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

FORM 10-Q

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

For the quarterly period ended June 30, 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)

Nevada	**74-2897368**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
9490 NeoGenomics Way, Fort Myers, Florida	**33912**
(Address of principal executive offices)	**(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 5, 2022, the registrant had 125,795,904 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)

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 283,637	$ 316,827
Marketable securities, at fair value	182,316	198,563
Accounts receivable, net	111,276	112,130
Inventories	21,863	23,395
Prepaid assets	16,662	12,354
Assets held for sale	—	10,050
Other current assets	6,506	8,189
Total current assets	622,260	681,508
Property and equipment (net of accumulated depreciation of $123,159 and $109,952, respectively)	111,105	109,465
Operating lease right-of-use assets	99,917	102,197
Intangible assets, net	425,338	442,325
Goodwill	527,115	527,115
Other assets	6,378	7,168
Total non-current assets	1,169,853	1,188,270
Total assets	$ 1,792,113	$ 1,869,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 16,849	$ 17,921
Accrued compensation	37,280	38,304
Accrued expenses and other liabilities	16,075	17,796
Current portion of equipment financing obligations	410	1,135
Current portion of operating lease liabilities	5,708	6,884
Pharma contract liabilities	6,348	5,192
Total current liabilities	82,670	87,232
Long-term liabilities		
Convertible senior notes, net	533,898	532,483
Operating lease liabilities	71,882	72,289
Deferred income tax liabilities, net	45,979	55,475
Other long-term liabilities	14,165	14,022
Total long-term liabilities	665,924	674,269
Total liabilities	$ 748,594	$ 761,501
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, $0.001 par value, (250,000,000 shares authorized; 125,679,573 and 124,107,500 shares issued and outstanding, respectively)	$ 126	$ 124
Additional paid-in capital	1,146,997	1,123,628
Accumulated other comprehensive loss	(4,056)	(638)
Accumulated deficit	(99,548)	(14,837)
Total stockholders' equity	$ 1,043,519	$ 1,108,277
Total liabilities and stockholders' equity	$ 1,792,113	$ 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 June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
NET REVENUE				
Clinical Services	$ 105,635	$ 101,405	$ 204,426	$ 197,892
Pharma Services	19,437	20,319	37,815	39,365
Total net revenue	125,072	121,724	242,241	237,257
COST OF REVENUE	81,126	68,734	160,063	142,693
GROSS PROFIT	43,946	52,990	82,178	94,564
Operating expenses:				
General and administrative	57,951	54,638	124,199	95,114
Research and development	8,626	3,495	16,339	5,951
Sales and marketing	17,071	17,224	33,370	30,973
Total operating expenses	83,648	75,357	173,908	132,038
LOSS FROM OPERATIONS	(39,702)	(22,367)	(91,730)	(37,474)
Interest expense, net	926	902	2,227	2,079
Other expense (income), net	405	(171)	237	(341)
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(96,534)	—	(91,510)
(Loss) income before taxes	(41,033)	73,436	(94,194)	52,298
Income tax benefit	(5,730)	(2,437)	(9,483)	(1,461)
NET (LOSS) INCOME	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Adjustment to net (loss) income for convertible notes in diluted EPS[1]				
NET (LOSS) INCOME	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Convertible note accretion, amortization, and interest, net of tax	—	1,552	—	2,997
NET (LOSS) INCOME USED IN DILUTED EPS	$ (35,303)	$ 77,425	$ (84,711)	$ 56,756
NET (LOSS) INCOME PER SHARE				
Basic	$ (0.28)	$ 0.64	$ (0.68)	$ 0.46
Diluted	$ (0.28)	$ 0.59	$ (0.68)	$ 0.44
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	124,068	118,287	123,850	117,249
Diluted	124,068	131,237	123,850	130,247

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

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
NET (LOSS) INCOME	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
OTHER COMPREHENSIVE LOSS:				
Net unrealized loss on marketable securities, net of tax	(1,047)	(183)	(3,418)	(343)
Total other comprehensive loss, net of tax	(1,047)	(183)	(3,418)	(343)
COMPREHENSIVE (LOSS) INCOME	$ (36,350)	$ 75,690	$ (88,129)	$ 53,416

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	Accumulated Other		
	Shares	Amount	Capital	Comprehensive Loss	Accumulated Deficit	Total
Balance, December 31, 2021	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)
Balance, March 31, 2022	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)
Balance, June 30, 2022	125,679,573	$ 126	$ 1,146,997	$ (4,056)	$ (99,548)	$ 1,043,519

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				
Balance, December 31, 2020	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)
Balance, March 31, 2021	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
Balance, June 30, 2021	122,711,352	$ 123	$ 1,101,298	$ (333)	$ 47,270	$ 1,148,358

See the accompanying notes to the unaudited Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (84,711)	$ 53,759
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation	16,921	13,629
Amortization of intangibles	16,979	6,209
Non-cash stock-based compensation	15,729	7,159
Non-cash operating lease expense	4,989	3,750
Amortization of convertible debt discount	1,324	1,247
Amortization of debt issue costs	91	88
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(91,510)
Interest receivable on loan receivable from non-consolidated affiliate	—	(391)
Gain on sale of assets held for sale	(2,048)	—
Write-off of COVID-19 PCR testing inventory and equipment	—	6,061
Other adjustments	1,602	790
Changes in assets and liabilities, net		
Accounts receivable, net	854	1,155
Inventories	1,533	3,645
Prepaid lease asset	—	(4,730)
Prepaid and other assets	(2,202)	(4,681)
Accounts payable, operating lease liabilities, deferred taxes, accrued and other liabilities	(17,097)	4,640
Net cash (used in) provided by operating activities	(46,036)	820
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(56,332)	(162,769)
Proceeds from sales and maturities of marketable securities	68,525	26,253
Purchases of property and equipment	(18,513)	(37,178)
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	5,778	(608,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of equipment financing obligations	(574)	(1,892)
Issuance of common stock, net	7,642	8,045
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	—	418,273
Net cash provided by financing activities	7,068	729,545
Net change in cash, cash equivalents and restricted cash	(33,190)	122,267
Cash, cash equivalents and restricted cash, beginning of period	316,827	250,632
Cash, cash equivalents and restricted cash, end of period	$ 283,637	$ 372,899

	Six Months Ended June 30,	
	2022	2021
Reconciliation of cash, cash equivalents and restricted cash to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 283,637	$ 368,796
Restricted cash, non-current	—	4,103
Total cash, cash equivalents and restricted cash	$ 283,637	$ 372,899
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,143	$ 1,329
Income taxes paid, net	$ 129	$ 114
Supplemental disclosure of non-cash investing and financing information:		
Fair value of common stock issued to fund business acquisition	$ —	$ 29,174
Equity offering issuance costs included in accrued expenses	$ —	$ 10,137
Purchases of property and equipment included in accounts payable	$ 1,529	$ 3,822

See the accompanying notes to the unaudited Consolidated Financial Statements.

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 and second 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 six months ended June 30, 2021. There were no such amounts recorded for the three months ended June 30, 2021 and the three and six months ended June 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 June 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.

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, on March 31, 2022. For the six months ended June 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.

As of 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.

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 segment. Advertising costs are expensed at the time they are incurred and are deemed immaterial for the three and six months ended June 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 June 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 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
Purchase consideration:		
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
Total purchase consideration	$	64,765
Allocation of the purchase consideration:		
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
Total purchase consideration	$	64,765

The identified developed technology and marketing intangible assets are being amortized overten 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.

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):

	June 18, 2021 (as initially reported)	Measurement Period Adjustments	June 18, 2021 (as adjusted)
Fair value of business combination:			
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[1]	62,919	1,987	64,906
Fair value of Purchase Option[1]	58,537	15,763	74,300
Total fair value of business combination	$ 535,050	$ 17,750	$ 552,800
Allocation of the fair value business combination:			
Cash	$ 14,068	$ —	$ 14,068
Other current assets[2]	5,366	345	5,711
Property and equipment	1,753	—	1,753
Identifiable intangible assets - developed technology[1]	302,982	(11,796)	291,186
Identifiable intangible assets - trademarks[1]	31,700	(226)	31,474
Identifiable intangible asset - trade name[1]	2,322	253	2,575
Other long-term assets	6,240	—	6,240
Total identifiable assets acquired	364,431	(11,424)	353,007
Current liabilities	(4,241)	(1,650)	(5,891)
Deferred income tax liabilities[3]	(64,680)	3,686	(60,994)
Other long-term liabilities	(4,690)	—	(4,690)
Net identifiable assets acquired	290,820	(9,388)	281,432
Goodwill	244,230	27,138	271,368
Total fair value of business combination	$ 535,050	$ 17,750	$ 552,800

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

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

(3) 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.

The identified developed technology intangible assets and the trademark intangible assets are both being amortized overfifteen 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 $238.4 million and $33.0 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 $61.0 million. None of the goodwill resulting from the acquisition of Inivata is expected to be deductible for income tax purposes.

The following unaudited pro forma information and 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):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
	(unaudited)	(unaudited)
Net revenue	$ 121,707	$ 237,159
Net loss	$ (23,222)	$ (51,313)

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, for the periods presented, the gain on investment in and loan receivable from non-consolidated affiliate, net, of $96.5 million and $91.5 million recorded in the three and six months ended June 30, 2021, respectively.

Note 4. Fair Value Measurements

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

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

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

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

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

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

The following tables set forth the amortized cost, gross unrealized gains, gross unrealized losses and fair values of the Company's marketable securities accounted for as available-for-sale securities as of June 30, 2022 and December 31, 2021.

	June 30, 2022			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Financial Assets:				
Short-term marketable securities:				
U.S. Treasury securities	$ 51,074	$ 2	$ (772)	$ 50,304
Yankee bonds	8,761	—	(117)	8,644
Agency bonds	12,377	—	(101)	12,276
Municipal bonds	12,914	—	(867)	12,047
Commercial paper	8,453	—	(41)	8,412
Asset-backed securities	30,463	—	(479)	29,984
Corporate bonds	62,595	—	(1,946)	60,649
Total	$ 186,637	$ 2	$ (4,323)	$ 182,316

	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	$ 199,464	$ 22	$ (923)	$ 198,563

The Company had $0.7 million and $0.6 million of accrued interest receivable at June 30, 2022 and December 31, 2021, respectively, included in other current assets on its Consolidated Balance Sheets related to its marketable securities. There were no realized gains or losses on marketable securities for the three and six months ended June 30, 2022. Realized gains or losses on marketable securities for the three and six months ended June 30, 2021 were immaterial.

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

	June 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	$ 37,193	$ 13,111	$ —	$ 50,304
Yankee bonds	6,073	2,571	—	8,644
Agency bonds	9,899	2,377	—	12,276
Municipal bonds	—	12,047	—	12,047
Commercial paper	8,412	—	—	8,412
Asset-backed securities	22,095	7,889	—	29,984
Corporate bonds	20,931	39,718	—	60,649
Total	$ 104,603	$ 77,713	$ —	$ 182,316

	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
Total	$ 104,711	$ 93,852	$ —	$ 198,563

The following tables set forth the Company's cash equivalents and marketable securities accounted for as available-for-sale securities that were measured at fair value on a recurring basis based on the fair value hierarchy as of June 30, 2022 and December 31, 2021.

	June 30, 2022			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 216,373	$ —	$ —	$ 216,373
Commercial paper	—	34,406	—	34,406
Marketable securities:				
U.S. Treasury securities	50,304	—	—	50,304
Yankee bonds	8,644	—	—	8,644
Agency bonds	12,276	—	—	12,276
Municipal bonds	12,047	—	—	12,047
Commercial paper	—	8,412	—	8,412
Asset-backed securities	—	29,984	—	29,984
Corporate bonds	—	60,649	—	60,649
Total	$ 299,644	$ 133,451	$ —	$ 433,095

	December 31, 2021			
(in thousands)	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 254,157	$ —	$ —	$ 254,157
Commercial paper	—	22,491	—	22,491
Marketable securities:				
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
Total	$ 342,740	$ 132,471	$ —	$ 475,211

There were no transfers of financial assets or liabilities into or out of Level 1, Level 2, or Level 3 for the three and six months ended June 30, 2022 and June 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 June 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 June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
Clinical Services	$ 462,603	$ 462,603
Pharma Services	64,512	64,512
Total	$ 527,115	$ 527,115

Intangible assets consisted of the following (in thousands):

		June 30, 2022		
	Amortization Period (years)	Cost	Accumulated Amortization	Net
Customer Relationships	7 - 15	$ 143,101	$ 50,700	$ 92,401
Developed Technology	10 - 15	310,226	22,457	287,769
Marketing Assets	4	549	169	380
Trademarks	15	31,473	2,174	29,299
Trade Name	5	2,584	542	2,042
Trademark - Indefinite lived	—	13,447	—	13,447
Total		$ 501,380	$ 76,042	$ 425,338

		December 31, 2021		
	Amortization Period (years)	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		$ 501,380	$ 59,055	$ 442,325

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 six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Amortization of intangibles included in cost of revenue	$ 4,853	$ 729	$ 9,706	$ 729
Amortization of intangibles included in general and administrative expenses	3,637	3,022	7,273	5,480
Total amortization of intangibles	$ 8,490	$ 3,751	$ 16,979	$ 6,209

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

Remainder of 2022	$ 16,980
2023	33,962
2024	33,961
2025	33,858
2026	33,547
Thereafter	259,583
Total	$ 411,891

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 March 31, 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 second 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 June 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 third 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 $8.15 on June 30, 2022.

The interest expense 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 June 30, 2022. The interest expense recognized on the 2028 Convertible Notes includes $0.4 million, $0.7 million and $16,800 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2022. The interest expense recognized on the 2028 Convertible Notes includes $0.2 million, $0.3 million and $8,400 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended June 30, 2021. The interest expense recognized on the 2028 Convertible Notes includes $0.4 million, $0.7 million and $15,100 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2021. 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 June 30, 2022, the estimated fair values (Level 2) of the 0.25% Convertible Senior Notes due 2028 was $213.9 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 March 31, 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 first 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 June 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 third 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 $8.15 on June 30, 2022.

The interest expense recognized on the 2025 Convertible Notes includes $0.6 million, $0.3 million and $37,000 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended June 30, 2022. The interest expense recognized on the 2025 Convertible Notes includes $1.2 million, $0.6 million and $74,000 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2022. The interest expense recognized on the 2025 Convertible Notes includes $0.7 million, $0.3 million and $30,000 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the three months ended June 30, 2021. The interest expense recognized on the 2025 Convertible Notes includes $1.3 million, $0.6 million and $70,000 for the contractual coupon interest, the amortization of the debt discount and the amortization of the debt issuance costs, respectively, for the six months ended June 30, 2021. The 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 June 30, 2022, the estimated fair values (Level 2) of the 1.25% Convertible Senior Notes due 2025 was $168.6 million. At December 31, 2021, the estimated fair value (Level 2) of the 1.25% Convertible Senior Notes due 2025 was $238.9 million.

Note 7. Stock-Based Compensation

The Company recorded approximately $3.6 million and $4.5 million for stock-based compensation in general and administrative expenses on the Consolidated Statements of Operations for the three months ended June 30, 2022 and 2021, respectively, and approximately $15.7 million and $7.2 million for the six months ended June 30, 2022 and 2021, respectively.

Stock Options

A summary of the stock option activity under the Company's plans for the six months ended June 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	2,953,059	$ 15.80
Less:		
Options exercised	566,583	$ 12.65
Options forfeited	1,316,107	$ 30.31
Options outstanding at June 30, 2022	4,031,564	$ 18.59
Exercisable at June 30, 2022	1,427,681	$ 22.60

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

	Six Months Ended June 30, 2022
Expected term (in years)	3 - 5.5
Risk-free interest rate (%)	2.5%
Expected volatility (%)	42% - 59%
Dividend yield (%)	—
Weighted average grant date fair value per share	$6.70

As of June 30, 2022, there was approximately $13.3 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 six months ended June 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	1,778,000	$ 15.47
Vested	(309,100)	$ 36.74
Forfeited	(817,912)	$ 29.68
Nonvested at June 30, 2022	1,502,391	$ 14.99

As of June 30, 2022, there was approximately $17.1 million of unrecognized stock-based compensation expense related to restricted stock that will be recognized over a weighted-average period of approximately 1.9 years.

Modification of Stock Option and Restricted Stock Awards

In the three months ended June 30, 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 awards, respectively, within general and administrative expenses on the Consolidated Statements of Operations for the three and six months ended June 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 six months ended June 30, 2022. There were no such amounts for the three months ended June 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 30 to 60 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.

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

	June 30, 2022	December 31, 2021
Current pharma contract assets [1]	$ 1,951	$ 1,738
Long-term pharma contract assets [2]	283	236
Total pharma contract assets	$ 2,234	$ 1,974
Current pharma capitalized commissions [1]	$ 128	$ 109
Long-term pharma capitalized commissions [2]	1,139	882
Total pharma capitalized commissions	$ 1,267	$ 991
Current pharma contract liabilities	$ 6,348	$ 5,192
Long-term pharma contract liabilities [3]	1,121	917
Total pharma contract liabilities	$ 7,469	$ 6,109

[1] Current pharma contract assets and Current pharma capitalized commissions are classified as other current assets on the Consolidated Balance Sheets.

[2] Long-term pharma contract assets and Long-term pharma capitalized commissions are classified as other assets on the Consolidated Balance Sheets.

[3] Long-term pharma contract liabilities are classified as other long-term liabilities on the Consolidated Balance Sheets.

Revenue recognized for the three and six months ended June 30, 2022 related to Pharma contract liability balances outstanding at the beginning of the period was $.0 million and $4.1 million, respectively. Revenue recognized for the three and six months ended June 30, 2021 related to Pharma contract liability balances outstanding at the beginning of the period was $1.1 million and $3.8 million, respectively. Amortization of capitalized commissions for the three and six months ended June 30, 2022 was $0.2 million and $0.3 million, respectively. Amortization of capitalized commissions for the three and six months ended June 30, 2021 was $0.5 million and $0.7 million, respectively.

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Clinical Services:				
Client direct billing	$ 69,874	$ 63,137	$ 134,888	$ 123,846
Commercial Insurance	18,512	20,528	36,800	39,102
Medicare and Medicaid	17,167	17,484	32,632	34,634
Self-Pay	82	256	106	310
Total Clinical Services	$ 105,635	$ 101,405	$ 204,426	$ 197,892
Pharma Services:	19,437	20,319	37,815	39,365
Total Revenue	$ 125,072	$ 121,724	$ 242,241	$ 237,257

Note 9. Income Taxes

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 June 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 six months ended June 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Adjustment to net (loss) income for convertible notes in diluted EPS[1]				
NET (LOSS) INCOME	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Convertible note accretion, amortization, and interest, net of tax	—	1,552	—	2,997
NET (LOSS) INCOME USED IN DILUTED EPS	$ (35,303)	$ 77,425	$ (84,711)	$ 56,756
Basic weighted average shares outstanding	124,068	118,287	123,850	117,249
Dilutive effect of stock options	—	2,027	—	2,221
Dilutive effect of restricted stock awards	—	170	—	196
Dilutive effect of Convertible Notes due 2025	—	5,538	—	5,538
Dilutive effect of Convertible Notes due 2028	—	5,215	—	5,043
Diluted weighted average shares outstanding	124,068	131,237	123,850	130,247
Basic net (loss) income per share	$ (0.28)	$ 0.64	$ (0.68)	$ 0.46
Diluted net (loss) income per share	$ (0.28)	$ 0.59	$ (0.68)	$ 0.44

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	68	—	332	—
Restricted stock awards	52	—	152	—
2025 Convertible Notes	5,538	—	5,538	—
2028 Convertible Notes	5,215	—	5,215	—

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 six months ended June 30, 2022 as the Company's closing price on June 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 June 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 $0.4 million and $0.8 million of testing services to the Company recorded in cost of revenue in the Consolidated Statements of Operations for the three and six months ended June 30, 2021, respectively, through the Inivata Acquisition Date.

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, is an officer and the Company's former Chief Legal Officer, Halley Gilbert, is a director. In connection with these contracts, the Company recognized $ 0.4 million and $0.5 million of revenue in the Consolidated Statements of Operations for the three and six months ended June 30, 2022, respectively, and $0.1 million and $0.3 million for the three and six months ended June 30, 2021, 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net revenues:				
Clinical Services	$ 105,635	$ 101,405	$ 204,426	$ 197,892
Pharma Services	19,437	20,319	37,815	39,365
Total revenue	125,072	121,724	242,241	237,257
Cost of revenue:				
Clinical Services[(1)]	67,035	57,233	132,302	118,798
Pharma Services[(2)]	14,091	11,501	27,761	23,895
Total cost of revenue	81,126	68,734	160,063	142,693
Gross Profit:				
Clinical Services	38,600	44,172	72,124	79,094
Pharma Services	5,346	8,818	10,054	15,470
Total gross profit	43,946	52,990	82,178	94,564
Operating expenses:				
General and administrative	57,951	54,638	124,199	95,114
Research and development	8,626	3,495	16,339	5,951
Sales and marketing	17,071	17,224	33,370	30,973
Total operating expenses	83,648	75,357	173,908	132,038
Loss from operations	(39,702)	(22,367)	(91,730)	(37,474)
Interest expense, net	926	902	2,227	2,079
Other expense (income), net	405	(171)	237	(341)
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(96,534)	—	(91,510)
(Loss) income before taxes	(41,033)	73,436	(94,194)	52,298
Income tax benefit	(5,730)	(2,437)	(9,483)	(1,461)
Net (loss) income	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759

(1) Clinical Services cost of revenue for the three months ended June 30, 2022 and June 30, 2021 includes $4.3 million and $0.7 million, respectively, of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue adjustments for the six months ended June 30, 2022 include $8.5 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the six months ended June 30, 2021 include write-offs of $5.3 million for COVID-19 PCR testing inventory and $0.7 million of amortization of acquired Inivata developed technology intangible assets.

(2) Pharma Services cost of revenue for the three months ended June 30, 2022 includes $0.6 million of amortization of acquired Inivata developed technology intangible assets. Pharma Services cost of revenue for the six months ended June 30, 2022 includes $1.2 million of amortization of acquired Inivata developed technology intangible assets. There were no such amounts for the three and six months ended June 30, 2021.

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 the first and second 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 June 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 Cambridge, United Kingdom; 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. 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 1 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. Our consistent timeliness of results by our Clinical Services segment is a competitive strength and a driver of additional testing requests by referring physicians. Rapid turnaround times allow for the performance of other adjunctive tests within an acceptable diagnosis window in order to augment or confirm results and more fully inform treatment options. Additionally, we believe that our rapid turnaround time on testing and our project milestones are a key differentiator in our Pharma Services segment.

World-class Medical and Scientific Team

Our team of medical professionals and PhDs are specialists in the field of genetics, oncology and pathology. As of June 30, 2022, we employed or contracted with approximately 170 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.

Results of Operations for the Three and Six Months Ended June 30, 2022 as Compared to the Three and Six Months Ended June 30, 2021

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue[1]	64.9 %	56.5 %	66.1 %	60.1 %
Gross profit	35.1 %	43.5 %	33.9 %	39.9 %
Operating expenses:				
General and administrative	46.4 %	44.9 %	51.3 %	40.1 %
Research and development	6.9 %	2.9 %	6.7 %	2.5 %
Sales and marketing	13.6 %	14.2 %	13.8 %	13.1 %
Total operating expenses	66.9 %	62.0 %	71.8 %	55.7 %
Loss from operations	(31.8)%	(18.5)%	(37.9)%	(15.8)%
Interest expense, net	0.7 %	0.7 %	0.9 %	0.9 %
Other expense (income), net	0.3 %	(0.1)%	0.1 %	(0.1)%
Gain on investment in and loan receivable from non-consolidated affiliate, net	— %	(79.3)%	— %	(38.6)%
(Loss) income before taxes	(32.8)%	60.2 %	(38.9)%	22.0 %
Income tax benefit	(4.6)%	(2.0)%	(3.9)%	(0.6)%
Net (loss) income	(28.2)%	62.2 %	(35.0)%	22.6 %

[1] Cost of revenue for the three months ended June 30, 2022 and June 30, 2021 includes $4.9 million and $0.7 million of amortization of acquired Inivata developed technology intangible assets. Cost of revenue for the six months ended June 30, 2022 includes $9.7 million of amortization of acquired Inivata developed technology intangible assets. Cost of revenue for the six months ended June 30, 2021 includes write-offs of $5.3 million for COVID-19 PCR testing inventory and $0.7 million of amortization of acquired Inivata developed technology intangible assets.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Net revenue:								
Clinical Services	$ 105,635	$ 101,405	$ 4,230	4.2 %	$ 204,426	$ 197,892	$ 6,534	3.3 %
Pharma Services	19,437	20,319	(882)	(4.3) %	37,815	39,365	(1,550)	(3.9) %
Total revenue	$ 125,072	$ 121,724	$ 3,348	2.8 %	$ 242,241	$ 237,257	$ 4,984	2.1 %

Revenue

Consolidated revenues increased $3.3 million, or 2.8%, year-over-year. Clinical Services revenue for the three and six months ended June 30, 2022 increased $4.2 million and $6.5 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 reimbursements and a more favorable test mix.

Pharma Services revenue for the three and six months ended June 30, 2022 decreased $0.9 million and $1.5 million, respectively, compared to the same periods in 2021 due to the timing of project billings. Our backlog of signed contracts has continued to grow from $267 million as of December 31, 2021 to $299 million as of June 30, 2022. We define backlog as the stated amount of signed contracts less dormant contracts with no activity for twelve months, contingencies and cancellations.

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.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
($ in thousands)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Cost of revenue:						
Clinical Services[(2)]	$ 67,035	$ 57,233	17.1 %	$ 132,302	$ 118,798	11.4 %
Pharma Services[(3)]	14,091	11,501	22.5 %	27,761	23,895	16.2 %
Total cost of revenue	$ 81,126	$ 68,734	18.0 %	$ 160,063	$ 142,693	12.2 %
Cost of revenue as a % of revenue	64.9%	56.5%		66.1%	60.1%	
Gross profit:						
Clinical Services	$ 38,600	$ 44,172	(12.6)%	$ 72,124	$ 79,094	(8.8)%
Pharma Services	5,346	8,818	(39.4)%	10,054	15,470	(35.0)%
Total gross profit	$ 43,946	$ 52,990	(17.1)%	$ 82,178	$ 94,564	(13.1)%
Gross profit margin	35.1%	43.5%		33.9%	39.9%	

[(2)] Clinical Services cost of revenue for the three months ended June 30, 2022 and June 30, 2021 includes $4.3 million and $0.7 million, respectively, of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the six months ended June 30, 2022 includes $8.5 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the six months ended June 30, 2021 includes write-offs of $5.3 million for COVID-19 PCR testing inventory and $0.7 million of amortization of acquired Inivata developed technology intangible assets.

[(3)] Pharma Services cost of revenue for the three months ended June 30, 2022 includes $0.6 million of amortization of acquired Inivata developed technology intangible assets. Pharma Services cost of revenue for the six months ended June 30, 2022 includes $1.2 million of amortization of acquired Inivata developed technology intangible assets. There were no such amounts for the three and six months ended June 30, 2021.

Consolidated cost of revenue increased for the three and six months ended June 30, 2022 when compared to the same periods in 2021 primarily due to the amortization of acquired Inivata developed technology intangible assets and higher payroll and payroll-related costs. 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 June 30, 2021 and the three and six months ended June 30, 2022.

Gross profit margin for the three and six months ended June 30, 2022 was 35.1% and 33.9%, respectively, compared to 43.5% and 39.9%, respectively, in the same periods of 2021. The decreases of 8.4% and 6.0% for the three and six months ended June 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:

	Three Months Ended June 30,				Six Months Ended June 30,			
($ in thousands)	**2022**	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
General and administrative	$ 57,951	$ 54,638	$ 3,313	6.1 %	$ 124,199	$ 95,114	$ 29,085	30.6 %
As a % of revenue	46.4 %	44.9 %			51.3 %	40.1 %		

General and administrative expenses increased $3.3 million for the three months ended June 30, 2022, when compared to the same period in 2021. These increases were primarily due to an increase in general and administrative expenses for the Inivata subsidiary which was acquired in June of 2021, higher payroll and payroll-related costs and facilities costs to support our strategic growth initiatives, an increase in professional fees, and an increase in investments in technology. These increases were partially offset by a decrease in non-recurring transaction costs related to the acquisitions of the Inivata and Trapelo Health subsidiaries that occurred in the second quarter of 2021.

General and administrative expenses increased $29.1 million for the six months ended June 30, 2022, when compared to the same period in 2021. This increase was partially due to an increase in non-cash stock-based compensation expenses of $8.6 million, which included incremental stock-based compensation of $8.1 million for the acceleration of stock option and restricted stock awards upon the Chief Executive Officer and Chief Legal Officer's departures in the first and second quarters of 2022, respectively, and also due to severance costs related to the Chief Executive Officer and Chief Legal Officer's departures. In addition, the increase reflects the addition of general and administrative expenses for the Inivata and Trapelo Health subsidiaries which were acquired in the second quarter of 2021, higher payroll and payroll-related costs and facilities costs to support our strategic growth initiatives, an increase in professional fees, and an increase in investments in technology. These increases were partially offset by a decrease in non-recurring transaction costs related to the acquisitions of the Inivata and Trapelo Health subsidiaries 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:

	Three Months Ended June 30,				Six Months Ended June 30,			
($ in thousands)	**2022**	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
Research and development	$ 8,626	$ 3,495	$ 5,131	146.8 %	$ 16,339	$ 5,951	$ 10,388	174.6 %
As a % of revenue	6.9 %	2.9 %			6.7 %	2.5 %		

Research and development expenses increased $5.1 million and $10.4 million for the three and six months ended June 30, 2022, respectively, when compared to the same periods in 2021. This increase reflects the addition of 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:

	Three Months Ended June 30,				Six Months Ended June 30,			
($ in thousands)	**2022**	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
Sales and marketing	$ 17,071	$ 17,224	$ (153)	(0.9)%	$ 33,370	$ 30,973	$ 2,397	7.7 %
As a % of revenue	13.6 %	14.2 %			13.8 %	13.1 %		

Sales and marketing expenses were flat for the three months ended June 30, 2022 and increased $2.4 million for the six months ended June 30, 2022 when compared to the same periods in 2021. This increase primarily reflects 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 was flat for the three and six months ended June 30, 2022, 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.

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 $96.5 million and $91.5 million in the three and six months ended June 30, 2021, respectively, for the excess of the acquisition-date fair value of the Company's previously-held equity interest, Purchase Option, and Line of Credit over their carrying values. There were no such amounts for the three and six months ended June 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 six months ended June 30, 2022 and 2021 (in thousands, except net (loss) income per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
NET (LOSS) INCOME	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Adjustment to net (loss) income for convertible notes in diluted EPS[4]				
Net (loss) income	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Convertible note accretion, amortization, and interest, net of tax	—	1,552	—	2,997
Net (loss) income used in diluted EPS	$ (35,303)	$ 77,425	$ (84,711)	$ 56,756
Basic weighted average shares outstanding	124,068	118,287	123,850	117,249
Diluted weighted average shares outstanding	124,068	131,237	123,850	130,247
Basic net (loss) income per share	$ (0.28)	$ 0.64	$ (0.68)	$ 0.46
Diluted net (loss) income per share	$ (0.28)	$ 0.59	$ (0.68)	$ 0.44

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

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, and (viii) other significant or non-operating (income) or expenses, net.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net (loss) income (GAAP)	$ (35,303)	$ 75,873	$ (84,711)	$ 53,759
Adjustments to net (loss) income:				
Interest expense, net	926	902	2,227	2,079
Income tax benefit	(5,730)	(2,437)	(9,483)	(1,461)
Depreciation	8,526	6,949	16,921	13,629
Amortization of intangibles	8,490	3,751	16,980	6,209
EBITDA (non-GAAP)	$ (23,091)	$ 85,038	$ (58,066)	$ 74,215
Further adjustments to EBITDA:				
Acquisition and integration related expenses	1,252	10,998	2,282	11,812
Write-off of COVID-19 PCR testing inventory and equipment	—	—	—	6,061
Non-cash stock-based compensation expense	3,626	4,506	15,729	7,159
Gain on investment in and loan receivable from non-consolidated affiliate, net	—	(96,534)	—	(91,510)
Other significant (income) expenses, net[(1)]	1,940	542	4,771	999
Adjusted EBITDA (non-GAAP)	$ (16,273)	$ 4,550	$ (35,284)	$ 8,736

[(1)] For the three months ended June 30, 2022, other significant (income) expenses, net, includes fees related to the regulatory matter, moving costs, and other non-recurring items. For the three months ended June 30, 2021, other significant (income) expenses, net, includes moving costs and other non-recurring items. For the six months ended June 30, 2022, other significant (income) expenses, net, includes a gain on the sale of a building, fees related to the regulatory matter, CEO transition costs, moving costs, and other non-recurring items. For the six months ended June 30, 2021, other significant (income) expenses, net, includes CEO transition 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 six months ended June 30, 2022 and 2021 as well balances of cash and cash equivalents and working capital:

	Six Months Ended June 30,	
(in thousands)	**2022**	**2021**
Net cash (used in) provided by:		
Operating activities	$ (46,036)	$ 820
Investing activities	5,778	(608,098)
Financing activities	7,068	729,545
Net change in cash, cash equivalents and restricted cash	(33,190)	122,267
Cash, cash equivalents and restricted cash, beginning of period	$ 316,827	$ 250,632
Cash, cash equivalents and restricted cash, end of period	$ 283,637	$ 372,899
Working Capital [(1)], end of period	$ 539,590	$ 622,664

[(1)] Defined as current assets less current liabilities.

Cash Flows from Operating Activities

During the six months ended June 30, 2022, cash used in operating activities was $46.0 million compared to $0.8 million of cash provided by operating activities in the same period in 2021. This $46.8 million decrease was primarily driven by our operating results (net loss adjusted for depreciation, amortization of intangibles, and other non-cash charges) which resulted in $29.9 million of higher cash used by operating activities year-over-year, as well as a $16.9 million year-over-year increase in

cash used to fund net operating assets. The increase in cash used by operating activities in the six months ended June 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, higher payroll and payroll-related costs to support our strategic growth initiatives, and an increase in professional fees.

Cash Flows from Investing Activities

During the six months ended June 30, 2022, cash provided by investing activities was $5.8 million compared to $608.1 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 $106.4 million decrease in purchases of marketable securities and a $42.3 million increase in sales and maturities of marketable securities year-over-year.

Cash Flows from Financing Activities

During the six months ended June 30, 2022, cash provided by financing activities was $7.1 million compared to $729.5 million in the same period in 2021. The cash provided by financing activities during the six months ended June 30, 2022 consisted of $7.6 million for the net issuance of common stock partially offset by $0.6 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 six months ended June 30, 2022. Comparatively, the six months ended June 30, 2021 had convertible debt net proceeds of $334.4 million and equity offering net proceeds of $418.3 million, partially offset by $29.3 million of premiums paid for capped call confirmations.

Liquidity Outlook

We had $283.6 million in unrestricted cash and cash equivalents as of June 30, 2022 in addition to $182.3 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 $25.0 million to $35.0 million. During the six months ended June 30, 2022, we purchased, with cash, approximately $19.1 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 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. 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 June 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 June 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 June 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:

Period of Repurchase	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2022 - April 30, 2022	22,672	$ 11.40	—	—
May 1, 2022 - May 31, 2022	5,176	$ 9.45	—	—
June 1, 2022 - June 30, 2022	509	$ 7.92	—	—
Total	28,357		—	—

[1] 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*	Executive Chair and Principal Executive Officer agreement between NeoGenomics, Inc. and Lynn A. Tetrault dated April 25, 2022(Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, as filed with the SEC on May 9, 2022).
31.1	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
31.2	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
32.1	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
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: August 9, 2022

NEOGENOMICS, INC.

By:	*/s/ Lynn A. Tetrault*
Name:	Lynn A. Tetrault
Title:	Chair of the Board of Directors and Interim Chief Executive Officer

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

EXHIBIT 31.1

CERTIFICATIONS

I, Lynn A. Tetrault, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 9, 2022

/s/ Lynn A. Tetrault

Lynn A. Tetrault
Chair of the Board of Directors and
Interim Chief Executive Officer

EXHIBIT 31.2

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.

August 9, 2022

/s/ William B. Bonello

William B. Bonello
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

/s/ Lynn A. Tetrault
Lynn A. Tetrault
Chair of the Board of Directors and
Interim Chief Executive Officer

Date: August 9, 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.