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

## Form 10-Q

**(Mark one)**

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

**For the quarterly period ended June 30, 2021**

**or**

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

**For the transition period from___ to___**

**Commission file number: 001-39388**

# Berkeley Lights, Inc.
*(Exact name of registrant as specified in its charter)*

| **Delaware** | **35-2415390** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |

**5858 Horton Street, Suite 320**
**Emeryville, California 94608**
*(Address of principal executive offices, including zip code)*

**(510) 858-2855**
*(Registrant's telephone number, including area code)*

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

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, $0.00005 par value | BLI | The Nasdaq Global Select Market |

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

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

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

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ | Non-accelerated filer | ☒ |
| Smaller reporting company | ☐ | Emerging growth company | ☒ | | |

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

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

As of August 2, 2021, 67,100,594 shares of the registrant’s common stock, $0.00005 par value per share, were outstanding.

**BERKELEY LIGHTS, INC.**

**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2021**

**Table of Contents**

# PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements (Unaudited).

### Berkeley Lights, Inc.
### Condensed Consolidated Balance Sheets

| (In thousands, except share and per share data) | June 30, 2021 (unaudited) | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 215,077 | $ 233,408 |
| Trade accounts receivable | 19,760 | 12,939 |
| Inventory | 12,572 | 11,047 |
| Prepaid expenses and other current assets | 8,115 | 8,175 |
| Total current assets | 255,524 | 265,569 |
| Restricted cash | 270 | 270 |
| Property and equipment, net | 20,839 | 14,544 |
| Operating lease right-of-use assets | 15,724 | 16,718 |
| Other assets | 3,357 | 2,557 |
| Total assets | $ 295,714 | $ 299,658 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Trade accounts payable | $ 8,727 | $ 3,491 |
| Accrued expenses and other current liabilities | 10,501 | 8,401 |
| Current portion of notes payable | — | 11,594 |
| Deferred revenue | 8,258 | 5,482 |
| Total current liabilities | 27,486 | 28,968 |
| Notes payable, net of current portion | 19,673 | 8,301 |
| Deferred revenue, net of current portion | 1,875 | 1,709 |
| Operating lease liability, noncurrent | 14,841 | 15,899 |
| Total liabilities | 63,875 | 54,877 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' equity: | | |
| Convertible preferred stock, $0.00005 par value. Authorized 10,000,000 shares at June 30, 2021 and December 31, 2020, respectively; no shares issued and outstanding at June 30, 2021 and December 31, 2020 | — | — |
| Common stock, $0.00005 par value. Authorized 300,000,000 shares at June 30, 2021 and December 31, 2020; issued and outstanding 67,043,537 and 64,486,246 shares at June 30, 2021 and December 31, 2020, respectively | 4 | 3 |
| Additional paid-in capital | 457,308 | 436,662 |
| Accumulated deficit | (225,473) | (191,884) |
| Total stockholders' equity | 231,839 | 244,781 |
| Total liabilities and stockholders' equity | $ 295,714 | $ 299,658 |

See accompanying notes to these condensed consolidated financial statements.

**Berkeley Lights, Inc.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)**

| (In thousands, except share and per share data) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|---|---|---|---|
| Revenue: | | | | |
| Product revenue | $ 13,021 | $ 9,107 | $ 26,554 | $ 19,790 |
| Service revenue | 6,229 | 1,462 | 11,324 | 4,557 |
| Total revenue | 19,250 | 10,569 | 37,878 | 24,347 |
| Cost of sales: | | | | |
| Product cost of sales | 3,332 | 2,384 | 7,035 | 5,004 |
| Service cost of sales | 3,190 | 1,223 | 5,664 | 2,402 |
| Total cost of sales | 6,522 | 3,607 | 12,699 | 7,406 |
| Gross profit | 12,728 | 6,962 | 25,179 | 16,941 |
| Operating expenses: | | | | |
| Research and development | 13,535 | 11,843 | 26,562 | 22,819 |
| General and administrative | 11,725 | 4,193 | 20,692 | 8,190 |
| Sales and marketing | 5,317 | 3,076 | 10,923 | 6,310 |
| Total operating expenses | 30,577 | 19,112 | 58,177 | 37,319 |
| Loss from operations | (17,849) | (12,150) | (32,998) | (20,378) |
| Other income (expense): | | | | |
| Interest expense | (356) | (356) | (710) | (713) |
| Interest income | 43 | 47 | 109 | 198 |
| Other income , net | 34 | 37 | 53 | 62 |
| Loss before income taxes | (18,128) | (12,422) | (33,546) | (20,831) |
| Provision for income taxes | 26 | 8 | 43 | 24 |
| Net loss and net comprehensive loss | $ (18,154) | $ (12,430) | $ (33,589) | $ (20,855) |
| Net loss attributable to common stockholders per share, basic and diluted | $ (0.27) | $ (4.25) | $ (0.51) | $ (7.29) |
| Weighted-average shares used in calculating net loss per share, basic and diluted | 66,790,755 | 3,109,545 | 66,029,307 | 3,078,756 |

See accompanying notes to these condensed consolidated financial statements.

## Berkeley Lights, Inc.
## Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

| | Three Months Ended June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
| **(In thousands, except per share data)** | Shares | Amount | Shares | Amount | | | |
| Balances at March 31, 2021 | — | $ — | 66,384,736 | $ 4 | $ 449,681 | $ (207,319) | $ 242,366 |
| Shares issued in connection with: | | | | | | | |
| Exercise of stock options | — | — | 644,610 | — | 1,985 | — | 1,985 |
| Vesting of restricted stock units | — | — | 14,191 | — | — | — | — |
| Stock-based compensation | — | — | — | — | 5,642 | — | 5,642 |
| Net loss | — | — | — | — | — | (18,154) | (18,154) |
| Balances at June 30, 2021 | — | $ — | 67,043,537 | $ 4 | $ 457,308 | $ (225,473) | $ 231,839 |

| | Three Months Ended June 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
| **(In thousands, except per share data)** | Shares | Amount | Shares | Amount | | | |
| Balances at March 31, 2020 | 50,462,272 | $224,769 | 3,081,647 | $ — | $ 10,636 | $ (158,725) | $ 76,680 |
| Shares issued in connection with: | | | | | | | |
| Exercise of stock options | — | — | 206,884 | — | 411 | — | 411 |
| Vesting of shares subject to repurchase from early exercised options | — | — | — | — | 88 | — | 88 |
| Stock-based compensation | — | — | — | — | 1,296 | — | 1,296 |
| Net loss | — | — | — | — | — | (12,430) | (12,430) |
| Balances at June 30, 2020 | 50,462,272 | $224,769 | 3,288,531 | $ — | $ 12,431 | $ (171,155) | $ 66,045 |

| (In thousands, except per share data) | Six Months Ended June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balances at December 31, 2020 | — | $ — | 64,486,246 | $ 3 | $ 436,662 | $ (191,884) | $ 244,781 |
| Shares issued in connection with: | | | | | | | |
| Exercise of stock options | — | — | 2,422,740 | 1 | 8,346 | — | 8,347 |
| Vesting of restricted stock units | — | — | 19,191 | — | — | — | — |
| Employee stock purchase plan | — | — | 115,360 | — | 2,157 | — | 2,157 |
| Stock-based compensation | — | — | — | — | 10,143 | — | 10,143 |
| Net loss | — | — | — | — | — | (33,589) | (33,589) |
| Balances at June 30, 2021 | — | $ — | 67,043,537 | $ 4 | $ 457,308 | $ (225,473) | $ 231,839 |

| (In thousands, except per share data) | Six Months Ended June 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balances at December 31, 2019 | 50,462,272 | $224,769 | 3,073,067 | $ — | $ 9,314 | $ (150,300) | $ 83,783 |
| Shares issued in connection with: | | | | | | | |
| Exercise of stock options | — | — | 215,464 | — | 432 | — | 432 |
| Vesting of shares subject to repurchase from early exercised options | — | — | — | — | 176 | — | 176 |
| Stock-based compensation | — | — | — | — | 2,509 | — | 2,509 |
| Net loss | — | — | — | — | — | (20,855) | (20,855) |
| Balances at June 30, 2020 | 50,462,272 | $224,769 | 3,288,531 | $ — | $ 12,431 | $ (171,155) | $ 66,045 |

See accompanying notes to these condensed consolidated financial statements.

**Berkeley Lights, Inc.**
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

| (In thousands) | Six months ended June 30, 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (33,589) | $ (20,855) |
| Adjustments to reconcile net loss to cash used in operating activities: | | |
| Depreciation | 2,654 | 2,619 |
| Stock-based compensation | 10,123 | 2,531 |
| Change in operating lease right-of-use assets | 994 | 944 |
| Non-cash interest and other (income) expense related to debt and note receivable agreements | 36 | 34 |
| Provision for excess and obsolete inventory | 330 | 79 |
| Loss on disposal and impairment of property and equipment | 31 | 61 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (6,820) | (902) |
| Inventory | (5,710) | (4,547) |
| Prepaid expenses, other current assets and other assets | (639) | (1,143) |
| Trade accounts payable | 4,512 | 1,404 |
| Deferred revenue | 2,942 | (1,441) |
| Accrued expenses and other current liabilities | 1,872 | 1,249 |
| Operating lease liabilities | (831) | (1,012) |
| Net cash used in operating activities | (24,095) | (20,979) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (4,382) | (1,316) |
| Net cash used in investing activities | (4,382) | (1,316) |
| Cash flows from financing activities: | | |
| Payment of debt issuance costs | (358) | — |
| Proceeds from issuance of common stock upon exercise of stock options | 8,347 | 432 |
| Proceeds from issuance of common stock under employee stock purchase plan | 2,157 | — |
| Net cash provided by financing activities | 10,146 | 432 |
| Net decrease in cash and cash equivalents and restricted cash | (18,331) | (21,863) |
| Cash and cash equivalents and restricted cash at beginning of period | 233,678 | 81,303 |
| Cash and cash equivalents and restricted cash at end of period | $ 215,347 | $ 59,440 |

See accompanying notes to these condensed consolidated financial statements.

## (1) The Company and Basis of Presentation

### *Description of Business*

Berkeley Lights, Inc. (the "Company" or "Berkeley Lights") is a leading Digital Cell Biology company focused on enabling and accelerating the rapid development and commercialization of biotherapeutics and other cell-based products. Berkeley Lights' platform is a fully integrated, end-to-end solution, comprised of proprietary consumables, including our OptoSelect chips and reagent kits, advanced automation systems and advanced application and workflow software.

In 2017, Berkeley Lights incorporated BLI Europe International, Ltd. as a wholly-owned subsidiary in the United Kingdom to support Berkeley Lights' planned expansion in Europe. In the third quarter of 2020, Berkeley Lights established a wholly owned foreign operating entity in China to further expand its operations. Furthermore, in the second quarter of 2021, Berkeley Lights established a subsidiary in Singapore to support its overall sales and service efforts in the Asia Pacific region. Berkeley Lights and its consolidated subsidiaries are hereinafter referred to as the "Company". The Company's headquarters are in Emeryville, California.

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of Berkeley Lights in this Quarterly Report have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation of S-X of the U.S. Securities and Exchange Commission ("the SEC"). Accordingly, these interim financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. In the opinion of Berkeley Lights' management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial information have been included.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in its condensed consolidated financial statements and the accompanying notes. Despite the Company's intentions to establish accurate estimates and reasonable assumptions, actual results could differ materially from such estimates and assumptions. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021 or for any other period. The condensed consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These interim financial statements and notes should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2020 included in the Annual Report on Form 10-K filed with the SEC on March 12, 2021.

### *Liquidity*

The Company has experienced losses from its operations since its inception and has relied primarily on equity and debt financing to fund its operations and to a lesser degree cash flows generated by the sale of the Company's product and services. For the three and six months ended June 30, 2021, the Company had a consolidated net loss of $18.2 million and $33.6 million, respectively, and as of June 30, 2021 had an accumulated deficit of $225.5 million and unrestricted cash and cash equivalents of $215.1 million. Management expects to continue to incur significant expenses for the foreseeable future and to incur operating losses in the near term while the Company makes investments to support its anticipated growth. The Company believes that its cash and cash equivalents balance as of June 30, 2021 provides sufficient capital resources to continue its operations for at least 12 months from the issuance date of the accompanying consolidated financial statements.

***Initial Public Offering***

The Company's registration statement on Form S-1 related to its initial public offering ("IPO") was declared effective on July 16, 2020 by the SEC, and the Company's common stock began trading on the Nasdaq Global Select Market on July 17, 2020. On July 21, 2020, the Company closed its IPO, in which the Company sold 9,315,000 shares of common stock (which included 1,215,000 shares that were sold pursuant to the full exercise of the IPO underwriters' option to purchase additional shares) at a price to the public of $22.00 per share. Including the option exercise, the Company received aggregate net proceeds of $187.9 million after deducting offering costs, underwriting discounts and commissions of $17.0 million.

Immediately prior to the completion of the IPO, 50,462,272 shares of convertible preferred stock then outstanding converted into an equivalent number of shares of common stock.

## (2) Summary of Significant Accounting Policies

***Significant accounting policies***

The Company's significant accounting policies are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission and have not materially changed during the three months ended June 30, 2021.

***Revenue Recognition***

The Company derives revenue from primarily two sources, product and service revenues, which are discussed further below.

The Company recognizes revenue using a five step process. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract based on stand-alone selling price, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service.

The Company's agreements with customers often include multiple performance obligations, which can sometimes be included in separate contracts entered into within a reasonably short period of time. The Company considers an entire customer arrangement to determine if separate contracts should be considered combined for the purposes of revenue recognition.

In order to determine the stand-alone selling price, the Company conducts a periodic analysis to determine whether various goods or services have an observable stand-alone selling price as well as to identify significant changes to current stand-alone selling prices. If the Company does not have an observable stand-alone selling price for a particular good or service, then the stand-alone selling price for that particular good or service is estimated using an approach that maximizes the use of observable inputs. The Company's process for determining stand-alone selling price requires judgment and considers multiple factors that are reasonably available and maximizes the use of observable inputs that may vary over time depending upon the unique facts and circumstances related to each performance obligation. The Company believes that this method results in an estimate that represents the price the Company would charge for the product offerings if they were sold separately.

For most of its performance obligations, the Company has established stand-alone selling price as a range rather than a single value, such range being plus or minus 15% of the weighted average of observable prices. If the contractually stated prices of all the performance obligations in a contract fall within their respective stand-alone selling price ranges, the Company will allocate the transaction price at the contractually stated amounts. In situations where the contractually stated price for one or more performance obligations in a contract fall(s) outside of their respective stand-alone selling price range, the Company will use the mid-point of the respective stand-alone selling price range for performance obligations in the contract priced outside of their respective stand-alone selling price range(s) and the contract values for performance obligations priced within their respective stand-alone selling price range(s), to allocate the transaction price on a relative stand-alone selling price basis.

Taxes, such as sales, value-add and other taxes, collected from customers concurrent with revenue generating activities and remitted to governmental authorities are not included in revenue. Shipping and handling costs associated with outbound freight are accounted for as a fulfillment cost and are included in cost of sales.

The following describes the nature of the Company’s primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions the Company enters into with its customers.

*Product revenues*

Product revenues are comprised of two major revenue streams, direct platform sales and consumables. Direct platform sales revenues are comprised of advanced automation systems (including fully-paid workflow licenses) as well as Culture Station instruments. Direct platform sales also include revenue from subscription arrangements in which customers are able to subscribe to a specific workflow and pay a quarterly fee over a fixed period of time which covers the annual workflow license, the advanced automation system, as well as warranty and service. Consumables revenues are comprised of OptoSelect chips required to run the system as well as reagent kits. The Company’s standard arrangement with its customers is generally a purchase order or an executed contract. Revenue on product sales is recognized when control has transferred to the customer which typically occurs when the product has been shipped to the customer, risk of loss has transferred to the customer and the Company has a present right to payment for the system, chip or kit, as applicable. In certain limited circumstances when a product sale includes client acceptance provisions, the Company will first assess such terms to determine if the control of the good is being transferred to the customer in accordance with the agreed-upon specifications in the contract. To the extent that such acceptance provisions can be objectively determined to be aligned with the standard specifications of the arrangement, are defined and easily evaluated for completion, as well as do not afford the customer any additional rights or create additional performance obligations for the Company, such provisions would be determined perfunctory and would not preclude revenue recognition presuming all other criteria are met. If such acceptance provisions are considered to be substantive, revenue is recognized either when client acceptance has been obtained, client acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the client acceptance provisions have been satisfied. Payment terms are generally thirty to ninety days from the date of invoicing.

On a limited basis, the Company also enters into fixed-term sales-type lease arrangements with certain qualified customers. Revenue from sales-type lease arrangements is generally recognized in a manner consistent with platform systems, assuming all other revenue recognition criteria have been met.

*Service revenues*

Service revenues primarily consist of joint development agreements, service and warranty, training and installation services, platform support and feasibility studies on the Company’s advanced automation systems and workflows. The Company’s services are provided primarily on a fixed fee basis; from time to time these fixed fee contracts may be invoiced at the outset of the arrangements. The Company recognizes revenue from the sale of extended warranty and enhanced service warranty arrangements over the respective period, while revenue on feasibility studies is recognized over time, using an input measure of progress based on costs incurred to date relative to total expected costs. Revenue on platform support is recognized as the services are performed. Service contracts are typically short-term in nature. Payment terms are generally thirty to ninety days from the date of invoicing.

Joint development agreements are agreements whereby the Company provides services for the development of customized advanced automation systems or workflows, or for customized workflows and consumables to meet a specific customer's needs. Such contracts can be executed on a time-and-materials basis as well as include defined milestones associated with these development activities over extended periods of time, some in excess of twenty-four months. Typically, there are formal customer acceptance clauses as each milestone is completed, and an approval to proceed with the next milestone is generally required. The Company recognizes revenue over time, using an input measure of progress based on costs incurred to date relative to total expected costs. Payment terms are generally thirty to ninety days from the achievement of each milestone.

The Company only includes variable consideration in the transaction price to the extent that it is not probable that a significant reversal of revenue will occur for that amount. The constraint estimate is reassessed at each reporting date until the uncertainty is resolved.

*Contract assets and contract liabilities*

Contract assets include amounts where revenue recognized exceeds the amount invoiced to the customer and the right to payment is not solely subject to the passage of time. The Company's contract asset balances of $3.8 million and $2.7 million as of June 30, 2021 and December 31, 2020, respectively, are primarily from its sales-type lease arrangements as well as its development and feasibility study agreements. The Company does not have impairment losses associated with contracts with customers for the three and six months ended June 30, 2021 and 2020.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated services have not been performed and revenues have not been recognized based on the Company's revenue recognition criteria described above. Such amounts are reported as deferred revenue on the condensed consolidated balance sheets. Deferred revenue that is expected to be recognized during the following twelve months is recorded as a current liability and the remaining portion is recorded as non-current.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current or long-term on the condensed consolidated balance sheet based on the timing of when the Company expects to complete the related performance obligations and invoice the customers. Contract liabilities are classified as current or long-term on the condensed consolidated balance sheet based on the timing when the revenue recognition associated with the related customer payments and invoicing is expected to occur.

*Costs to obtain or fulfill a contract*

Origination costs relate primarily to the payment of incentive bonuses to individuals that are directly related to sales transactions. Fulfillment costs generally include the direct cost of services such as platform support and feasibility studies.

Origination and fulfillment costs that are internal to the Company are generally expensed when incurred because most of those costs are incurred concurrently with the delivery of the related goods and services, which are predominantly recognized at a point in time or are less than one year in nature. The origination costs that are related to long-term development agreements are capitalized and amortized over the relevant service period.

The origination costs that are related to long-term development agreements are not material as of June 30, 2021 and 2020.

***Stock-Based Compensation***

The Company maintains an incentive compensation plan under which incentive stock options, nonqualified stock options and restricted stock units (“RSUs”) are granted primarily to employees and non-employee consultants. Stock-based compensation expense for stock-based awards is based on the grant date fair value. The Company determines the fair value of RSUs based on the closing value of its stock price listed on Nasdaq at the date of the grant.

The Company estimates the fair value of stock option awards on the grant date using the Black-Scholes option-pricing model. The fair value of stock option awards is recognized as compensation expense on a straight-line basis over the requisite service period in which the awards are expected to vest and forfeitures are recognized as they occur. Stock option awards that include a service condition and a performance condition are considered expected to vest when the performance condition is probable of being met. Compensation expense associated with performance awards that are determined to be probable of achievement is recognized over the requisite service period, provided the grantee remains an employee or consultant of the Company through each applicable vesting date. For performance awards not initially assessed as probable of achievement, the Company records a cumulative adjustment to compensation expense in the period the Company changes its determination that a performance condition becomes probable of being achieved. The Company ceases recognition of compensation expense in any periods where the Company determines the attainment of a performance condition is no longer probable. If the performance goals are determined to be improbable, no compensation expense is recognized and any previously recognized compensation expense is reversed.

***Product Warranties***

The Company provides a 13-month assurance-type warranty on its platforms and chip consumables. Upon shipment, the Company establishes an accrual for estimated warranty expenses based on historical data and trends of product reliability and costs of repairing and replacing defective products. The Company exercises judgment in estimating the expected product warranty costs, using data such as the actual and projected product failure rates, estimated repair costs, freight, material, labor, and overhead costs. While management believes that historical experience provides a reliable basis for estimating such warranty cost, unforeseen quality issues or component failure rates could result in future costs in excess of such estimates, or alternatively, improved quality and reliability in the Company’s products could result in actual expenses that are below those currently estimated.

***Leases***

The Company determines the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date and thereafter, if modified. The lease term includes any renewal options and termination options that the Company is reasonably assured to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease, if that rate is readily determinable; otherwise, the Company uses its incremental borrowing rate. The incremental borrowing rate is determined by using the rate of interest that the Company would pay to borrow on a collateralized basis an amount equal to the lease payments for a similar term and in a similar economic environment.

Lease expense for operating leases is recognized on a straight-line basis over the lease term based on the total lease payments and is included in operating expenses in the condensed consolidated statements of operations and comprehensive loss.

For all leases, rent payments that are based on a fixed index or rate at the lease commencement date are included in the measurement of lease assets and lease liabilities at the lease commencement date.

The Company has elected the practical expedient to not separate lease and non-lease components. The Company’s non-lease components are primarily related to property maintenance and insurance.

The Company also acts as a lessor to provide equipment financing through sales-type lease arrangements with certain qualified customers. Revenue from sales-type leases is presented on a gross basis when the company enters into a lease to realize value from a product that it would otherwise sell in its ordinary course of business. Amounts due and receivable under these arrangements are recorded at the outset of the arrangement as a contract asset in prepaid expenses and other current assets and other assets until such time that invoices are issued in accordance with the terms of the lease, at which point they are recorded as trade accounts receivable in the condensed consolidated balance sheets.

***Net Loss Attributable to Common Stockholders Per Share***

Net loss attributable to common stockholders per share is computed by dividing the weighted-average number of common shares outstanding for the period. Diluted net loss per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock; however, potential common equivalent shares are excluded if their effect is anti-dilutive. In computing diluted net loss per share, the Company utilizes the treasury stock method.

The Company applies the two-class method to compute basic and diluted net loss or income per share when it has issued shares that meet the definition of participating securities. The two-class method determines net (loss) or income per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires net (loss) income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to share in the earnings as if all net (loss) income for the period had been distributed. The Company’s convertible preferred stock participates in any dividends declared by the Company and are therefore considered to be participating securities. The participating securities are not required to participate in the losses of the Company, and therefore during periods of loss there is no allocation required under the two-class method.

## (3) Significant Risks and Uncertainties Including Business and Credit Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and trade receivables. The Company’s cash and cash equivalents are held by large, credit worthy financial institutions. The Company invests its excess cash in money market funds. The Company has established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. Deposits in these banks may exceed the amounts of insurance provided on such deposits. To date, the Company has not experienced any losses on its deposits of cash and cash equivalents.

The Company controls credit risk through credit approvals, credit limits, and monitoring procedures. The Company performs periodic credit evaluations of its customers and generally does not require collateral. Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management’s assessment of the collectability of specific customer accounts and the aging of the related invoices and represents the Company’s best estimate of probable credit losses in its existing trade accounts receivable. At each of June 30, 2021 and 2020, the Company had not recorded any material allowance for doubtful accounts.

Most of the Company’s customers are located in the United States and Asia Pacific. For the three months ended June 30, 2021, three customers accounted for 27%, 18% and 11% of revenue. For the six months ended June 30. 2021, three customers accounted for 14%, 11% and 10% of revenue. For the three months ended June 30, 2020, four customers accounted for 18%, 18%, 17%, 16% of revenue. For the six months ended June 30, 2020, two customers accounted for 15% and 11% of revenue.

As of June 30, 2021, four customers comprised 28%, 18%, 17% and 10% of accounts receivable. As of December 31, 2020, three customers accounted for 42%, 21% and 15% of accounts receivable.

## (4) Revenue From Contracts With Customers

### *Disaggregation of revenue*

The following table depicts the disaggregation of revenue by type of customer or sales channel, market segment as defined by nature of workflows and activities of the end customer and timing of revenue recognition (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Type of Sales Channel** | | | | |
| Direct sales channel | $ 10,103 | $ 8,750 | $ 20,542 | $ 20,731 |
| Distributor channel | 9,147 | 1,819 | 17,336 | 3,616 |
| Net revenues | $ 19,250 | $ 10,569 | $ 37,878 | $ 24,347 |
| **Market** | | | | |
| Antibody therapeutics | $ 13,672 | $ 9,956 | $ 28,786 | $ 21,777 |
| Synthetic biology | 1,856 | 566 | 3,840 | 2,172 |
| Gene therapy | 2,058 | — | 3,283 | — |
| Cell therapy | 1,664 | 47 | 1,969 | 398 |
| Net revenues | $ 19,250 | $ 10,569 | $ 37,878 | $ 24,347 |
| **Timing of Revenue Recognition** | | | | |
| Goods and services transferred at a point in time | $ 12,522 | $ 8,890 | $ 25,586 | $ 19,578 |
| Goods and services transferred over time | 6,728 | 1,679 | 12,292 | 4,769 |
| Net revenues | $ 19,250 | $ 10,569 | $ 37,878 | $ 24,347 |

Revenues by market are determined by the revenue associated with workflows that the Company's customers are utilizing, primarily on our Beacon platform, or by the nature of the workflows that the Company is developing under joint development and partnership agreements. Revenues by geographical markets are presented in Note 15 to these condensed consolidated financial statements.

### *Performance Obligations*

A significant number of the Company's product and service sales, as well as its feasibility study arrangements, are short-term in nature with a contract term of one year or less. For those contracts, the Company has utilized the practical expedient in ASC 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

As of June 30, 2021, the aggregate amount of remaining performance obligations that are unsatisfied or partially unsatisfied related to customer contracts extending over one year was $7.6 million, which includes deferred revenue on the Company's condensed consolidated balance sheets, of which approximately 34% is expected to be recognized to revenue in the next 12 months, with the remainder recognized afterwards.

### *Contract balances*

The following table provides information about receivables, contract assets and deferred revenue from contracts with customers (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Trade accounts receivable | $ 19,760 | $ 12,939 |
| Contract assets, which are included in “Prepaid expenses and other current assets” | 1,775 | 1,310 |
| Contract assets, long-term, which are included in “Other assets” | 2,040 | 1,375 |
| Deferred revenue (current) | 8,258 | 5,482 |
| Deferred revenue (non-current) | 1,875 | 1,709 |

The contract liabilities of $10.1 million and $7.2 million as of June 30, 2021 and December 31, 2020, respectively, consisted of deferred revenue related to extended warranty service agreements and advanced billings on advanced automation systems arrangements. Revenue recorded during the three and six months ended June 30, 2021 included $1.8 million and $4.3 million, respectively, of previously deferred revenue that was included in contract liabilities as of December 31, 2020.

***Sales-type lease arrangements***

The Company also enters into sales-type lease arrangements with certain qualified customers. Revenue related to lease elements from sales-type leases is presented as product revenue and was $1.0 million and $2.7 million for the three and six months ended June 30, 2021, respectively and none for the three and six months ended June 30, 2020.

The following tables presents the future maturity of the Company’s fixed-term customer leases and reconciles the undiscounted cash flows from the amounts due from customers under such arrangements as of June 30, 2021 (in thousands):

| **Year ending December 31,** | **Sales-Type Leases** |
|---|---|
| Remainder of 2021 | $ 1,336 |
| 2022 | 2,098 |
| 2023 | 445 |
| 2024 and thereafter | 853 |
| Total undiscounted cash flows | $ 4,732 |
| Less: unearned income | 641 |
| Total amounts due from customers, gross | $ 4,091 |

## (5) Balance Sheet Accounts

*Inventory*

The following table shows the components of inventory (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Raw materials | $ 6,335 | $ 6,675 |
| Finished goods | 6,237 | 4,372 |
| Total | $ 12,572 | $ 11,047 |

*Prepaid expenses and other current assets*

The following table shows the components of prepaid expenses and other current assets (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Contract asset | $ 1,775 | $ 1,310 |
| Vendor deposits | 1,491 | 1,346 |
| Deferred costs | 490 | 292 |
| Prepaid insurance | 368 | 2,401 |
| Other | 3,991 | 2,826 |
| Total | $ 8,115 | $ 8,175 |

*Accrued expenses and other current liabilities*

The following table shows the components of accrued expenses and other current liabilities (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Accrued payroll and employee related expenses | $ 4,334 | $ 4,152 |
| Lease liability – short-term | 2,136 | 1,909 |
| Accrued product warranty | 1,190 | 1,271 |
| Accrued legal expenses | 2,309 | 606 |
| Other | 532 | 463 |
| Total | $ 10,501 | $ 8,401 |

## (6) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts of the Company's cash equivalents, accounts receivable and accounts payable approximate fair value due to their relatively short maturities. The Company classifies its cash equivalents, which are comprised primarily of money market funds, within Level 1, as it uses quoted market prices in the determination of fair value.

The following tables set forth the fair value of the Company's financial assets and liabilities by level within the fair value hierarchy (in thousands):

| | June 30, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets | | | | |
| Cash equivalents | $ 25,136 | $ 25,136 | $ — | $ — |
| Total | $ 25,136 | $ 25,136 | $ — | $ — |

| | December 31, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets | | | | |
| Cash equivalents | $ 25,133 | $ 25,133 | $ — | $ — |
| Total | $ 25,133 | $ 25,133 | $ — | $ — |

The carrying values and fair values of the Company's financial instruments not measured at fair value were as follows (in thousands):

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt, including current maturities | $ 19,673 | $ 19,253 | $ 19,895 | $ 19,949 |

The Company estimated the fair value of its long-term debt using a market-based approach that considers an average cost of debt. The Company has incorporated its own credit risk for all liability fair value measurements. Such fair value measurements are considered Level 2 under the fair value hierarchy.

The Company did not have any transfers of financial assets measured at fair value on a recurring basis to or from Level 1, Level 2 or Level 3 for any of the periods presented.

**(7) Property and Equipment, net**

Property and equipment, net comprised the following (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Equipment, tooling and molds | $ 26,724 | $ 21,118 |
| Computer software and equipment | 2,652 | 2,153 |
| Furniture, fixtures and other | 1,868 | 1,739 |
| Leasehold improvements | 5,635 | 5,597 |
| Construction in process | 2,765 | 275 |
| Total property and equipment | $ 39,644 | $ 30,882 |
| Less: Accumulated depreciation | (18,805) | (16,338) |
| Property and equipment, net | $ 20,839 | $ 14,544 |

Total depreciation expense for the three and six months ended June 30, 2021 was $1.4 million and $2.7, respectively. Total depreciation expense for three and six months ended June 30, 2020 was $1.3 million and $2.6 million, respectively.

During the three and six months ended June 30, 2021 and 2020, losses on the impairment and disposal of property and equipment was not material.

## (8) Leases

The Company leases office, manufacturing, distribution and laboratory facilities in Emeryville, California under multiple operating leases.

In addition, the Company also leases multiple facilities in Shanghai, China under operating leases that expire at various dates, including additional office and laboratory facilities under an operating lease agreement that was entered into in July 2020.

Future payments associated with the Company's operating lease liabilities as of June 30, 2021 is as follows (in thousands):

| | Operating leases |
|---|---|
| Undiscounted lease payments for the year ending December 31, | |
| Remainder of 2021 | $ 1,697 |
| 2022 | 3,258 |
| 2023 | 3,284 |
| 2024 | 3,338 |
| 2025 | 3,439 |
| Thereafter | 8,127 |
| Total undiscounted lease payments | 23,143 |
| Less: implied interest | (4,749) |
| Less: tenant improvement allowances receivable | (1,417) |
| Present value of operating lease payments | 16,977 |
| Less: current portion | (2,136) |
| Total long-term operating lease liabilities | $ 14,841 |

Rent expense for the three and six months ended June 30, 2021 was $0.9 million and $1.7 million, respectively. Rent expense for the three and six months ended June 30, 2020 was $0.6 million and $1.2 million, respectively. Under the terms of the lease agreements, the Company is also responsible for certain variable lease payments that are not included in the measurement of the lease liability. Variable lease payments for operating leases were $0.6 million and $1.1 million for the three and six months ended June 30, 2021, respectively, including non-lease components such as common area maintenance fees. Variable lease payments for operating leases were $0.3 million and $0.6 million for the three and six months ended June 30, 2020, respectively, including non-lease components such as common area maintenance fees.

The following information represents supplemental disclosure for the statement of cash flows related to operating leases (in thousands):

| | Six months ended June 30, 2021 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | $ 796 |

The following summarizes additional information related to operating leases:

| | June 30, 2021 |
|---|---|
| Weighted-average remaining lease term (years) | 6.70 |
| Weighted-average discount rate | 7.03 % |

The Company also enters into leasing transactions in which the Company is the lessor, which to date have been classified as sales-type leases. See Note 4 of these condensed consolidated financial statements for the related lease disclosures.

## (9) Notes Payable

On May 23, 2018, the Company entered into a Loan and Security Agreement with East West Bank ("EWB") providing it the ability to borrow up to $20.0 million. The loan facility was fully drawn as of May 23, 2018.

On June 30, 2021, the Company entered into an Amended and Restated Loan and Security Agreement (the "Agreement") with East West Bank. Pursuant to the Agreement, EWB provided a $20.0 million term loan ("the Term Loan") which shall be used to refinance the term loan outstanding under the Loan and Security Agreement dated May 23, 2018. The Term Loan matures in 48 months and bears interest at a fixed rate of 4.17%. The Term Loan has an initial interest-only period of 24 months, which can be extended to up to 36 months based on the achievement of certain liquidity measures, and can be pre-paid without penalty at any time. The Agreement grants EWB a security interest in and liens on all assets of the Company, excluding intellectual property, which is subject to a double negative pledge. In addition, certain other terms of the original agreements as previously in effect were amended by the Agreement, including certain financial covenants. The Amended and Restated Loan and Security Agreement was accounted for as a debt modification and the Company capitalized incremental debt issuance costs.

Furthermore, the Agreement also provided the Company with a new $10.0 million revolving credit (the "Revolving Line"), which bears interest on the outstanding daily balance thereof of 0.70% above the Prime Rate (as defined in the Agreement). No amounts were outstanding under the Revolving Line as of June 30, 2021.

The following is a schedule of payments due on notes payable as of June 30, 2021 (in thousands):

| | | June 30, 2021 |
|---|---|---|
| Year Ending December 31: | | |
| Remainder of 2021 | $ | 431 |
| 2022 | | 846 |
| 2023 | | 6,617 |
| 2024 | | 10,405 |
| 2025 | | 4,210 |
| Total payments due | | 22,509 |
| Less: | | |
| Interest payments, loan discounts and financing costs | | (2,836) |
| Current portion, less loan discounts and financing costs | | — |
| Notes payable, net of current portion | $ | 19,673 |

Total interest cost incurred for the three and six months ended June 30, 2021 was $0.4 million and $0.7 million, respectively. Total interest cost incurred for the three and six months ended June 30, 2020 was $0.4 million and $0.7 million, respectively.

## (10) Stock Compensation Plans

*Stock-based compensation*

Stock-based compensation related to the Company's stock-based awards was recorded as an expense and allocated as follows (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of sales | $ 63 | $ 54 | $ 105 | $ 60 |
| Research and development | 1,599 | 553 | 2,660 | 1,064 |
| General and administrative | 2,497 | 586 | 3,869 | 1,115 |
| Sales and marketing | 1,470 | 159 | 3,489 | 292 |
| Total stock-based compensation | $ 5,629 | $ 1,352 | $ 10,123 | $ 2,531 |

Stock-based compensation capitalized in inventory was not material as of June 30, 2021 and December 31, 2020.

## (11) Income Taxes

The Company’s provision for income taxes was $26,000 and $43,000, respectively, for the three and six months ended June 30, 2021 and $8,000 and $24,000, respectively, for the three and six months ended June 30, 2020. The Company maintains a full valuation allowance on its deferred tax assets, and intends to do so until there is sufficient evidence to support the reversal of all or some portion of these allowances.

## (12) Statements of Cash Flows

The supplemental cash flow information consists of the following (in thousands):

| | Six months ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Cash paid for interest | $ 681 | $ 684 |
| Cash paid for income taxes | $ 3 | $ 6 |
| | | |
| ***Non-cash investing and financing activities*** | | |
| Accrued issuance costs | $ — | $ 1,248 |
| Inventory transferred to property and equipment | $ 3,827 | $ — |
| Change in accounts payable and accrued liabilities related to purchases of property and equipment | $ 723 | $ (69) |
| Release of repurchase rights on early exercised options | $ — | $ 176 |

## (13) Commitments and Contingencies

### *Legal Proceedings*

From time to time, the Company may be involved in legal and administrative proceedings and claims of various types. The Company records a liability in its financial statements for these matters when a loss is known and considered probable and the amount can be reasonably estimated. The Company does not recognize gain contingencies until they are realized. Legal costs incurred relating to loss contingencies are expensed as incurred.

In July 2020, AbCellera Biologics Inc. (“AbCellera”) filed a complaint in the United States District Court for the District of Delaware, alleging that the Company infringed and continues to infringe, directly and indirectly, the following patents exclusively licensed by AbCellera by making, using, offering for sale, selling and/or importing the Company’s Beacon and Culture Station instruments and the OptoSelect chips, and sale of the Opto Plasma B

Discovery Workflow: U.S. Patent Nos. 10,107,812, 10,274,494, 10,466,241, 10,578,618, 10,697,962, 10,087,408, 10,421,936 and 10,704,018 ("AbCellera I").

In August 2020, AbCellera filed a second complaint in the United States District Court for the District of Delaware, making the same allegations with regard to U.S. Patent Nos. 10,718,768, 10,738,270, 10,746,737, and 10,753,933 ("AbCellera II"). In September 2020, AbCellera filed amended complaints in each of AbCellera I and AbCellera II adding The University of British Columbia ("UBC") as a named plaintiff. Also in September 2020, AbCellera and UBC filed a third complaint in the United States District Court for the District of Delaware, making the same allegations with regard to U.S. Patent Nos. 10,775,376, 10,775,377, and 10,775,378 ("AbCellera III"). AbCellera and UBC are seeking, among other things, judgment of infringement, a permanent injunction and damages (including lost profits, a reasonable royalty, reasonable costs and attorney's fees and treble damages for willful infringement). In addition to procedural motions, the Company has filed an answer and counterclaims in response to each of the AbCellera I, AbCellera II and AbCellera III lawsuits. The Company's counterclaims in each lawsuit include counts for declaratory judgment of non-infringement of the asserted patents, for declaratory judgment of invalidity of the asserted patents and for declaratory judgment of unenforceability of the asserted patents due to inequitable conduct. The Company filed a motion to transfer the AbCellera I, AbCellera II and AbCellera III lawsuits to the United States District Court for the Northern District of California, which was granted and where the lawsuits have been consolidated and are now pending (the "consolidated lawsuit"). On May 6, 2021, and pursuant to Court Order, AbCellera and UBC reduced, without prejudice, the asserted patents in the consolidated lawsuit to the following: US Patent Nos. 10,087,408, 10,421,936, 10,738,270, 10,697,962, 10,753,933, 10,775,376 and 10,775,378. On July 1, 2021, the court granted Company's motion to amend its answer and counterclaims to add federal and state unfair competition counterclaims against AbCellera Biologics; on July 22, 2021, the Company filed its amended answer and counterclaims. Also on July 1, the court issued a Case Management Order that, among other things, scheduled a jury trial date of December 12, 2022, and requires AbCellera and UBC to reduce the number of asserted patents to no more than two, and the total asserted patent claims to no more than four per patent prior to the trial.

Also in July 2021, the Company filed petitions for Inter Partes Review ("IPR") with the United States Patent & Trademark Office ("USPTO"), challenging the validity of various asserted claims of U.S. Patent No. 10,087,408 and all asserted claims of U.S. Patent No. 10,421,936, then filed a motion in the district court to stay the consolidated lawsuit pending the outcome of the IPR proceedings.

In August 2020, the Company filed a complaint in the United States District Court for the Northern District of California against AbCellera and Lineage BioSciences, Inc., an entity previously acquired by AbCellera. The complaint includes two counts of unfair competition and one count of a declaratory judgment of non-infringement of U.S. Patent No. 10,058,839. The Company is seeking, among other things, damages and a judgment of non-infringement. In October 2020, the Company filed an amended complaint asserting the same three counts and AbCellera and Lineage filed a motion to dismiss the amended complaint, which was granted, without prejudice, in part. The Company has not further amended its complaint in this lawsuit in light of its amended answer and counterclaims in the consolidated lawsuits, which were amended to include its federal and state unfair competition claims as discussed above.

The Company believes that the patent assertions by AbCellera and UBC are without merit and intends to defend itself vigorously. The Company also intends to proceed with its claims and counterclaims against AbCellera and UBC. Outcomes in litigation can be uncertain and it is possible a court may disagree with the Company's positions. An adverse determination in these lawsuits could subject the Company to significant liabilities, require it to seek licenses from or pay royalties to AbCellera and/or UBC, or prevent it from manufacturing, selling or using certain of its products, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

No provision has been made for litigation because the Company believes that it is not probable that a liability had been incurred as of June 30, 2021.

The Company is not currently involved in any other claims or legal actions, nor is management aware of any potential claims or legal actions, for which the ultimate disposition could have a material adverse effect on the Company’s financial position, results of operations, or liquidity.

***Product Warranty***

The table below represents the activity in the product warranty accrual included in accrued expenses and other current liabilities on the condensed consolidated balance sheets (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Balance, beginning of period | $ 1,268 | $ 1,194 | $ 1,271 | $ 1,065 |
| Adjustments to existing warranties | (148) | (91) | (366) | (213) |
| Provision for new warranties | 242 | 220 | 617 | 550 |
| Settlement of pre-existing warranties | (172) | (139) | (332) | (218) |
| Balance, end of period | $ 1,190 | $ 1,184 | $ 1,190 | $ 1,184 |

## (14) Net Loss Attributable to Common Stockholders Per Share

Potentially issuable shares of common stock include shares issuable upon the exercise of outstanding employee stock option awards. Awards granted with performance conditions are excluded from the shares used to compute diluted earnings per share until the performance conditions associated with the awards are met.

The following table sets forth the computation of basic and diluted earnings per common share (in thousands, except share and per share data):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Numerator | | | | |
| Net loss attributable to common stockholders | $ (18,154) | $ (12,430) | $ (33,589) | $ (20,855) |
| Cumulative undeclared dividends on Series D convertible preferred stock | — | (797) | — | (1,594) |
| Net loss attributable to common stockholders, basic and diluted | $ (18,154) | $ (13,227) | $ (33,589) | $ (22,449) |
| Denominator | | | | |
| Weighted-average shares used to compute net income per share, basic and diluted | 66,790,755 | 3,109,545 | 66,029,307 | 3,078,756 |
| Net loss per share | | | | |
| Net loss per share attributable to common stockholders, basic and diluted | $ (0.27) | $ (4.25) | $ (0.51) | $ (7.29) |

Since the Company was in a loss position for all periods presented, basic net loss per share attributable to common stockholders is the same as diluted net loss per share attributable to common stockholders, as the inclusion of all potential shares of common stock outstanding would have been anti-dilutive. The following weighted-average common stock equivalents were excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods presented as they had an anti-dilutive effect:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Convertible preferred stock (on an if-converted basis) | — | 50,462,272 | — | 50,462,272 |
| Options to purchase common stock | 7,619,929 | 10,223,870 | 7,619,929 | 10,223,870 |
| Restricted stock units | 470,745 | — | 470,745 | — |
| Restricted shares of common stock related to early exercise of options | — | 17,187 | — | 17,187 |
| Warrants to purchase Series C convertible preferred stock | — | 136,519 | — | 136,519 |
| Total | 8,090,674 | 60,839,848 | 8,090,674 | 60,839,848 |

## (15) Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. The Company has one business activity and there are no segment managers who are held accountable for operations. Accordingly, the Company has one operating segment. The Company's principal operations and decision-making functions are located in the United States.

The following table provides the Company's revenues by geographical market based on the location where the services were provided or to which product was shipped (in thousands):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| North America | $ 8,874 | $ 5,669 | $ 16,236 | $ 14,150 |
| Asia Pacific | 9,268 | 2,244 | 17,699 | 7,104 |
| Europe | 1,108 | 2,656 | 3,943 | 3,093 |
| | $ 19,250 | $ 10,569 | $ 37,878 | $ 24,347 |

North America includes the United States and related territories. Asia Pacific also includes Australia.

As of June 30, 2021 and December 31, 2020, substantially all of the Company's long-lived assets were located in the United States of America.

## (16) Subsequent Events

We entered into a seven year lease agreement for additional space for research and development and Biofoundry operations in Lexington, Massachusetts, which commenced in the third quarter of 2021. Commitments under this lease total approximately $4.0 million, with $0.5 million due within the next 12 months.

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

**Special Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business, operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “seek,” “should,” “target,” “will,” “would” and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements about:

- estimates of our addressable market, market growth, future revenue, key performance indicators, expenses, capital requirements and our needs for additional financing;
- the implementation of our business model and strategic plans for our products, workflows and technologies;
- our ability to successfully implement alternative non-direct purchase channels, including subscription and partnership offerings and the design of any such alternatives;
- our expectations regarding the rate and degree of market acceptance of our platform;
- competitive companies and technologies and our industry;
- our ability to manage and grow our business by expanding our sales to existing customers or introducing our products and workflows to new customers;
- our ability to develop and commercialize new products and workflows;
- our ability to establish and maintain intellectual property protection for our products and workflows or avoid or defend claims of infringement, including with respect to our intellectual property litigation with AbCellera and The University of British Columbia;
- the performance of third party manufacturers and suppliers and the availability of materials, parts and components therefrom;
- the potential effects of government regulation;
- the potential effects of governmental and agency directives and guidance related to COVID-19;
- our ability to hire and retain key personnel and to manage our future growth effectively;
- our ability to obtain additional financing in future offerings;
- the volatility of the trading price of our common stock;
- our ability to attract and retain key scientific and engineering personnel;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our expectations regarding the use of proceeds from our initial public offering in July 2020; and
- our expectations about market trends.

Forward-looking statements are based on management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. As a result, any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be inaccurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and notes thereto and management’s discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2020 included in Annual Report on Form 10-K and filed with the Securities and Exchange Commission on March 12, 2021. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020, or elsewhere in this Quarterly Report on Form 10-Q, and our other reports filed with the SEC.

**Overview**

Berkeley Lights is a leading Digital Cell Biology company focused on enabling and accelerating the rapid development and commercialization of biotherapeutics and other cell-based products. The Berkeley Lights Platform captures deep phenotypic, functional and genotypic information for thousands of single cells in parallel and can also deliver the live biology customers desire in the form of the best cells. This is a new way to capture and interpret the qualitative language of biology and translate it into single-cell specific digital information, referred to as Digital Cell Biology. We currently focus on enabling the large and rapidly growing markets of antibody therapeutics, cell therapy and synthetic biology with our platform.

The Berkeley Lights Platform can be used to characterize the performance of cells relevant to the desired cell-based product early in the discovery process and then connect this phenotypic data to the genetic code for each cell. In contrast, current genomic technologies find sequences first and fail to deliver the functional information early in the process. Performing functional validation early means letting poorly performing cells fail early while rapidly advancing the best candidates forward, before incurring significant research and development expense. Our platform repeats this process of fail and advance many times throughout the process, delivering the best cells for what we, or our customers believe will deliver the best product.

Our platform is a fully integrated, end-to-end solution, comprised of proprietary consumables, including our OptoSelect chips and reagent kits, advanced automation systems and advanced application and workflow software. Customers load onto our system their live cell samples, as well as media and reagents, then the cells are imported onto our OptoSelect chips where integrated workflows are performed to assess specific cell functions and attributes. Our platform captures and delivers rich single-cell data to find the best cells. Our platform leverages proprietary OptoElectro Positioning (“OEP”) technology, which enables deterministic positioning of living single cells and other micro-objects using light. OEP is a core technology of our platform and allows for a high level of control over live single cells or other micro-objects throughout the functional characterization process.

Our commercial workflows, each of which are distinct offerings, are made up of four modules we call Import, Culture, Assay and Export. These modules can be adapted, interchanged and deployed with a variety of single-cell assays to address specific applications and a variety of cell types. We believe this versatility facilitates rapid development of new workflow offerings and expansive workflow commercialization opportunities. We have developed and will continue to develop and commercialize proprietary workflows across large markets by leveraging existing workflows and assays. Over time, our goal is to enable customers to standardize many of their processes on our platform utilizing our workflows. We believe we are the only company commercializing a platform that can do this in a scalable way. From the initial launch of our platform in 2016 through June 30, 2021, we have commercially launched ten workflows.

Our customer base is comprised of companies from the pharmaceutical industry, biotechnology companies, government and academia institutions who leverage our platforms and workflows across established industry markets, including antibody therapeutics, cell therapy, gene therapy and synthetic biology.

Historically, we have financed our operations primarily from the issuance and sale of convertible preferred stock, borrowings under our long-term debt agreement, as well as cash flows from operations. On July 21, 2020, we closed our initial public offering (the “IPO”), in which we sold 9,315,000 shares of common stock (which included 1,215,000 shares that were sold pursuant to the full exercise of the IPO underwriters’ option to purchase additional shares) at a price to the public of $22.00 per share. We received aggregate net proceeds of $187.9 million after deducting offering costs, underwriting discounts and commissions of $17.0 million.

Since our inception in 2011, we have incurred net losses in each year. Our net losses were $18.2 million and $12.4 million for the three months ended June 30, 2021 and 2020, respectively, and $33.6 and $20.9 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $225.5 million and cash and cash equivalents totaling $215.1 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future.

Certain of our financial results and other key operational developments for the three and six months ended June 30, 2021 include the following:

- In June 2021 we announced the release of our TechAccess subscription model to enable broader access to our cutting-edge single-cell screening technology. The new offering will bring volume and throughput flexibility to customers who want to access our cell line development and antibody discovery workflows. Each TechAccess subscription has a renewable 1-year term and provides customers with the turnkey capacity they need and the financial benefits of no up-front capital expense. As of June 30, 2021 three customer have placed orders for this subscription model. Revenue from this offering was immaterial during the three months ended June 30, 2021.

- Total revenue for the three months ended June 30, 2021 was $19.3 million compared to $10.6 million for the same period in 2020. Total revenue for the six months ended June 30, 2021 was $37.9 million compared to $24.3 million for the same period in 2020.

- Gross profit for the three and six months ended June 30, 2021 increased to $12.7 million and $25.2 million, respectively from $7.0 million and $16.9 million, respectively, for the three and six months ended June 30, 2020.

**COVID-19 Update**

The COVID-19 pandemic continues to present business challenges in 2021. We have initiated a plan to reintroduce more employees into the workplace as vaccine rates increase and the number of positive COVID-19 cases continue to decrease. Although a certain number of our general and administrative employees continue to work partly, or primarily, from home, as do many of our sales and marketing employees, and we have not returned to pre-pandemic operations, we are starting to experience stabilization of our employee on-site attendance. During the six months ended June 30, 2021, our production, shipping and customer service functions have remained operational to maintain a continuous supply of products both to our customers and for our internal research and development activities. We are communicating regularly with our suppliers so that our supply chain remains intact and, while we are closely monitoring global supply issues around materials, parts and components, including plastics and integrated circuit chips, we have not experienced any material supply issues. We continue to monitor US and applicable State government and agency directives and guidelines, including those issued by the State of California's Division of Occupational Safety and Health, better known as Cal/OSHA.

Although we believe the COVID-19 pandemic did not have a significant impact on our financial results in the six months ended June 30, 2021, the ultimate impact of COVID-19 on our operations and financial performance in future periods remains uncertain and will depend on future pandemic related developments. COVID-19 pandemic developments that may impact our business include, the duration of the pandemic, any potential subsequent waves of COVID-19 infection, the effectiveness, distribution and acceptance of COVID-19 vaccines and therapies, and related government actions to prevent and manage disease spread, all of which are uncertain and cannot be predicted.

**Components of results of operations**

***Revenue***

Our revenue consists of both product and service revenue, which is generated through the following revenue streams: (i) direct platform sales (advanced automation systems, fully-paid workflow license agreements and platform support), (ii) recurring revenue (annual workflow license agreements, workflow subscription agreements, consumables, service and extended or enhanced warranty contracts), and (iii) revenue from partnerships related to our joint development agreements, and to a lesser extent feasibility studies. Sales of advanced automation systems, recurring revenue from consumables, workflow subscription agreements, and workflow licenses are defined as product revenue; and revenue from joint development agreements and partnerships, service and extended or enhanced warranty contracts, feasibility studies and platform support are defined as service revenue in our consolidated results of operations. We launched our Tech Access subscription model in June 2021 and did not record significant revenue related to this new program in the second quarter of 2021.

*Direct platform sales:* Direct platform sales are comprised of our customers, distributors and dealers directly purchasing our advanced automation systems, which include the Beacon and Lightning systems and Culture Station instrument. Direct platform sales can also include fixed-term sales-type lease arrangements with certain qualified customers. These direct purchases included, during our early customer engagements, a fully-paid workflow license to practice the desired workflow(s) in a specific field of use. In addition, we also offer platform support to the extent customers require further system and workflow optimization following platform implementation. Direct platform sales were as follows for the periods presented:

| | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands, except percentages)** | **2021** | **2020** | **Amount** | **%** | **2021** | **2020** | **Amount** | **%** |
| Direct platform sales | $ 11,389 | $ 7,519 | $ 3,870 | 51 % | $ 22,505 | $ 16,966 | $ 5,539 | 33 % |
| Total revenue | $ 19,250 | $ 10,569 | $ 8,681 | 82 % | $ 37,878 | $ 24,347 | $ 13,531 | 56 % |
| Direct platform sales as % of total revenue | 59 % | 71 % | | | 59 % | 70 % | | |

*Recurring revenue:* Each platform placement, depending on the chosen access model, drives various streams of recurring revenue. With each workflow, our customers require certain consumables such as our OptoSelect chips and reagent kits to run their workflows. The OptoSelect chips can only be used with our platform and we believe there are no alternative after-market options that can be used as a substitute. Each OptoSelect chip is considered, and labeled for, single-use and only used for one workflow. Consumables are sold without the right of return and revenue is recognized upon transfer of control. We also offer our customers extended warranty and service programs for regular system maintenance and system optimization. These services are provided primarily on a fixed fee basis. We recognize revenue from the sale of an extended warranty contract over the respective coverage period. Extended and enhanced warranty, as well as service contracts, are typically short-term in nature, generally covering a one-year period.

Recurring revenue may also include annually renewable workflow licenses as well as quarterly workflow subscription revenue from annual or multi-year subscription agreements.

Recurring revenue was as follows for the periods presented:

| (in thousands, except percentages) | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Amount | % | 2021 | 2020 | Amount | % |
| Recurring revenue | $ 3,946 | $ 2,922 | $ 1,024 | 35 % | $ 8,340 | $ 5,401 | $ 2,939 | 54 % |
| Total revenue | $ 19,250 | $ 10,569 | $ 8,681 | 82 % | $ 37,878 | $ 24,347 | $ 13,531 | 56 % |
| Recurring revenue as % of total revenue | 20 % | 28 % | | | 22 % | 22 % | | |

_Revenue from joint development agreements and partnerships_: Joint development agreements and partnerships, including collaboration agreements, are arrangements whereby we provide services for the development of new workflows, cell, or organism types, or deliver specific biological assets to meet specific customers' needs. Such contracts can be executed on a time-and-materials basis or include defined milestones associated with these development activities over extended periods of time, some in excess of twenty-four months. Our joint development agreements that include formal milestones may include formal customer acceptance clauses as each milestone is completed as well as an approval to proceed with the next milestone. Some development agreements may also include a prerequisite feasibility study to determine proof of concept before any work is initiated. We recognize revenue over time using an input measure of progress based on costs incurred to date as compared to the total estimated costs (i.e. percentage of completion), or in certain instances on a time-and-materials basis, depending on the terms of the development agreement. We periodically review and update our estimates which may adjust revenue recognized for the period. Revenue from joint development and partnership agreements can vary over time as different projects start and complete. On occasion, we also perform feasibility studies prior to a direct platform sale in the event customers require specific platform validation prior to purchase.

Joint development agreement and partnership related revenue was as follows for the periods presented:

| (in thousands, except percentages) | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | Amount | % | 2021 | 2020 | Amount | % |
| Joint development agreement and partnership revenue | $ 3,915 | $ 128 | $ 3,787 | 2959 % | $ 7,033 | $ 1,980 | $ 5,053 | 255 % |
| Total revenue | $ 19,250 | $ 10,569 | $ 8,681 | 82 % | $ 37,878 | $ 24,347 | $ 13,531 | 56 % |
| Joint development agreement and partnership revenue as % of total revenue | 20 % | 1 % | | | 19 % | 8 % | | |

***Costs of sales, gross profit and gross margin***

*Product cost of sales.* Cost of sales associated with our products primarily consists of manufacturing related costs incurred in the production process, including personnel and related costs, costs of component materials, labor and overhead, packaging and delivery costs and allocated costs, including facilities and information technology. These costs also include the costs associated with the standard assurance-type product warranty provided on our platforms, which are recorded at the time of sale.

*Service cost of sales*. Cost of sales associated with our services primarily consists of personnel and related costs, expenses related to the development of customized platforms and workflows, feasibility studies on our platforms and service and warranty costs to support our customers. We maintain continuous efforts to increase reliability of our advanced automation systems.

*Gross profit and gross margin.* Gross profit is calculated as revenue less cost of sales. Gross margin is gross profit expressed as a percentage of revenue. Our gross profit in future periods will depend on a variety of factors, including: market conditions that may impact our pricing; sales mix among platform access options, including the regional mix of sales; sales mix changes among consumables, advanced automation systems and services; product mix changes between established products and new products; excess and obsolete inventories; our cost structure for manufacturing operations relative to volume; and product warranty obligations. We expect cost of sales to increase in absolute dollars in future periods as our revenue grows, and as we plan to hire additional employees to support our manufacturing, operations, service and support organizations.

***Operating expenses***

*Research and development*. Research and development costs primarily consist of salaries, benefits, incentive compensation, stock-based compensation, laboratory supplies, materials expenses and allocated facilities and IT costs for employees and contractors engaged in research and product development. We expense all research and development costs in the period in which they are incurred.

We plan to continue to invest in our research and development efforts, including hiring additional employees, to enhance existing products and develop new products. As a result, we expect that our research and development expenses will continue to increase in absolute dollars in future periods. We expect these expenses to vary from period to period as a percentage of revenue.

*General and administrative.* Our general and administrative expenses primarily consist of salaries, benefits and stock-based compensation costs for employees in our executive, accounting and finance, legal and human resource functions, as well as professional services fees, such as consulting, audit, tax and legal fees, general corporate costs and allocated overhead expenses. We expect that our general and administrative expenses will continue to increase in absolute dollars, primarily due to increased headcount to support anticipated growth in the business and due to incremental costs associated with operating as a public company. We expect these expenses to vary from period to period as a percentage of revenue.

*Sales and marketing.* Our sales and marketing expenses consist primarily of salaries, benefits, sales commissions and stock-based compensation costs for employees within our commercial sales functions, as well as marketing, travel expenses and allocated facilities and IT costs. We expect our sales and marketing expenses to increase in absolute dollars as we expand our commercial sales, marketing and business development teams, increase our presence globally and increase marketing activities to drive awareness and adoption of our platform. While these expenses may vary from period to period as a percentage of revenue, we expect these expenses to increase as a percent of sales in the short-term as we continue to grow our commercial organization to support anticipated growth in the business.

We expect our aggregate stock-based compensation to continue to increase in absolute dollar terms.

***Other income (expense)***

*Interest expense.* Interest expense consists primarily of interest related to borrowings under our debt obligations.

*Interest income.* Interest income primarily consists of interest earned on our cash and cash equivalents which are invested in cash deposits and in money market funds.

*Other income (expense), net.* Other income (expense), net consists primarily of foreign currency exchange gains and losses. Foreign currency exchange gains and losses relate to transactions and asset and liability balances denominated in currencies other than the U.S. dollar, primarily related to our operations in the United Kingdom. We expect our foreign currency gains and losses to continue to fluctuate in the future due to changes in foreign currency exchange rates.

***Provision for income taxes***

Our provision for income taxes consists primarily of foreign taxes and state minimum taxes in the United States. As we expand the scale and scope of our international business activities, any changes in the United States and foreign taxation of such activities may increase our overall provision for income taxes in the future.

**Results of operations**

The following tables set forth our results of operations for the periods presented:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(in thousands)** | **2021** | **2020** | **2021** | **2020** |
| Revenue: | | | | |
| Product revenue | $ 13,021 | $ 9,107 | $ 26,554 | $ 19,790 |
| Service revenue | 6,229 | 1,462 | 11,324 | 4,557 |
| Total revenue | 19,250 | 10,569 | 37,878 | 24,347 |
| Cost of sales: | | | | |
| Product cost of sales | 3,332 | 2,384 | 7,035 | 5,004 |
| Service cost of sales | 3,190 | 1,223 | 5,664 | 2,402 |
| Total cost of sales (1) | 6,522 | 3,607 | 12,699 | 7,406 |
| Gross profit | 12,728 | 6,962 | 25,179 | 16,941 |
| Operating expenses: | | | | |
| Research and development (1) | 13,535 | 11,843 | 26,562 | 22,819 |
| General and administrative (1) | 11,725 | 4,193 | 20,692 | 8,190 |
| Sales and marketing (1) | 5,317 | 3,076 | 10,923 | 6,310 |
| Total operating expenses | 30,577 | 19,112 | 58,177 | 37,319 |
| Loss from operations | (17,849) | (12,150) | (32,998) | (20,378) |
| Other income (expense): | | | | |
| Interest expense | (356) | (356) | (710) | (713) |
| Interest income | 43 | 47 | 109 | 198 |
| Other income (expense), net | 34 | 37 | 53 | 62 |
| Loss before income taxes | (18,128) | (12,422) | (33,546) | (20,831) |
| Provision for income taxes | 26 | 8 | 43 | 24 |
| Net loss and net comprehensive loss | $ (18,154) | $ (12,430) | $ (33,589) | $ (20,855) |

(1) Amounts include stock-based compensation as follows:

| (in thousands) | Three months ended June 30, 2021 | 2020 | Six months ended June 30, 2021 | 2020 |
|---|---|---|---|---|
| Cost of sales | $ 63 | $ 54 | $ 105 | $ 60 |
| Research and development | 1,599 | 553 | 2,660 | 1,064 |
| General and administrative | 2,497 | 586 | 3,869 | 1,115 |
| Sales and marketing | 1,470 | 159 | 3,489 | 292 |
| Total stock-based compensation expense | $ 5,629 | $ 1,352 | $ 10,123 | $ 2,531 |

**Comparison of the three and six months ended June 30, 2021 and 2020**

***Revenue***

| | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| (in thousands, except percentages) | 2021 | 2020 | Amount | % | 2021 | 2020 | Amount | % |
| Product revenue | $ 13,021 | $ 9,107 | $ 3,914 | 43 % | $ 26,554 | $ 19,790 | $ 6,764 | 34 % |
| Service revenue | 6,229 | 1,462 | 4,767 | 326 % | 11,324 | 4,557 | $ 6,767 | 148 % |
| Total revenue | $ 19,250 | $ 10,569 | $ 8,681 | 82 % | $ 37,878 | $ 24,347 | $ 13,531 | 56 % |

Product revenue increased by $3.9 million, or 43%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase was primarily driven by strong demand across our markets, especially from the Antibody Therapeutics, Gene and Cell Therapy market, resulting in an increase of $3.4 million from platform and system sales, including sales-type lease arrangements and license arrangements related to our workflows, an increase of $0.2 million in consumables sales driven by additional demand from our customers due to the increase in our installed base, and an increase of $0.3 million in subscription arrangement and related revenue driven by the launch of our subscription access program in 2020. During the three months ended June 30, 2021, we placed seven platforms as compared to the three months ended June 30, 2020 in which we placed in total four platforms.

Service revenue increased by $4.8 million, or 326%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase was primarily driven by higher revenue associated with joint development agreement and partnership revenue of $3.6 million as well as an increase from sales in service warranty and application support arrangements of $0.9 million, which resulted from the timing of activities performed and the timing of warranty renewals by our customers as their standard warranty periods expire and our platform placements increase.

Product revenue increased by $6.8 million, or 34%, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase was primarily driven by higher revenue in all markets. Revenue from platform and system sales increased by $4.8 million, including sales-type lease arrangements and license arrangements related to our workflows and revenue from the sale of consumables increased by $1.3 million driven by additional demand due to the increase in our installed base. Revenue from subscription arrangements increased by $0.7 million for the six months ended June 30, 2021 compared to the same period in 2020. During the six months ended June 30, 2021 we placed seventeen platforms as compared to ten platforms in the six months ended June 30, 2020.

Service revenue increased by $6.8 million, or 148 %, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase was primarily driven by increased revenue associated with joint development and partnership revenue of $5.1 million, as well as an increase from sales in service warranty and application support arrangements of $1.7 million.

### *Cost of sales, gross profit and gross margin*

| (in thousands, except percentages) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Three month change Amount | Three month change % | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Six month change Amount | Six month change % |
|---|---|---|---|---|---|---|---|---|
| Product cost of sales | $ 3,332 | $ 2,384 | $ 948 | 40 % | $ 7,035 | $ 5,004 | $ 2,031 | 41 % |
| Service cost of sales | 3,190 | 1,223 | 1,967 | 161 % | 5,664 | 2,402 | 3,262 | 136 % |
| Total cost of sales | $ 6,522 | $ 3,607 | $ 2,915 | 81 % | $ 12,699 | $ 7,406 | $ 5,293 | 71 % |
| Gross profit | $ 12,728 | $ 6,962 | $ 5,766 | 83 % | $ 25,179 | $ 16,941 | $ 8,238 | 49 % |
| Gross margin | 66 % | 66 % | | | 66 % | 70 % | | |

Product cost of sales increased by $0.9 million, or 40% and $2.0 million or 41% for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020 and was in line with product revenue growth.

Service cost of sales increased by $2.0 million, or 161% and $3.3 million or 136 % for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020. The increase was primarily due to costs incurred for joint development agreements under which we provide services on a time-and-materials basis, as well as increased costs for extended warranty services as a result of the nature and timing of work performed under such arrangements.

Gross profit increased by $5.8 million, or 83%, for the three months ended June 30, 2021 and increased by $8.2 million, or 49 % for the six months ended June 30, 2021, respectively, compared.to the same periods in 2020. The increase in gross profit for the three and six months ended June 30, 2021 was primarily driven by higher revenues. Gross margin was 66% for the three months ended June 30, 2021 and 2020 and was 66% and 70% for the six months ended June 30, 2021 and 2020, respectively. Gross margin for the three and six months ended June 30, 2021, was impacted by the buy-down of two workflow programs in prior periods that are being developed in collaboration with Ginkgo Bioworks related to joint development and partnership agreements. While this buy-down does not impact our costs incurred, it reduces revenue and gross margin related to these specific programs upon execution on a go-forward basis.

**Operating Expenses**

***Research and development***

| (in thousands, except percentages) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Three month change Amount | Three month change % | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Six month change Amount | Six month change % |
|---|---|---|---|---|---|---|---|---|
| Research and development | $ 13,535 | $ 11,843 | $ 1,692 | 14 % | $ 26,562 | $ 22,819 | $ 3,743 | 16 % |

Research and development expense increased by $1.7 million, or 14%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase was primarily due to an increase in personnel-related expenses, including a $1.0 million increase in stock-based compensation expense primarily due to increased headcount as a result of our continued growth and also partially due to an increase in other costs, including testing and qualification materials and costs related to various projects to develop and improve systems, workflows, consumables and assays.

Research and development expense increased by $3.7 million, or 16 %, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase was due to an increase in personnel-related expenses, including a $1.6 million increase in stock-based compensation expense resulting primarily from increased headcount, and also due to an increase in other costs, including testing and qualification materials and other costs related to various projects to develop and improve systems, workflows and assays.

***General and administrative***

| | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands, except percentages)** | **2021** | **2020** | **Amount** | **%** | **2021** | **2020** | **Amount** | **%** |
| General and administrative | $ 11,725 | $ 4,193 | $ 7,532 | 180 % | $ 20,692 | $ 8,190 | $ 12,502 | 153 % |

General and administrative expense increased by $7.5 million, or 180%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase was primarily due to an increase in outside legal fees, including patent litigation support, as well as an increase in personnel-related expenses, including a $1.9 million increase in stock-based compensation expense primarily due to the growth of our operations, and increased insurance costs related primarily to requirements associated with operating as a public company.

General and administrative expense increased by $12.5 million, or 153 %, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase was primarily due to an increase in outside legal fees, including patent litigation support, as well as an increase in personnel-related expenses, including a $2.8 million increase in stock-based compensation expense primarily due to the growth of our operations, and increased insurance costs related primarily to requirements associated with operating as a public company.

***Sales and marketing***

| | Three months ended June 30, | | Three month change | | Six months ended June 30, | | Six month change | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands, except percentages)** | **2021** | **2020** | **Amount** | **%** | **2021** | **2020** | **Amount** | **%** |
| Sales and marketing | $ 5,317 | $ 3,076 | $ 2,241 | 73 % | $ 10,923 | $ 6,310 | $ 4,613 | 73 % |

Sales and marketing expense increased by $2.2 million, or 73%, for the three months ended June 30, 2021, compared to the three months ended June 30, 2020. The increase was primarily due to an increase in personnel-related expenses, including a $1.3 million increase in stock-based compensation expense as a result of increased headcount and certain performance awards granted to a non-employee strategic advisor, and also due to an increase in marketing, advertising and other costs.

Sales and marketing expense increased by $4.6 million, or 73 %, for the six months ended June 30, 2021, compared to the six months ended June 30, 2020. The increase was primarily due to an increase in personnel-related expenses, including a $3.2 million increase in stock-based compensation and also due to an increase in marketing, advertising and other costs.

*Interest expense*

| (in thousands, except percentages) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Three month change Amount | Three month change % | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Six month change Amount | Six month change % |
|---|---|---|---|---|---|---|---|---|
| Interest expense | $ 356 | $ 356 | $ — | — % | $ 710 | $ 713 | $ (3) | — % |

Interest expense remained flat at $0.4 million and $0.7 million for the three and six months ended June 30, 2021, respectively, compared to the three and six months ended June 30, 2020. Interest expense resulted primarily from interest incurred on our loan from East West Bank, which has a fixed rate of interest.

*Interest income*

| (in thousands, except percentages) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Three month change Amount | Three month change % | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Six month change Amount | Six month change % |
|---|---|---|---|---|---|---|---|---|
| Interest income | $ 43 | $ 47 | $ (4) | (9 %) | $ 109 | $ 198 | $ (89) | (45 %) |

Interest income was flat for the three months ended June 30, 2021 and decreased $0.1 million for the six months ended June 30, 2021, compared to the three and six months ended June 30, 2020. The decrease in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to lower interest received on our cash and short-term deposits due to a decline in interest rates.

*Other income (expense), net*

| (in thousands, except percentages) | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Three month change Amount | Three month change % | Six months ended June 30, 2021 | Six months ended June 30, 2020 | Six month change Amount | Six month change % |
|---|---|---|---|---|---|---|---|---|
| Other income (expense), net | $ 34 | $ 37 | $ (3) | 8 % | $ 53 | $ 62 | $ (9) | 15 % |

Other income for the three and six months ended June 30, 2021 and 2020 was mainly comprised of foreign exchange gains and losses and other miscellaneous income.

**Liquidity and capital resources**

As of June 30, 2021, we had approximately $215.1 million in cash and cash equivalents which were primarily held in U.S. short-term bank deposit accounts and money market funds. Restricted cash of $0.3 million serves as collateral for our corporate credit card program. We have generated negative cumulative cash flows from operations since inception through June 30, 2021.

We expect to incur additional operating losses in the foreseeable future as we continue to invest in the research and development of our product offerings, commercialize and launch platforms, and expand into new markets. Our future capital requirements will depend on many factors including our revenue growth rate, research and development efforts, the impacts of the COVID-19 pandemic, the timing and extent of additional capital expenditures to invest in existing and new facilities as well as our manufacturing operations, the expansion of sales and marketing and the introduction of new products. We have and may in the future enter into arrangements to acquire or invest in businesses, services and technologies, and any such acquisitions or investments could significantly increase our capital needs.

We currently anticipate making aggregate capital expenditures between approximately $8.5 million and $9.5 million during the next 12 months, which is expected to primarily include equipment to be used for manufacturing and research and development, as well as spend associated with the expansion of our facilities to support the growth of our operations.

Based on our current business plan, we believe our existing cash and cash equivalents and anticipated cash flows from operations will be sufficient to meet our working capital and capital expenditure needs over at least the next 12 months.

***Sources of liquidity***

Since our inception, we have financed our operations primarily from the issuance and sale of equity securities, borrowings under long-term debt agreements, and to a lesser extent, cash flow from operations. In July 2020, we completed our IPO, resulting in the receipt of aggregate proceeds of $187.9 million, net of offering costs, underwriter discounts and commissions of $17.0 million.

*East West Bank Loan and Security Agreement*

On June 30, 2021, we entered into an Amended and Restated Loan and Security Agreement (the "Agreement") with East West Bank ("EWB") providing us with a $20.0 million term loan ("the Term Loan") which has been used to refinance the term loan outstanding under the Loan and Security Agreement dated May 23, 2018. The Term loan matures in 48 months and bears interest at a fixed rate of 4.17%. The Term loan has an initial interest-only period of 24 months, which can be extended to up to 36 months based on the achievement of certain liquidity measures, and can be pre-paid without penalty at any time. The Agreement grants East West Bank a security interest in and liens on all assets of the Company, excluding intellectual property, which is subject to a double negative pledge. In addition, certain other terms of the Original Agreements as previously in effect were amended by the Agreement, including certain financial covenants.

We were in compliance with all covenants under the EWB Loan Agreement as of June 30, 2021

Furthermore, the Amended and Restated Loan and Security Agreement with East West Bank provides us with a new $10.0 million revolving credit (the "Revolving Line"), which bears interest on the outstanding daily balance thereof of 0.70% above the Prime Rate (as defined in the Agreement). No amounts were outstanding under the Revolving Line as of June 30, 2021.

***Cash flows***

The following table summarizes our cash flows for the periods presented:

| | Six months ended June 30, | |
|---|---|---|
| **(in thousands)** | **2021** | **2020** |
| Net cash (used in) provided by: | | |
| Operating activities | $ (24,095) | $ (20,979) |
| Investing activities | (4,382) | (1,316) |
| Financing activities | 10,146 | 432 |
| Net decrease in cash and cash equivalents and restricted cash | $ (18,331) | $ (21,863) |

***Operating activities***

Net cash used in operating activities of $24.1 million for the six months ended June 30, 2021 was attributable to a net loss of $33.6 million and cash outflows of from changes in our net operating assets and liabilities, partially offset by non-cash charges, primarily related to stock-based compensation and depreciation and amortization. Cash outflow from our net operating assets and liabilities was primarily due to an increase in inventories resulting from an increase in raw materials and finished goods to support revenue growth and anticipated demand, an increase in accounts receivable due to an increase in revenue and the timing of invoicing, partially offset by an increase in deferred revenue and accounts payable due to the timing of advanced billings and revenue recognition as well as the timing of vendor invoicing and related payments.

Net cash used in operating activities of $21.0 million for the six months ended June 30, 2020 was attributable to a net loss of $20.9 million and cash outflows from changes in our net operating assets and liabilities, partially offset by non-cash charges, primarily related to stock-based compensation and depreciation and amortization. Cash outflow from our net operating assets and liabilities was primarily due to an increase in inventories due an increase in raw materials and finished goods to support revenue growth and anticipated demand and from an increase in prepaid expenses and deferred revenue as a result of timing of invoicing, partially offset by an increase in accounts payable and accrued expenses due to the timing of vendor payments.

***Investing activities***

Net cash used in investing activities was $4.4 million in the six months ended June 30, 2021 compared to $1.3 million in the six months ended June 30, 2020. The increase was primarily driven by the timing of capital expenditures. Capital expenditures for the first six months of 2021 include the expansion of our Biofoundry laboratory operations to support current and planned programs.

***Financing activities***

Net cash provided by financing activities was $10.1 million for the six months ended June 30, 2021 compared to $432,000 for the six months ended June 30, 2020. Net cash provided by financing activities during the six months ended June 30, 2021 related to proceeds received from the issuance of common stock upon the exercise of stock options as well as proceeds received related to the issuance of common stock under our employee stock purchase plan. Net cash provided by financing activities for the six months ended June 30, 2020 related to proceeds received from the issuance of common stock upon the exercise of stock options.

***Concentration of credit risk***

Most of the Company’s customers are located in the United States and Asia Pacific. For the three months ended June 30, 2021, three customers accounted for 27%, 18% and 11% of revenue. For the six months ended June 30. 2021, three customers accounted for 14%, 11% and 10% of revenue. For the three months ended June 30, 2020, four customers accounted for 18%, 18%, 17%, 16% of revenue. For the six months ended June 30, 2020, two customers accounted for 15% and 11% of revenue.

As of June 30, 2021, four customers comprised 28%, 18%, 17% and 10% of accounts receivable.

**Contractual obligations and commitments**

There have been no material changes to our contractual obligations as of June 30, 2021, as compared to those disclosed in the Annual Report on Form 10-K for the year ended December 31, 2020, with the following exceptions.

We purchase raw materials for inventory, services and equipment from a variety of vendors, including our contract manufacturers that manufacture our instruments and certain providers of our components for our consumable manufacturing. Total purchase obligations that are enforceable and legally binding on us and that specify all significant terms were $37.9 million as of June 30, 2021, of which $22.3 million are expected to be become due after December 31, 2021 and beyond.

**Off-balance sheet arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

**Critical accounting policies and estimates**

We have prepared our condensed consolidated financial statements in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Our preparation of these condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in the section titled "Management's Discussion and Analysis of Financial Condition and Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 12, 2021, with the following exceptions.

We maintain an incentive compensation plan under which incentive stock options, nonqualified stock options and restricted stock units ("RSUs") are granted primarily to employees and non-employee consultants. Stock-based compensation expense for stock-based awards is based on the grant date fair value of the awards. We determine the fair value of RSUs based on the closing value of our stock price listed on Nasdaq at the date of the grant.

We estimate the fair value of stock option awards on the grant date using the Black-Scholes option-pricing model. The fair value of stock option awards is recognized as compensation expense on a straight-line basis over the requisite service period in which the awards are expected to vest and forfeitures are recognized as they occur. Stock option awards that include a service condition and a performance condition are considered expected to vest when the performance condition is probable of being met. Compensation expense associated with performance awards that are determined to be probable of achievement is recognized over the requisite service period, provided the grantee remains an employee or consultant of the Company through each applicable vesting date. For performance awards not initially assessed as probable of achievement, we record a cumulative adjustment to compensation expense in the period we change our determination that a performance condition becomes probable of being achieved. We cease recognition of compensation expense in any periods where we determine the attainment of a performance condition is no longer probable. If the performance goals are determined to be improbable, no compensation expense is recognized and any previously recognized compensation expense is reversed.

**Recent Accounting Pronouncements**

See Note 2, "Summary of Significant Accounting Policies" in our Notes to the Unaudited Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

**JOBS Act accounting election**

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected not to use this extended transition period. We intend to rely on other exemptions provided by the JOBS Act, including without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002. Based on the most recent measurement date, we will become a large accelerated filer on December 31, 2021 and no longer qualify as an emerging growth company.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk.

***Interest rate risk***

*Customer financing exposure.* We are indirectly exposed to interest rate risk because many of our customers depend on debt financings to purchase our platforms and systems. An increase in interest rates could make it challenging for our customers to obtain the capital necessary to make such purchases on favorable terms, or at all. Such factors could reduce demand or lower the price we can charge for our platforms and systems, thereby reducing our net sales and gross profit.

*Bank deposit and money market exposure.* As of June 30, 2021, we had cash and cash equivalents, including restricted cash, of $215.3 million, which consisted primarily of money market funds and bank deposits. The primary objective of our investment is to preserve principal and provide liquidity. These money market funds, and bank deposits generate interest income at variable rates below 1%. A hypothetical 100 basis point decrease in interest rates would have no material effect on our interest income and financial results.

***Foreign currency risk***

Through June 30, 2021, we did not generate any revenue denominated in foreign currencies. As we expand our presence in international markets, to the extent we are required to enter into agreements denominated in a currency other than the US dollar, our results of operations and cash flows may increasingly be subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

## Item 4. Controls and Procedures.

**Evaluation of Disclosure Controls and Procedures**

Due to the COVID 19 pandemic, a significant portion of our employees are now working from home, and some employees are also under shelter-in-place orders or other restrictions. Business continuity plans were activated in order to mitigate the impact to our control environment, operating procedures, data and internal controls. The design of our processes and controls allow for remote execution with accessibility to secure data.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our “disclosure controls and procedures” as defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2021 our disclosure controls and procedures were effective at a reasonable assurance level to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

We also carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of our “internal control over financial reporting” as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) to determine whether any changes in our internal control over financial reporting occurred during the three months ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there were no such changes in our internal control over financial reporting that occurred during the three months ended June 30, 2021 despite the fact that many of our associates are working remotely due to the COVID-19 pandemic. We continue to monitor and assess the COVID-19 situation on our internal controls to minimize potential impacts on their design and operating effectiveness.

### Limitations on the Effectiveness of Controls

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems’ objectives are being met. Further, the design of any system of controls must reflect the fact that there are resource constraints, and the benefits of all controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of error or mistake. Control systems can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## Part II. OTHER INFORMATION.

**Item 1. Legal Proceedings.**

See Note 13, “Commitments and Contingencies” under the heading “Legal Proceedings” in the Notes to the Unaudited Condensed Consolidated Financial Statements included in Part 1, Item 1 of this Quarterly Report on Form 10-Q for legal proceedings and related matters.

**Item 1A. Risk Factors.**

Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in our Annual Report on Form 10-K filed with the SEC on March 12, 2021. The risks described in our Form 10-K and this Report are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in the Annual Report on Form 10-K filed with the SEC on March 12, 2021.

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

*Sale of Unregistered Securities*

There were no unregistered sales of the Company's equity securities during the three months ended June 30, 2021.

*Use of Proceeds from our IPO*

On July 21, 2020, we closed our initial public offering, in which we issued and sold 9,315,000 shares of our common stock, including the full exercise of the underwriters’ over-allotment option, at a public offering price of $22.00 per share for aggregate offering proceeds of $204.9 million. All of the shares of common stock issued and sold in the offering were registered under the Securities Act of 1933, as amended (“Securities Act”) pursuant to a registration statement on Form S-1 (File No. 333-239487), which was declared effective by the SEC on July 16, 2020.

Cash used since the initial public offering is described elsewhere in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our periodic reports filed with the SEC. As of the date of this filing, there has been no material change in the planned use of proceeds from our initial public offering as described in the Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 12, 2021.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The following exhibits are filed with this Quarterly Report on Form 10-Q:

| Exhibit Number | Exhibit Title | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 10.1 | Amended and Restated Loan and Security Agreement, dated June 30, 2021, by and between East West Bank and Berkeley Lights, Inc. | 8-K | 001-39388 | 10.1 | 7/7/21 | |
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1* | Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2* | Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | XBRL Instance Document. | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101 | | | | | X |

*This exhibit shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filings

**Signatures**

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

**Berkeley Lights, Inc.**

| | | |
|---|---|---|
| Date: August 11, 2021 | By: | /s/ Kurt Wood |
| | | Kurt Wood<br>Chief Financial Officer<br>(Principal Financial Officer) |

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 15 U.S.C. SECTION 7241, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric Hobbs, certify that:

(1) I have reviewed the Quarterly Report on Form 10-Q of Berkeley Lights, 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 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)) 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) 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

(c) 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 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.

| | | |
|---|---|---|
| t 11, 2021 | By: | /s/ ERIC HOBBS |
| | Name: | Eric Hobbs, Ph.D. |
| | Title: | Chief Executive Officer |

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO 15 U.S.C. SECTION 7241, AS**
**ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kurt Wood, certify that:

(1) I have reviewed the Quarterly Report on Form 10-Q of Berkeley Lights, 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 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)) 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) 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

(c) 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 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 11, 2021 | By: | /s/ KURT WOOD |
| | Name: | Kurt Wood |
| | Title: | Chief Financial Officer |
| | | (Principal Financial Officer) |

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Berkeley Lights, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

| | | |
|---|---|---|
| August 11, 2021 | By: | /s/ ERIC HOBBS |
| | Name: | Eric Hobbs, Ph.D. |
| | Title: | Chief Executive Officer |

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Berkeley Lights, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

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

| | | |
|---|---|---|
| August 11, 2021 | By: | /s/ KURT WOOD |
| | Name: | Kurt Wood |
| | Title: | Chief Financial Officer<br>(Principal Financial Officer) |