# Adaptive Biotechnologies Reports Second Quarter 2023 Financial Results

August 2, 2023

SEATTLE, Aug. 02, 2023 (GLOBE NEWSWIRE) -- Adaptive Biotechnologies Corporation (“Adaptive Biotechnologies”) (Nasdaq: ADPT), a commercial stage biotechnology company that aims to translate the genetics of the adaptive immune system into clinical products to diagnose and treat disease, today reported financial results for the quarter ended June 30, 2023.

“We had another strong quarter with clonoSEQ test volume growth of 52% versus prior year and the first FDA IND acceptance in cancer cell therapy from our collaboration with Genentech,” said Chad Robins, chief executive officer and co-founder of Adaptive Biotechnologies. “We are encouraged by the progress year to date in both MRD and Immune Medicine businesses and we remain committed to driving operational efficiencies across the company while supporting sustainable growth.”

**Recent Highlights**

- Revenue of $48.9 million for the second quarter 2023, representing 12% growth from $43.7 million in the second quarter 2022.
- clonoSEQ test volume in the second quarter 2023 grew 52% to 13,665 tests delivered versus the second quarter of prior year.
- Announced FDA's acceptance of an investigational new drug (IND) application by Genentech for the first T-cell receptor (TCR) based therapeutic product candidate in oncology. This T-cell therapy product candidate contains a neoantigen-specific T-cell receptor identified and characterized using Adaptive's TCR discovery platform.
- Continued to drive operating efficiencies as reflected by a 5% decrease in operating expenses, excluding cost of revenue, for the second quarter 2023 versus the same period last year.

**Executive Team Update**

Announced the departure of Nitin Sood, Chief Commercial Officer of the MRD business, who will be pursuing a new opportunity outside of the company. Given the deep bench of talent at Adaptive, and the solid foundation and focused strategy of our MRD business, Mr. Sood's position will not be replaced. Susan Bobulsky, who has led the clinical business for the past five years, will assume additional responsibilities and report directly to Chad Robins.

**Second Quarter 2023 Financial Results**

Revenue was $48.9 million for the quarter ended June 30, 2023, representing a 12% increase from the second quarter in the prior year. Immune Medicine revenue was $23.0 million for the quarter, representing a 3% increase from the second quarter in the prior year. MRD revenue was $25.9 million for the quarter, representing a 22% increase from the second quarter in the prior year.

Operating expenses were $96.7 million for the second quarter of 2023, compared to $96.2 million in the second quarter of the prior year, representing an increase of less than 1%. Interest expense from our revenue interest purchase agreement was $3.6 million in the second quarter of 2023.

Net loss was $47.8 million for the second quarter of 2023, compared to $52.1 million for the same period in 2022.

Adjusted EBITDA (non-GAAP) was a loss of $24.8 million for the second quarter of 2023, compared to a loss of $33.1 million for the second quarter of the prior year.

Cash, cash equivalents and marketable securities was $417.2 million as of June 30, 2023.

**2023 Financial Guidance**

Adaptive Biotechnologies reiterates full year 2023 revenue to be in the range of $205 million to $215 million. We continue to expect operating expenses, including cost of revenue, to be below full year 2022 operating expenses of $385.5 million.

**Webcast and Conference Call Information**

Adaptive Biotechnologies will host a conference call to discuss its second quarter 2023 financial results after market close on Wednesday, August 2, 2023 at 4:30 PM Eastern Time. The conference call can be accessed at http://investors.adaptivebiotech.com. The webcast will be archived and available for replay at least 90 days after the event.

**About Adaptive Biotechnologies**

Adaptive Biotechnologies (“we” or “our”) is a commercial-stage biotechnology company focused on harnessing the inherent biology of the adaptive immune system to transform the diagnosis and treatment of disease. We believe the adaptive immune system is nature’s most finely tuned diagnostic and therapeutic for most diseases, but the inability to decode it has prevented the medical community from fully leveraging its capabilities. Our proprietary immune medicine platform reveals and translates the massive genetics of the adaptive immune system with scale, precision and speed.

We apply our platform to partner with biopharmaceutical companies, inform drug development, and develop clinical diagnostics across our two business areas: Minimal Residual Disease (MRD) and Immune Medicine. Our commercial products and clinical pipeline enable the diagnosis, monitoring, and treatment of diseases such as cancer, autoimmune disorders, and infectious diseases. Our goal is to develop and commercialize immune-driven clinical products tailored to each individual patient.

**Forward-Looking Statements**

This press release contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. All statements contained in this release other than statements of historical fact are forward-looking statements, including statements regarding our ability to develop, commercialize and achieve market acceptance of our current and planned products and services, our research and development efforts and other matters regarding our business strategies, use of capital, results of operations and financial position and plans and objectives for future operations.

In some cases, you can identify forward-looking statements by the words "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. These risks, uncertainties and other factors are described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in the documents we file with the Securities and Exchange Commission from time to time. We caution you that forward-looking statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. As a result, the forward-looking statements may not prove to be accurate. The forward-looking statements in this press release represent our views as of the date hereof. We undertake no obligation to update any forward-looking statements for any reason, except as required by law.

**Use of Non-GAAP Financial Measure**

To supplement our unaudited condensed consolidated statements of operations and unaudited condensed consolidated balance sheets, which are prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"), this press release also includes references to Adjusted EBITDA, which is a non-GAAP financial measure that we define as net loss attributable to Adaptive Biotechnologies Corporation adjusted for interest and other income, net, interest expense, income tax (expense) benefit, depreciation and amortization expense, restructuring expense and share-based compensation expense. We have provided a reconciliation of net loss attributable to Adaptive Biotechnologies Corporation, the most directly comparable GAAP financial measure, to Adjusted EBITDA at the end of this press release.

Management uses Adjusted EBITDA to evaluate the financial performance of our business and the effectiveness of our business strategies. We present Adjusted EBITDA because we believe it is frequently used by analysts, investors and other interested parties to evaluate companies in our industry and it facilitates comparisons on a consistent basis across reporting periods. Further, we believe it is helpful in highlighting trends in our operating results because it excludes items that are not indicative of our core operating performance.

Adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. We may in the future incur expenses similar to the adjustments in the presentation of Adjusted EBITDA. In particular, we expect to incur meaningful share-based compensation expense in the future. Other limitations include that Adjusted EBITDA does not reflect:

- all expenditures or future requirements for capital expenditures or contractual commitments;
- changes in our working capital needs;
- interest expense, which is an ongoing element of our costs to operate;
- income tax (expense) benefit, which may be a necessary element of our costs and ability to operate;
- the costs of replacing the assets being depreciated and amortized, which will often have to be replaced in the future;
- the noncash component of employee compensation expense; and
- the impact of earnings or charges resulting from matters we consider not to be reflective, on a recurring basis, of our ongoing operations, such as our March 2022 restructuring and reduction in workforce.

In addition, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries.

**ADAPTIVE INVESTORS**
Karina Calzadilla, Vice President, Investor Relations
201-396-1687
investors@adaptivebiotech.com

**ADAPTIVE MEDIA**
Erica Jones, Associate Corporate Communications Director
206-279-2423
media@adaptivebiotech.com

**Adaptive Biotechnologies**
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)

(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | $ 48,926 | $ 43,660 | $ 86,573 | $ 82,280 |
| Operating expenses | | | | |
| Cost of revenue | 17,910 | 13,221 | 36,591 | 26,413 |
| Research and development | 32,237 | 37,037 | 64,838 | 74,876 |
| Sales and marketing | 23,872 | 24,281 | 46,180 | 50,374 |
| General and administrative | 22,302 | 21,200 | 43,133 | 45,344 |
| Amortization of intangible assets | 423 | 423 | 842 | 842 |
| Total operating expenses | 96,744 | 96,162 | 191,584 | 197,849 |
| Loss from operations | (47,818) | (52,502) | (105,011) | (115,569) |
| Interest and other income, net | 3,612 | 418 | 6,636 | 689 |
| Interest expense | (3,605) | — | (7,136) | — |
| Net loss | (47,811) | (52,084) | (105,511) | (114,880) |
| Add: Net loss attributable to noncontrolling interest | 1 | 38 | 2 | 98 |
| Net loss attributable to Adaptive Biotechnologies Corporation | $ (47,810) | $ (52,046) | $ (105,509) | $ (114,782) |
| Net loss per share attributable to Adaptive Biotechnologies Corporation common shareholders, basic and diluted | $ (0.33) | $ (0.37) | $ (0.73) | $ (0.81) |
| Weighted-average shares used in computing net loss per share attributable to Adaptive Biotechnologies Corporation common shareholders, basic and diluted | 144,397,693 | 142,363,589 | 143,956,867 | 142,032,261 |

**Adaptive Biotechnologies**

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

| | June 30, 2023 (unaudited) | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 109,240 | $ 90,030 |
| Short-term marketable securities (amortized cost of $308,885 and $412,282, respectively) | 307,990 | 408,166 |
| Accounts receivable, net | 31,545 | 40,057 |
| Inventory | 18,960 | 14,453 |
| Prepaid expenses and other current assets | 9,074 | 9,440 |
| Total current assets | 476,809 | 562,146 |
| Long-term assets | | |
| Property and equipment, net | 79,390 | 83,447 |
| Operating lease right-of-use assets | 77,109 | 80,763 |
| Restricted cash | 2,923 | 2,398 |
| Intangible assets, net | 5,985 | 6,827 |
| Goodwill | 118,972 | 118,972 |
| Other assets | 3,352 | 2,064 |
| Total assets | $ 764,540 | $ 856,617 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities | | |
| Accounts payable | $ 9,163 | $ 8,084 |
| Accrued liabilities | 8,356 | 12,424 |
| Accrued compensation and benefits | 10,554 | 15,935 |
| Current portion of operating lease liabilities | 9,345 | 9,230 |
| Current portion of deferred revenue | 57,917 | 64,115 |
| Total current liabilities | 95,335 | 109,788 |
| Long-term liabilities | | |
| Operating lease liabilities, less current portion | 94,176 | 98,772 |
| Deferred revenue, less current portion | 50,895 | 58,599 |
| Revenue interest liability, net | 128,167 | 125,360 |

| | | |
|---|---|---|
| Total liabilities | 368,573 | 392,519 |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Preferred stock: $0.0001 par value, 10,000,000 shares authorized at June 30, 2023 and December 31, 2022; no shares issued and outstanding at June 30, 2023 and December 31, 2022 | — | — |
| Common stock: $0.0001 par value, 340,000,000 shares authorized at June 30, 2023 and December 31, 2022; 144,645,118 and 143,105,002 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively | 14 | 14 |
| Additional paid-in capital | 1,421,506 | 1,387,349 |
| Accumulated other comprehensive loss | (893) | (4,116) |
| Accumulated deficit | (1,024,591) | (919,082) |
| Total Adaptive Biotechnologies Corporation shareholders' equity | 396,036 | 464,165 |
| Noncontrolling interest | (69) | (67) |
| Total shareholders' equity | 395,967 | 464,098 |
| Total liabilities and shareholders' equity | $ 764,540 | $ 856,617 |

**Adjusted EBITDA**

The following table sets forth a reconciliation between our Adjusted EBITDA and net loss attributable to Adaptive Biotechnologies Corporation, the most directly comparable GAAP financial measure, for each of the periods presented (in thousands, unaudited):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net loss attributable to Adaptive Biotechnologies Corporation | $ (47,810) | $ (52,046) | $ (105,509) | $ (114,782) |
| Interest and other income, net | (3,612) | (418) | (6,636) | (689) |
| Interest expense | 3,605 | — | 7,136 | — |
| Depreciation and amortization expense | 5,653 | 5,195 | 11,076 | 10,251 |
| Restructuring expense | — | 11 | — | 2,023 |
| Share-based compensation expense | 17,345 | 14,180 | 32,016 | 27,041 |
| Adjusted EBITDA | $ (24,819) | $ (33,078) | $ (61,917) | $ (76,156) |