher M. Smith  
Name: Christopher M. Smith  
Title: Director and Chief Executive Officer

By: /s/ William B. Bonello  
Name: William B. Bonello  
Title: Chief Financial Officer



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October 19, 2022

Cindy Dieter

Dear Cindy,

To incentivize you to remain with and committed to the success of the Company, we are pleased to offer you a special retention bonus (the “Retention Bonus”), subject to the terms and conditions of this letter. You will be eligible to receive a cash bonus in a total amount equal to \$150,000 (less applicable withholdings and deductions). The bonus will be payable in two instalments as outlined below (each date representing a “Vesting Date”):

- \$75,000 on March 31, 2023 if you are actively *employed* by the Company on the Vesting Date.
- \$75,000 on May 31, 2023, if you are actively *employed* by the Company on the Vesting Date.

To the extent earned, the Retention Bonus will be payable as soon as administratively practicable, and not more than 30 days, after the Vesting Date (or termination of employment without Cause, if applicable). Other terms, including terms in the event of the termination of your employment, are contained in **Exhibit**

**A.** You will be solely and exclusively liable for any taxable event resulting from the payment of the sums referenced above. Further, to receive such payment, you must agree to the terms contained in this letter and its Exhibit A, including your agreement to hold harmless and indemnify the Company for any tax liability, interest, and/or penalties arising out of any failure by you to pay taxes.

In addition to the Retention Bonus, you will be awarded an LTI Grant of approximately \$100,000. This LTI Grant is subject to the Vesting Schedule in the Restricted Stock Award Agreement. The Restricted Stock Award Agreement will be uploaded to Solium for your review and signature. If for some reason, you do not see the award in Solium within 30 days, please let Kathryn McKenzie know.

I want to thank you for your hard work, dedication, achievements, and your personal contribution to our culture and our company’s continuing success. As a result of efforts by you and our teams, we are making great strides in becoming be the leading oncology diagnostics services company in the world.

Sincerely,

/s/ *Chris Smith*

Chris Smith  
Chief Executive Officer

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**Exhibit A**  
**Retention Bonus – Additional Terms**

If, before the Vesting Date, you terminate your employment with NeoGenomics, Inc. (the “Company”) or the Company terminates your employment with Cause, no Retention Bonus paid to you. If the Company terminates you for any reason other than Cause before the Vesting Date (including due to your death or disability), then you will still be entitled to the Retention Bonus to the extent it has not already been paid.

For purposes of this letter agreement, “Cause” means the Company’s good faith determination of any of the following:

- (i) your willful and continued failure to perform your material duties with the Company (other than such failure resulting due to death or disability), or
- (ii) any breach by you of the material provisions of your employment or other agreements with the Company; or
- (iii) gross misconduct by you which results in serious damage to the Company; or
- (iv) felony conviction involving your personal dishonesty or moral turpitude; or a determination by the Company, after consideration of available information, that you have violated the Company policies or procedures involving compliance with law, including laws prohibiting discrimination, harassment, or workplace violence; or
- (v) engagement in illegal drug use or alcohol abuse that prevents you from performing your duties in any manner, or
- (vi) your misappropriation, embezzlement, or conversion of the Company’s opportunities or property.

The terms contained in this letter and its Exhibit A constitute the entire understanding and agreement between you and the Company with respect to the retention bonus payments referenced in this letter and the terms and conditions associated with those payments. This Agreement supersedes and terminates all prior oral or written promises, representations, understandings, and agreements regarding this subject matter. The terms contained in this letter and its Exhibit A may not be changed, amended, or modified orally and no modification, amendment, or waiver of any term contained herein, or any future representation, promise, or condition in connection with the subject matter referenced above, shall be binding upon any party hereto unless memorialized in a written agreement between you and the Company that expressly references this letter and its Exhibit A and identifies the terms herein that are to be changed, amended, or modified. Such change, amendment, or modification must be signed by you and duly authorized officers or representatives of the Company. Notwithstanding this provision, this letter and its Exhibit A shall not in any way diminish any obligation, duty, or undertaking owed by you to the Company because of any other contract, agreement, or law on a different subject matter. The terms contained in this letter and its Exhibit A will be in addition to, and not in place of, any and all other rights held by the Company by virtue of any other contract, agreement, or undertaking, and to that extent, your other obligations to the Company are not altered, changed, or superseded by this letter or its Exhibit A.

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www.neogenomics.com

**EMPLOYEE ACKNOWLEDGEMENT AND AGREEMENT**

By signing below, I acknowledge and agree to the terms contained in this letter and its Exhibit A for purposes of the retention bonus payments referenced above. I further acknowledge that I have read, carefully reviewed, and considered this letter and its Exhibit A, that I understand those documents and freely and voluntarily agrees to all of their terms and conditions, that I have had the opportunity to consult with an attorney of my choice, and that I enter into this Agreement voluntarily without coercion and with full knowledge of its contents and effect.

Cindy Dieter

Printed Name

*/s/ Cindy Dieter*

Employee Signature

## AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment") is made and entered into by and between NeoGenomics, Inc. (the "Company") and Christopher Smith (the "Executive") and is effective as of August 15, 2022 (the "Effective Date"). Capitalized terms not defined in this Amendment have the respective meanings ascribed to them in the Employment Agreement by and between the Company and the Executive, dated as of August 15, 2022 (the "Employment Agreement").

WHEREAS, the Company and the Executive desire to modify certain terms and conditions of the Executive's employment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and intending to be legally bound hereby, the parties hereby agree to amend the Employment Agreement on the terms set forth in this Amendment.

1. Relocation Benefits.

Section 2(d) of the Employment Agreement shall be amended to remove "\$400,000.00" from the second sentence of such Section and replace it therein with a reference to "\$1,200,000.00".

2. Restricted Stock Unit Grant.

Section 2(c) of the Employment Agreement shall be amended to:

(a) Add the following sentence immediately after the first sentence of such Section:

"In addition, subject to approval by the Board or the Compensation Committee, the Executive will receive an additional one-time inducement grant of restricted stock with an aggregate target value equal to approximately \$3,350,000.00 (the 'Sign-on Grant')"; and

(b) Add the following language to the third sentence of such Section (after giving effect to subsection (a) above) immediately following "on an annual basis over a period of four years from the date of grant":

"(or, with respect to the Sign-On Grant, as to 100% of the restricted stock, on the fourth anniversary of the grant date)."

3. Entire Agreement. The Executive acknowledges and agrees that the Employment Agreement, as amended by this Amendment, constitutes the entire agreement between the

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Employee and the Company with respect to the terms and conditions of his employment and supersedes all other agreements and understandings, whether written or oral.

IN WITNESS WHEREOF, this Amendment has been executed by the Company, by its duly authorized representative, and by Executive as of the date first above written.

EXECUTIVE:

/s/ Chris Smith

Christopher Smith

THE COMPANY:

/s/ Lynn Tetrault

Name: Lynn Tetrault

Title: Chair and Interim CEO

## CERTIFICATIONS

I, Christopher M. Smith, 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.

November 8, 2022

*/s/ Christopher M. Smith*

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Christopher M. Smith  
Director and Chief Executive Officer

## CERTIFICATIONS

I, William B. Bonello, 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.

November 8, 2022

*/s/ William B. Bonello*

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William B. Bonello  
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: November 8, 2022

/s/ Christopher M. Smith

Christopher M. Smith  
Director and Chief Executive Officer

Date: November 8, 2022

/s/ William B. Bonello

William B. Bonello  
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.