
**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 September 30, 2023

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: 001-40674

MaxCyte, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-2210438
(I.R.S. Employer Identification No.)

**9713 Key West Avenue, Suite 400
Rockville, Maryland 20850**
(Address of principal executive offices)

Registrant's telephone number, including area code: (301) 944-1700

N/A
(Former name, former address and former fiscal year, if changed since last report)

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, par value \$0.01 per share	MXCT	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging growth company

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

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

As of November 2, 2023, the registrant had 103,576,429 shares of common stock, \$0.01 par value per share, issued and outstanding.

Table of Contents

	<u>Page No</u>
<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1.</u> <u>Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Operations</u>	4
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	31
<u>Item 4.</u> <u>Controls and Procedures</u>	31
<u>PART II. OTHER INFORMATION</u>	33
<u>Item 1.</u> <u>Legal Proceedings</u>	33
<u>Item 1A.</u> <u>Risk Factors</u>	33
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	33
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	33
<u>Item 5.</u> <u>Other Information</u>	33
<u>Item 6.</u> <u>Exhibits</u>	34
<u>Signatures</u>	35

Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

**MaxCyte, Inc.
Condensed Consolidated Balance Sheets**

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	(Unaudited)	(Note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 49,170,300	\$ 11,064,700
Short-term investments, at amortized cost	141,070,100	216,274,900
Accounts receivable, net	8,166,700	11,654,600
Accounts receivable - TIA (Note 7)	—	1,912,400
Inventory	12,532,800	8,580,800
Prepaid expenses and other current assets	3,399,500	2,778,800
Total current assets	214,339,400	252,266,200
Investments, non-current, at amortized cost	18,428,700	—
Property and equipment, net	23,771,800	23,724,700
Right-of-use asset - operating leases	9,567,800	9,853,500
Other assets	619,400	809,000
Total assets	\$ 266,727,100	\$ 286,653,400
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 446,600	\$ 531,800
Accrued expenses and other	9,917,600	8,025,300
Operating lease liability, current	698,700	156,800
Deferred revenue, current portion	5,585,900	6,712,600
Total current liabilities	16,648,800	15,426,500
Operating lease liability, net of current portion	15,383,400	15,938,100
Other liabilities	1,318,400	1,321,600
Total liabilities	33,350,600	32,686,200
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized and no shares issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized, 103,548,943 and 102,397,913 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	1,035,500	1,024,000
Additional paid-in capital	402,861,500	390,818,500
Accumulated deficit	(170,520,500)	(137,875,300)
Total stockholders' equity	233,376,500	253,967,200
Total liabilities and stockholders' equity	\$ 266,727,100	\$ 286,653,400

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 8,004,500	\$ 10,642,800	\$ 25,623,400	\$ 31,837,900
Cost of goods sold	793,400	1,368,900	3,168,900	3,551,900
Gross profit	7,211,100	9,273,900	22,454,500	28,286,000
Operating expenses:				
Research and development	6,264,100	5,325,100	17,974,900	13,786,400
Sales and marketing	7,046,900	4,506,700	19,779,100	13,276,000
General and administrative	6,820,300	6,444,400	21,981,700	20,179,600
Depreciation and amortization	1,032,500	709,800	2,922,100	1,654,300
Total operating expenses	21,163,800	16,986,000	62,657,800	48,896,300
Operating loss	(13,952,700)	(7,712,100)	(40,203,300)	(20,610,300)
Other income:				
Other expense	—	(116,000)	—	(116,000)
Interest income	2,700,900	1,394,400	7,558,100	1,964,900
Total other income	2,700,900	1,278,400	7,558,100	1,848,900
Net loss	\$ (11,251,800)	\$ (6,433,700)	\$ (32,645,200)	\$ (18,761,400)
Basic and diluted net loss per share	\$ (0.11)	\$ (0.06)	\$ (0.32)	\$ (0.18)
Weighted average shares outstanding, basic and diluted	103,449,715	101,806,173	103,121,997	101,555,065

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2022	101,202,705	\$ 1,012,000	\$ 376,189,600	\$ (114,304,500)	\$ 262,897,100
Stock-based compensation expense	—	—	2,462,400	—	2,462,400
Exercise of stock options	307,187	3,100	889,500	—	892,600
Net loss	—	—	—	(4,067,300)	(4,067,300)
Balance at March 31, 2022	101,509,892	1,015,100	379,541,500	(118,371,800)	262,184,800
Stock-based compensation expense	—	—	2,972,800	—	2,972,800
Exercise of stock options	151,396	1,500	324,000	—	325,500
Net loss	—	—	—	(8,260,200)	(8,260,200)
Balance at June 30, 2022	101,661,288	1,016,600	382,838,300	(126,632,000)	257,222,900
Stock-based compensation expense	—	—	3,198,600	—	3,198,600
Exercise of stock options	243,025	2,400	442,000	—	444,400
Net loss	—	—	—	(6,433,700)	(6,433,700)
Balance at September 30, 2022	101,904,313	\$ 1,019,000	\$ 386,478,900	\$ (133,065,700)	\$ 254,432,200

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2023	102,397,913	\$ 1,024,000	\$ 390,818,500	\$ (137,875,300)	\$ 253,967,200
Stock-based compensation expense	—	—	3,276,600	—	3,276,600
Exercise of stock options	506,832	5,100	1,451,500	—	1,456,600
Net loss	—	—	—	(10,881,600)	(10,881,600)
Balance at March 31, 2023	102,904,745	1,029,100	395,546,600	(148,756,900)	247,818,800
Stock-based compensation expense	—	—	3,519,100	—	3,519,100
Exercise of stock options	229,840	2,300	154,400	—	156,700
Net loss	—	—	—	(10,511,800)	(10,511,800)
Balance at June 30, 2023	103,134,585	1,031,400	399,220,100	(159,268,700)	240,982,800
Stock-based compensation expense	—	—	3,608,800	—	3,608,800
Vesting of restricted stock units	258,900	2,600	(2,600)	—	—
Exercise of stock options	155,458	1,500	35,200	—	36,700
Net loss	—	—	—	(11,251,800)	(11,251,800)
Balance at September 30, 2023	103,548,943	\$ 1,035,500	\$ 402,861,500	\$ (170,520,500)	\$ 233,376,500

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (32,645,200)	\$ (18,761,400)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,069,300	1,778,300
Net book value of consigned equipment sold	80,000	61,900
Loss on disposal of fixed assets	2,600	128,600
Stock-based compensation	10,404,500	8,633,800
Bad debt expense	221,000	—
Amortization of discounts on investments	(5,123,300)	(1,158,400)
Changes in operating assets and liabilities:		
Accounts receivable	3,266,900	(556,800)
Accounts receivable - TIA	1,912,400	(775,000)
Inventory	(4,087,600)	(2,880,700)
Prepaid expense and other current assets	(620,700)	31,800
Right-of-use asset – operating leases	285,700	(4,263,000)
Other assets	189,600	(873,100)
Accounts payable, accrued expenses and other	1,519,800	1,156,100
Operating lease liability	(12,800)	9,341,900
Deferred revenue	(1,126,700)	(455,000)
Other liabilities	(3,200)	(105,600)
Net cash used in operating activities	<u>(22,667,700)</u>	<u>(8,696,600)</u>
Cash flows from investing activities:		
Purchases of investments	(185,620,600)	(213,541,400)
Maturities of investments	247,520,000	232,096,000
Purchases of property and equipment	(2,785,200)	(16,282,600)
Proceeds from sale of equipment	9,100	—
Net cash provided by investing activities	<u>59,123,300</u>	<u>2,272,000</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,650,000	1,662,500
Net cash provided by financing activities	<u>1,650,000</u>	<u>1,662,500</u>
Net increase (decrease) in cash and cash equivalents	38,105,600	(4,762,100)
Cash and cash equivalents, beginning of period	11,064,700	47,782,400
Cash and cash equivalents, end of period	<u>\$ 49,170,300</u>	<u>\$ 43,020,300</u>
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment purchases included in accounts payable and accrued expenses	\$ 287,300	\$ 819,400
Lease liability reduction due to operating lease modification and early termination	\$ —	\$ 540,000

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

MaxCyte, Inc. (the “Company” or “MaxCyte”) was incorporated as a majority owned subsidiary of EntreMed, Inc. (“EntreMed”) on July 31, 1998, under the laws and provisions of the state of Delaware and commenced operations on July 1, 1999. In November 2002, MaxCyte was recapitalized and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company focused on advancing the discovery, development and commercialization of next-generation cell therapies. MaxCyte leverages its proprietary cell engineering technology platform to enable the programs of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, as well as in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and technology and sells its consumables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing.

The Company’s registration statement on Form S-1 related to its initial public offering of common stock in the United States (the “IPO”) was declared effective on July 29, 2021, and the Company’s common stock began trading on the Nasdaq Global Select Market on July 30, 2021. On August 3, 2021, the Company sold 15,525,000 shares of common stock in the IPO at a price to the public of \$13.00 per share, inclusive of 2,025,000 shares issued pursuant to the full exercise of the underwriters’ option to purchase additional shares. The IPO generated gross proceeds to the Company of \$201.8 million. The Company received aggregate net proceeds of \$184.3 million from the IPO after deducting aggregate underwriting commissions and offering costs of \$17.6 million.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the instructions to Form 10-Q and Article 8 of Regulation S-X of the United States Securities and Exchange Commission (the “SEC”). In the Company’s opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly the financial position, results of operations, and cash flows as of and for the periods presented. The condensed consolidated balance sheet at December 31, 2022 has been derived from audited consolidated financial statements as of that date. The unaudited condensed consolidated results of operations are not necessarily indicative of the results that may occur for the full fiscal year or any other future year or period. Certain information and footnotes disclosure normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to instructions, rules, and regulations prescribed by the SEC. The Company believes that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited interim condensed consolidated financial statements are read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K filed with the SEC on March 15, 2023.

Significant Accounting Policies

The Company’s significant accounting policies are disclosed in the footnotes to its audited consolidated financial statements for the year ended December 31, 2022 included in its Annual Report on Form 10-K and have not materially changed during the three and nine months ended September 30, 2023.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances have been eliminated in consolidation.

Concentration of Risk

The Company maintains its cash and cash equivalents with three financial institutions that management believes to be of high credit quality. At times, the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk beyond the normal credit risk associated with commercial banking relationships.

Significant customers are those that accounted for 10% or more of the Company's total revenue for the period or accounts receivable as of the end of a reporting period. During the three and nine months ended September 30, 2023, two customers represented 27% and 26% of revenue, respectively. During the three and nine months ended September 30, 2022, one customer represented 26% and 28% of revenue, respectively. As of September 30, 2023, two customers accounted for 46% and 10% of accounts receivable, respectively. As of December 31, 2022, one customer accounted for 14% of accounts receivable.

Certain components included in the Company's products are obtained from a single source or a limited group of suppliers. During the three and nine months ended September 30, 2023, the Company purchased 75% and 55%, respectively, of its inventory from three and one suppliers, respectively. During the three and nine months ended September 30, 2022, the Company purchased 44% and 33%, respectively, of its inventory from two and one suppliers, respectively. As of September 30, 2023, amounts payable to one supplier totaled 14% of total accounts payable. At December 31, 2022, amounts payable to two suppliers totaled 34% of total accounts payable.

Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The Company maintains an allowance for doubtful accounts of an amount equal to anticipated future write-offs. The Company recorded an allowance for doubtful accounts of \$221,000 at September 30, 2023. The Company determined that no allowance was necessary at December 31, 2022.

Foreign Currency

The Company's functional currency is the US dollar; transactions denominated in foreign currencies are subject to currency risk. The Company recognized \$36,500 and \$21,600 in foreign currency transaction losses for the three months ended September 30, 2023 and 2022, respectively. The Company recognized \$65,500 and \$93,800 in foreign currency losses for the nine months ended September 30, 2023 and 2022, respectively.

Leases

For transactions in which the Company is the lessee, at the inception of a contract, the Company determines if the arrangement is, or contains, a lease. See Note 7 for additional details about leases under which the Company is the lessee.

All transactions in which the Company is the lessor are short-term (one year or less) and have been classified as operating leases. All leases require upfront payments covering the full period of the lease and thus, there are no future payments expected to be received from existing leases. See Note 3 for details on revenue recognition related to lease agreements.

Loss Per Share

Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options, restricted stock units and shares under employee stock purchase plans, and in the prior year periods stock purchase warrants, using the treasury stock method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares excluded from the computation of diluted loss per share, consisting of shares underlying stock options, restricted stock units and shares under employee stock purchase plans was 17.1 million for the three and nine months ended September 30, 2023 and 16.1 million for the three and nine months ended September 30, 2022.

Recent Accounting Pronouncements

New Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity’s current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The current guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company adopted this new accounting pronouncement effective on January 1, 2023, and the adoption did not have a material impact on its consolidated financial statements.

The Company has evaluated all other issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its results of operations, financial position, or cash flows.

3. Revenue

Revenue is principally from the sale of instruments and processing assemblies, and extended warranties and the lease of instruments, which lease agreements also include customer-specific milestone payments. In some arrangements, products and services have been sold together representing distinct performance obligations. In these arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

Revenue is recognized at the time control is transferred to the customer and the performance obligation is satisfied. Revenue from the sale of instruments and processing assemblies is generally recognized at the time of shipment to the customer, provided that no significant vendor obligations remain and collectability is reasonably assured. Revenue from equipment leases is recognized ratably over the contractual term of the lease agreement and when specific milestones are achieved by a customer. Licensing fee revenue is recognized ratably over the license period. Revenue from fees for research services is recognized when services have been provided.

Disaggregation of Revenue

The following table depicts the disaggregation of revenue by type of contract:

	Three months ended September 30, 2023			Nine months ended September 30, 2023		
	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product sales	\$ 3,898,500	\$ —	\$ 3,898,500	\$ 14,107,500	\$ —	\$ 14,107,500
Lease elements	—	3,844,200	3,844,200	—	10,881,500	10,881,500
Other	261,800	—	261,800	634,400	—	634,400
Total	<u>\$ 4,160,300</u>	<u>\$ 3,844,200</u>	<u>\$ 8,004,500</u>	<u>\$ 14,741,900</u>	<u>\$ 10,881,500</u>	<u>\$ 25,623,400</u>

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product sales	\$ 6,925,100	\$ —	\$ 6,925,100	\$ 20,304,200	\$ —	\$ 20,304,200
Lease elements	—	3,490,400	3,490,400	—	10,846,100	10,846,100
Other	227,300	—	227,300	687,600	—	687,600
Total	<u>\$ 7,152,400</u>	<u>\$ 3,490,400</u>	<u>\$ 10,642,800</u>	<u>\$ 20,991,800</u>	<u>\$ 10,846,100</u>	<u>\$ 31,837,900</u>

Additional Disclosures Relating to Revenue from Contracts with Customers

Deferred revenue represents payments received for performance obligations not yet satisfied and is presented as current or long-term in the accompanying condensed consolidated balance sheets based on the expected timing and satisfaction of the underlying goods or services. Deferred revenue was \$5.9 million and \$7.0 million as of September 30, 2023 and December 31, 2022, respectively. During the three and nine months ended September 30, 2023 the Company recognized \$2.0 million and \$5.7 million, respectively, of revenue, and during the three and nine months ended September 30, 2022, the Company recognized \$2.8 million and \$5.9 million respectively, of revenue, in each case, that was included in deferred revenue at the beginning of such periods.

Remaining contract consideration for which revenue has not been recognized due to unsatisfied performance obligations with a duration greater than one year at September 30, 2023 was \$411,600, of which the Company expects to recognize \$91,800 in one year or less, \$91,800 in one to two years, \$57,000 in two to three years, and \$171,000 thereafter.

For the three and nine months ended September 30, 2023 and 2022, the Company did not incur, and therefore did not defer, any material incremental costs to obtain contracts or costs to fulfill contracts.

4. Stockholders' Equity

Common Stock

During the nine months ended September 30, 2023, the Company issued 892,130 shares of common stock as a result of stock option exercises, receiving gross proceeds of \$1.7 million, and issued 258,900 shares from the vesting of restricted stock units.

Preferred Stock

The Company's certificate of incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock, par value \$0.01 per share. As of September 30, 2023 and December 31, 2022, no shares of preferred stock were issued or outstanding.

Stock Incentive Plans

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the "2016 Plan") in January 2016 to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards, in each case, to employees, officers, and directors of the Company and to other individuals as determined by the Board of Directors.

In December 2021, the Company adopted the MaxCyte, Inc. 2021 Inducement Plan (the "Inducement Plan") to provide for the awarding of (i) non-qualified stock options; (ii) stock appreciation rights; (iii) restricted stock awards; (iv) restricted stock unit awards; (v) performance awards; and (vi) other awards, in each case, only to persons eligible to receive grants of awards who satisfy the standards for inducement grants under Nasdaq Marketplace Rule 5635(c)(4) or 5635(c)(3), if applicable, and the related guidance under Nasdaq IM 5635-1. The Board of Directors reserved 2,500,000 shares for issuance under the Inducement Plan.

In May 2022, the Company's Board of Directors adopted, and in June 2022 the Company's stockholders approved, the MaxCyte, Inc. 2022 Equity Incentive Plan (the "2022 Plan") to provide for the awarding of (i) incentive stock options, (ii) non-qualified stock options, (iii) stock appreciation rights, (iv) restricted stock awards, (v) restricted stock unit awards, (vi) performance awards, and (vii) other awards. Following the approval of the 2022 Plan, no additional awards can be granted under the 2016 Plan or the Inducement Plan, but all outstanding awards will continue to remain subject to the terms of the applicable plan.

Upon the effectiveness of the 2022 Plan, a total of 3,692,397 shares were initially reserved for issuance pursuant to future awards under the 2022 Plan, consisting of 1,928,000 new shares and 1,764,397 shares previously available under the 2016 Plan. If and to the extent that outstanding options under the 2016 Plan or the Inducement Plan are forfeited, the shares underlying such forfeited options will become available for issuance under the 2022 Plan. At the Company's Annual Meeting of Stockholders held on June 22, 2023, the Company's stockholders voted to reserve an additional 6,069,000 shares of issuance pursuant to future awards under the 2022 Plan.

At September 30, 2023 and December 31, 2022, there were 6,250,000 and 3,455,700 shares, respectively, available to be issued under the 2022 Plan.

The value of an equity award is recognized as expense on a straight-line basis over the requisite service period. At September 30, 2023, total unrecognized compensation expense was \$26,784,400, which will be recognized over an estimated weighted average period of 2.34 years.

Stock Options

The weighted-average fair value of the stock options granted during the three months ended September 30, 2023 and 2022 was estimated to be \$1.91 and \$4.40, respectively per option share. The weighted-average fair value of the stock options granted during the nine months ended September 30, 2023 and 2022 was estimated to be \$2.03 and \$3.49 respectively per option share.

Restricted Stock Units ("RSUs")

The weighted-average fair value of the RSUs granted during the three and nine months ended September 30, 2023 was estimated to be \$4.18 and \$4.29 per RSU. The weighted average fair value of RSUs granted during the three and nine months ended September 30, 2022 was \$5.39 per RSU.

Employee Stock Purchase Plan ("ESPP")

On May 8, 2023, the Compensation Committee of the Board of Directors of the Company approved the initial offering (the "Initial Offering") under the Maxcyte, Inc. 2021 Employee Stock Purchase Plan (the "ESPP"). The Initial Offering began May 19, 2023 and will end on November 18, 2023 (the "Purchase Period").

The ESPP allows eligible employees to purchase a number of shares of the Company's Common Stock up to a maximum of 15% of the employee's earnings during the Purchase Period subject to certain limitations. The purchase price will be the lesser of 85% of the fair market value of shares on the beginning of the Purchase Period or on the Purchase Date (i.e., the last day of the Purchase Period). Participants may decrease their contribution level or withdraw from the ESPP at any time during the Purchase Period subject to certain conditions. The Company's executives are not eligible to participate in the ESPP.

Determination of Fair Value of the Shares under the ESPP

The Company estimates the fair value of the shares under the ESPP using the Black-Scholes option-pricing model, which requires certain complex valuation assumption inputs such as expected term, expected stock price volatility, risk-free interest rate, and dividend yield. The fair value of each of the four purchase periods is estimated separately.

The weighted-average fair value of the shares under the ESPP during the three and nine months ended September 30, 2023 was estimated to be \$1.14 per share, which the Company will expense over the performance period. The following table summarizes the range of valuation assumptions used in estimating the fair value of the shares under the ESPP:

	For the three and nine months ended September 30 2023
Expected volatility	57%
Risk-free interest rate	5.36%
Expected term (in years)	0.5

The Company recorded stock-based compensation expense in the following expense categories of its condensed consolidated statements of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
General and administrative	\$ 1,591,300	\$ 1,571,600	\$ 4,559,300	\$ 4,309,200
Sales and marketing	814,600	638,400	2,414,600	1,765,500
Research and development	1,202,900	988,600	3,430,600	2,559,100
Total	<u>\$ 3,608,800</u>	<u>\$ 3,198,600</u>	<u>\$ 10,404,500</u>	<u>\$ 8,633,800</u>

5. Consolidated Balance Sheet Components

Inventory

Inventory is carried at the lower of cost or net realizable value. The following tables show the components of inventory:

	September 30, 2023	December 31, 2022
Raw materials inventory	\$ 5,917,200	\$ 5,650,500
Finished goods inventory	5,921,600	2,930,300
Work in progress	694,000	—
Total inventory	<u>\$ 12,532,800</u>	<u>\$ 8,580,800</u>

The Company determined that no allowance for inventory obsolescence was necessary at September 30, 2023 or December 31, 2022.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated lease term or useful life.

Property and equipment include capitalized costs to develop internal-use software. Applicable costs are capitalized during the development stage of the project and include direct internal costs, third-party costs and allocated interest expense as appropriate.

Property and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Leasehold improvements	\$ 14,556,300	\$ 14,195,500
Furniture and equipment	12,146,100	9,516,500
Internal-use software	3,824,000	3,220,500
Instruments	2,439,700	2,440,300
Construction in process	88,900	627,400
Accumulated depreciation and amortization	(9,283,200)	(6,275,500)
Property and equipment, net	<u>\$ 23,771,800</u>	<u>\$ 23,724,700</u>

During the nine months ended September 30, 2023 and 2022, the Company transferred \$135,600 and \$173,700 respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the three and nine months ended September 30, 2023, the Company incurred depreciation and amortization expense of \$1,081,400 and \$3,069,300, respectively. For the three and nine months ended September 30, 2022, the Company incurred depreciation and amortization expense of \$743,300 and \$1,778,300, respectively.

6. Fair Value

The Company's condensed consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, accounts receivable and accounts payable) that are carried at cost, which approximates fair value due to the short-term nature of the instruments.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company had no financial assets or liabilities measured at fair value on a recurring basis as of September 30, 2023 or December 31, 2022.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Money market funds, US Treasury securities and government agency bonds, commercial paper and corporate debt instruments classified as held-to-maturity are measured at fair value on a non-recurring basis when they are deemed to be impaired on an other-than-temporary basis. The Company periodically reviews investments to assess for credit impairment. Based on its assessment, all unrecognized holding losses were due to factors other than credit loss, such as changes in interest rates. Therefore, no impairment was recognized during the nine months ended September 30, 2023 or 2022.

The following table summarizes the Company's financial instruments that were measured at fair value on a non-recurring basis at September 30, 2023:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds and cash equivalents	Cash equivalents	\$ 46,653,700	\$ —	\$ —	\$ 46,653,700
Commercial paper	Short-term investments	102,338,500	59,400	(11,500)	102,386,400
US Treasury securities and government agency bonds	Short-term investments	38,731,600	100	(30,900)	38,700,800
US Treasury securities and government agency bonds	Long-term investments	18,428,700	—	(19,300)	18,409,400
Total cash equivalents and short-term investments		<u>\$ 206,152,500</u>	<u>\$ 59,500</u>	<u>\$ (61,700)</u>	<u>\$ 206,150,300</u>

The following table summarizes the Company's financial instruments that were measured at fair value on a non-recurring basis at December 31, 2022:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds and cash equivalents	Cash equivalents	\$ 5,741,800	\$ —	\$ —	\$ 5,741,800
Commercial paper	Short-term investments	172,740,700	156,400	(235,700)	172,661,400
Corporate debt	Short-term investments	5,792,000	—	(42,700)	5,749,300
US Treasury securities and government agency bonds	Short-term investments	37,742,200	4,500	(196,100)	37,550,600
Total cash equivalents and short-term investments		<u>\$ 222,016,700</u>	<u>\$ 160,900</u>	<u>\$ (474,500)</u>	<u>\$ 221,703,100</u>

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company has no non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures its long-lived assets, including property and equipment, at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be impaired. No impairment was recognized during the nine months ended September 30, 2023 and 2022.

7. Commitments and Contingencies

Operating Leases

In May 2021, the Company entered into a lease for its new headquarters (the “New Headquarters Lease”), consisting of an operating lease agreement, as amended, for new office, laboratory, manufacturing and other space. The New Headquarters Lease consists of three phases, with Phase 1 having commenced in December 2021, Phase 2 having commenced in the first quarter of 2022 and Phase 3 having commenced in November 2023. The lease term for all phases expires on August 31, 2035. The Company designed and constructed the leasehold improvements with the approval of the landlord. The New Headquarters Lease agreement includes a landlord-provided tenant improvement allowance (“TIA”) of \$6.3 million to offset the cost of construction of leasehold improvements. As of September 30, 2023, the Company had received all reimbursements from the TIA. Under the New Headquarters Lease, the Company has three five-year options to extend the term of the lease. However, the Company is not reasonably certain to exercise any of these options. The total incremental non-cancellable lease payments under the New Headquarters Lease are approximately \$29.6 million over the lease term.

The Company had no finance leases as of September 30, 2023 and December 31, 2022.

The components of lease cost and supplemental balance sheet information for the Company’s lease portfolio were as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 358,200	\$ 398,800	\$ 1,205,800	\$ 1,264,900
Short-term lease cost	9,600	12,100	29,200	36,300
Variable lease cost	313,400	141,500	714,700	356,500
Total lease cost	<u>\$ 681,200</u>	<u>\$ 552,400</u>	<u>\$ 1,949,700</u>	<u>\$ 1,657,700</u>

	<u>As of September 30,</u>		<u>As of December 31,</u>	
	<u>2023</u>		<u>2022</u>	
Operating leases				
Assets:				
Operating lease right-of-use assets	\$ 9,567,800		\$ 9,853,500	
Liabilities				
Current portion of operating lease liabilities	\$ 698,700		\$ 156,800	
Operating lease liabilities, net of current portion		15,383,400		15,938,100
Total operating lease liabilities		<u>\$ 16,082,100</u>		<u>\$ 16,094,900</u>
Other information				
Weighted-average remaining lease term (in years)		11.9		12.7
Weighted-average incremental borrowing rate		6.5%		6.5%

As of September 30, 2023, maturities of lease liabilities that had commenced prior to September 30, 2023 were as follows:

	<u>Operating Leases</u>
Remainder of 2023	\$ 424,700
2024	1,734,500
2025	1,777,700
2026	1,822,100
2027	1,867,700
2028 and thereafter	15,963,200
Total undiscounted lease payments	<u>23,589,900</u>
Discount factor	(7,507,800)
Present value of lease liabilities	<u>\$ 16,082,100</u>

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, our audited consolidated financial statements and related notes for the year ended December 31, 2022, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 15, 2023, as well as the information contained under Management’s Discussion and Analysis of Financial Condition and Results of Operations and “Risk Factors” contained in the Annual Report on Form 10-K, and Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q, and other information provided from time to time in our other filings with the SEC.

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. These statements about us and our industry involve substantial risks, uncertainties, and assumptions, including those described elsewhere in this report. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expected future growth and the success of our business model;
- the potential payments we may receive pursuant to our Strategic Platform Licenses (“SPLs”);
- the size and growth potential of the markets for our products, and our ability to serve those markets, increase our market share and achieve and maintain industry leadership, which ability is dependent upon, among other things, our ability to meet our customer’s expectations and needs relative to their regulatory obligations;
- our ability to expand our customer base and enter into additional SPL partnerships;
- the rate and degree of market acceptance of our products within the cell engineering market;
- the expected future growth of our manufacturing capabilities and sales, support and marketing capabilities;
- our ability to accurately forecast and manufacture appropriate quantities of our products to meet clinical or commercial demand;
- our expectations regarding development of the cell therapy market, including projected growth in adoption of non-viral delivery approaches and gene editing manipulation technologies;
- our expectation that partners will have access to capital markets to develop and commercialize their cell therapy programs;
- our ability to maintain our FDA Master File and Master Files and equivalent Technical Files in other countries and expand Master and Technical Files into additional countries;
- our research and development for any future products, including our intention to introduce new instruments and processing assemblies and move into new applications;

- the development, regulatory approval, and commercialization of competing products and our ability to compete with the companies that develop and sell such products;
- our ability to retain and hire senior management and key personnel;
- regulatory developments in the United States and foreign countries;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act (as defined below);
- our ability to develop and maintain our corporate infrastructure, including our internal controls;
- our financial performance and capital requirements;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing the intellectual property rights of others; and
- our use of available capital resources.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described under the caption “Risk Factors” and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2022. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

You should read this Quarterly Report and the documents that we file from time to time with the SEC with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

In this Quarterly Report on Form 10-Q, unless the context requires otherwise, all references to “we,” “our,” “us,” “MaxCyte” and the “Company” refer to MaxCyte, Inc.

Overview

We are a leading commercial cell engineering company providing enabling platform technologies to advance the discovery, development and commercialization of next-generation cell therapeutics and to support innovative cell-based research and development. Over more than two decades, we have developed and commercialized our proprietary Flow Electroporation® platform, which facilitates complex engineering of a wide variety of cells. Electroporation is a method of transfection, or the process of deliberately introducing molecules into cells, that involves applying an electric field in order to temporarily increase the permeability of the cell membrane. This precisely controlled increase in permeability allows the intracellular delivery of molecules, such as genetic material and proteins, that would not normally be able to cross the cell membrane as easily.

Our ExPERT platform, which is based on our Flow Electroporation technology, has been designed to address this rapidly expanding cell therapy market and can be utilized across the continuum of the high-growth cell therapy sector, from discovery and development through commercialization of next-generation, cell-based medicines. The ExPERT™ family of products includes four instruments, which we call the ATx™, STx™, GTx™ and VLx™, as well as a portfolio of proprietary related disposables and consumables. We launched the ExPERT VLx™ instrument for very large-scale cell engineering in September 2022. Our disposables and consumables include processing assemblies (“PAs”) designed for use with our instruments, as well as accessories supporting PAs such as electroporation buffer solution and software protocols. We have garnered meaningful expertise in cell engineering via our internal research and development efforts as well as our customer-focused commercial approach, which includes a growing application scientist team. The platform is also supported by a robust intellectual property portfolio with more than 160 granted U.S. and foreign patents and more than 105 pending patent applications worldwide.

From leading commercial cell therapy drug developers and top biopharmaceutical companies to top academic and government research institutions, including the U.S. National Institutes of Health, our customers have extensively validated our technology. We believe the features and performance of our platform have led to sustained customer engagement. Our existing customer base ranges from large biopharmaceutical companies, including all of the top 10, and 20 of the top 25, pharmaceutical companies based on 2021 global revenue, to hundreds of biotechnology companies and academic centers focused on translational research.

Since our inception, we have incurred significant operating losses. Our ability to generate revenue sufficient to achieve profitability will depend on the successful further development, commercialization adoption and market acceptance of our products. We generated revenue of \$25.6 million and incurred a net loss of \$32.6 million for the nine months ended September 30, 2023. As of September 30, 2023, we had an accumulated deficit of \$170.5 million. We expect to continue to incur net losses as we focus on growing commercial sales of our products in both the United States and international markets, including growing our sales force, scaling our manufacturing operations, continuing research and development efforts to develop new products and further enhance our existing products.

Recent Developments

We have continued to enter into SPL agreements with our cell therapy customers. These agreements are discussed in more detail in “Results of Operations” below and provide us with revenue from instrument sales and leases and disposables sales as well as pre-commercial milestones based on progress of our partners’ programs through the clinic and sales-based payments upon commercialization of our partners’ programs. In 2023, we have signed SPL agreements with Catamaran Bio, Walking Fish Therapeutics, Lyell Immunopharma, Vittoria Biotherapeutics, and Prime Medicine. We continue to grow our SPL pipeline and, while the specific timing of any agreement is uncertain, we expect to sign additional SPL agreements in the future.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations for the periods presented:

	Three Months Ended September 30,	
	2023	2022
	(in thousands)	
Total revenue	\$ 8,005	\$ 10,643
Cost of goods sold	793	1,369
Gross profit	7,211	9,274
Operating expense		
Research and development	6,264	5,325
Sales and marketing	7,047	4,507
General and administrative	6,820	6,444
Depreciation and amortization	1,033	710
Total operating expense	21,164	16,986
Operating loss	(13,953)	(7,712)
Other income (expense)		
Other expense	—	(116)
Interest income	2,701	1,394
Total other income (expense)	2,701	1,278
Net loss	<u>\$ (11,252)</u>	<u>\$ (6,434)</u>

Revenue

We generate revenue principally from the sale of instruments and single-use PAs and buffer, and from the lease of instruments to our customers. Our SPL partnerships also include associated clinical progress milestones and sales-based payments to us, in addition to annual lease payments.

In order to evaluate how our sales are trending across key markets, as well as the contribution of program-related revenue from our SPL partnerships, we separately analyze revenue derived from our cell therapy customers and drug discovery customers, as well as the performance-based milestone revenues we recognize under our SPL partnerships. Cell therapy revenues include primarily revenue from instruments sold, annual license fees for instruments under lease, and sales of our proprietary disposables. Drug discovery revenue includes primarily revenue from instruments sold, sales of our proprietary disposables and, occasionally, instruments leased. Program-related revenues include clinical progress milestone and sales-based revenues derived from SPL agreements. Milestone revenues are recognized when a customer achieves the associated milestone event. To date, all program-related revenue has consisted entirely of pre-commercial milestone revenue.

The following table provides details regarding the sources of our revenue for the periods presented:

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Cell therapy	\$ 4,701	\$ 7,898	\$ (3,197)	(40%)
Drug discovery	1,900	1,991	(91)	(5%)
Program-related	1,404	754	650	86%
Total revenue	<u>\$ 8,005</u>	<u>\$ 10,643</u>	<u>\$ (2,638)</u>	<u>(25%)</u>

Total revenue for the three months ended September 30, 2023 was \$8.0 million, a decrease of \$2.6 million, or 25%, compared to revenue of \$10.6 million during the three months ended September 30, 2022.

Our overall decrease in revenue was primarily driven by revenue decreases in the cell therapy and drug discovery markets. In the cell therapy market, revenue from instrument sales and disposable sales decreased by \$1.4 million and \$1.5 million, respectively, in part due to the timing of purchases by customers and partially attributable to challenges in the macro environment affecting the cell therapy and drug discovery markets. The \$0.1 million decrease in the drug discovery market was primarily driven by a \$0.6 million decrease in disposable sales, offset by a \$0.5 million increase in instrument sales. The decreases in the cell therapy and drug discovery market were offset by a \$0.7 million increase in program-related revenues, which resulted from clinical progress of our SPL customers, consistent with the expected variability of milestone revenues from period to period given the small number of individual triggering events which currently generate this portion of revenue. We expect program-related revenue to experience variability for some time, although we anticipate that this variability may moderate as the volume of SPLs and associated milestones grow.

Despite ongoing macro environment constraints affecting the current markets, we expect total revenue to increase over time as our customers' programs advance and our markets grow, resulting in additional instrument sales and leases and disposable sales and as the percentage of our installed base that are under cell therapy license agreements increases. We expect revenue from disposable and instrument sales and instrument licenses to cell therapy customers to continue to grow as those customers advance their preclinical pipeline programs into clinical development and move their existing drug development programs into later-stage clinical trials and, potentially, into commercialization. In addition, we expect new customers to continue to emerge and contribute to these revenues, based on the underlying growth in the cell therapy pipeline among companies in this market, the extent to which capital is available to support such companies, and in particular the switch by some cell therapy companies away from viral to non-viral approaches. We expect, however, that our revenue will fluctuate from period to period due to the timing of securing product sales and licenses, the inherently uncertain nature of the timing of our partners' achievements of clinical progress and our dependence on the program decisions of our partners.

Cost of Goods Sold and Gross Profit

Cost of goods sold primarily consists of costs for instrument and processing assembly components, contract manufacturer costs, salaries, overhead and other direct costs related to sales recognized as revenue in the period. Cost of goods sold associated with instrument lease revenue consists of leased equipment depreciation. Gross profit is calculated as revenue less cost of goods sold. Gross profit margin is gross profit expressed as a percentage of revenue.

Our gross profit in future periods will depend on a variety of factors, including sales mix among instruments, disposables and milestones, the specific mix among types of instruments or disposables, the proportion of revenues associated with instrument leases as opposed to sales, changes in the costs to produce our various products, the launch of new products or changes in existing products, our cost structure for manufacturing including changes in production volumes, and the pricing of our products which may be impacted by market conditions.

During the three months ended September 30, 2023, gross margin was 90%, compared to 87% in the same period of 2022. The increase in gross margin was principally due to a mix of higher instruments sales in proportion to disposable sales, which have higher margins. We price our instruments at a premium given what we believe to be the broad benefits of our platform, and the limited availability of alternative, clinically validated non-viral delivery approaches. Instrument pricing also depends upon the customer's specific market. However, the market for non-viral delivery is highly competitive, and introduction of a GMP-grade platform by a competitor that delivers similar performance across a similar diversity of cell types could negatively impact our business and lead to increased price pressure that negatively impacts our gross margins.

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Cost of goods sold	\$ 793	\$ 1,369	\$ (576)	(42%)
Gross profit	\$ 7,211	\$ 9,274	\$ (2,063)	(22%)
Gross margin	90%	87%		

Cost of goods sold decreased by \$0.6 million, or 42%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The decrease was primarily driven by decreases in disposable and instrument sales.

Gross profit decreased by \$2.1 million, or 22%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The decrease was primarily driven by decreased revenue from disposable and instrument sales as well as increased in-house manufacturing costs.

We expect that our cost of goods sold will generally increase or decrease modestly as our instrument and disposables revenue increases or decreases. We expect our gross margin to benefit from realization of program-related revenue from our SPL agreements, to the extent that such revenue grows to be a significant proportion of overall revenues, as there is no cost of goods sold associated with such revenue. However, realization and timing of these potential milestone revenues is uncertain.

Operating Expenses

Research and Development

	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Research and development	\$ 6,264	\$ 5,325	\$ 939	18%

Research and development expenses consist primarily of costs incurred for our research activities related to advancing our technology and development of applications for our technology, including research into specific applications and associated data development, process development, product development (e.g. development of instruments and disposables, including hardware and software engineering) and design and other costs not directly charged to inventory or cost of goods sold.

These expenses principally include employee-related costs, such as salaries, benefits, incentive compensation, stock-based compensation, and travel, as well as consultant services, facilities, and laboratory supplies and materials. These expenses are exclusive of depreciation and amortization. We expense research and development costs as incurred in the period in which the underlying activity is undertaken.

[Table of Contents](#)

Research and development expenses increased by \$0.9 million, or 18%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily driven by a \$0.4 million increase in lab expense, a \$0.2 million increase in compensation expense, a \$0.2 million increase in stock-based compensation, and a \$0.1 million increase in professional service fees relating to new product and regulatory consultants.

We believe that our continued investment in research and development is essential to our long-term competitive position. We expect to continue to incur substantial research and development expenses as we invest in research and development to support our customers, develop new uses for our existing technology and develop improved and/or new offerings for our customers and partners. As a result, we expect that our research and development expenses will continue to increase in absolute dollars in future periods and vary from period to period as a percentage of revenue.

Sales and Marketing

(in thousands, except percentages)	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
Sales and marketing	\$ 7,047	\$ 4,507	\$ 2,540	56%

Our sales and marketing expenses consist primarily of salaries, commissions and other variable compensation, benefits, stock-based compensation and travel costs for employees within our commercial sales and marketing functions, as well as third-party costs associated with our marketing activities. These expenses are exclusive of depreciation and amortization.

Sales and marketing expenses increased by \$2.5 million, or 56%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily driven by a \$1.4 million increase in compensation expenses as a result of increases in headcount, a \$0.4 million increase in occupancy expenses, a \$0.2 million increase in stock-based compensation, a \$0.2 increase in travel expenses, and a \$0.1 million increase in marketing expenses.

We expect our recurring sales and marketing expenses to increase in absolute dollars in future periods as we expand our commercial sales, marketing and business development teams, expand our product offerings, expand our collaboration efforts, increase our presence globally, and increase marketing activities to drive awareness and adoption of our products. We expect that in the near term, sales and marketing expenses will increase as a percentage of revenue, and thereafter vary from period to period as a percentage of revenue. The effects of such sales and marketing investments could take a few quarters to materialize into revenue growth or it may not materialize into revenue growth as expected or at all.

General and Administrative

(in thousands, except percentages)	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
General and administrative	\$ 6,820	\$ 6,444	\$ 376	6%

General and administrative expenses primarily consist of salaries, benefits, stock-based compensation and travel costs for employees in our executive, accounting and finance, legal, corporate development, human resources, information systems and office administration functions as well as professional services fees, such as consulting, audit, tax and legal fees, general corporate costs, facilities and allocated overhead expenses and public company fees associated with being a Nasdaq and AIM listed public company such as director fees, U.K. Nominated Adviser and broker fees, investor relations consultants and insurance costs. These expenses are exclusive of depreciation and amortization.

General and administrative expenses increased by \$0.4 million, or 6%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily driven by a \$0.4 million increase in compensation expense due to headcount and a \$0.2 million aggregate increase in consulting and general office expenses, partially offset by a \$0.2 million decrease in public company fees.

We expect that our general and administrative expenses will continue to increase in absolute dollars in future periods, primarily due to increased headcount to support anticipated growth in the business and due to incremental costs associated with operating as a public company listed on a U.S. exchange. We expect these expenses to vary from period to period as a percentage of revenue.

Depreciation and Amortization

Depreciation expense consists of the depreciation of property and equipment used actively in the business, primarily by research and development activities. Amortization expense includes the amortization of intangible assets over their respective useful lives.

(in thousands, except percentages)	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
Depreciation and amortization	\$ 1,033	\$ 710	\$ 323	45%

Depreciation and amortization expense increased by \$0.3 million, or 45%, for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The increase was primarily driven by increases in leasehold improvements and purchases in laboratory equipment.

Interest Income and Other Expense

(in thousands, except percentages)	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
Other expense	\$ —	\$ 116	\$ 116	(100%)
Interest income	\$ 2,701	\$ 1,394	\$ 1,307	94%

Other expense for the three months ended September 30, 2022 related to a write-off of leasehold improvements due to early termination of a prior facility lease. We did not incur other expense for the three months ended September 30, 2023. Interest income represents interest on our cash balances and investments, which increased by \$1.3 million for the three months ended September 30, 2023. The increase was driven by increases in interest rates and a higher weighted average balance of interest-bearing securities held during the three months ended September 30, 2023.

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations for the periods presented:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Total revenue	\$ 25,623	\$ 31,838
Cost of goods sold	3,169	3,552
Gross profit	22,455	28,286
Operating expense		
Research and development	17,975	13,786
Sales and marketing	19,779	13,276
General and administrative	21,982	20,180
Depreciation and amortization	2,922	1,654
Total operating expense	62,658	48,896
Operating loss	(40,203)	(20,610)
Other income (expense)		
Other expense	—	(116)
Interest and other income	7,558	1,965
Total other income (expense)	7,558	1,849
Net loss	\$ (32,645)	\$ (18,761)

Revenue

The following table provides details regarding the sources of our revenue for the periods presented:

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Cell therapy	\$ 17,311	\$ 23,002	\$ (5,691)	(25%)
Drug discovery	5,350	6,074	(724)	(12%)
Program-related	2,962	2,762	200	7%
Total revenue	\$ 25,623	\$ 31,838	\$ (6,215)	(20%)

Total revenue for the nine months ended September 30, 2023 was \$25.6 million, a decrease of \$6.2 million, or 20%, compared to revenue of \$31.8 million during the nine months ended September 30, 2022. Our overall decrease in revenue was primarily driven by revenue decreases in the cell therapy market and drug discovery markets. In the cell therapy market, revenue from instrument sales and disposable sales decreased by \$2.5 million and \$3.0 million, respectively, in part due to the timing of purchases by customers and partially attributable to challenges in the macro environment affecting the cell therapy and drug discovery markets. The \$0.7 million decrease in the drug discovery market was primarily driven by a \$1.1 million decrease in disposable sales, offset by a \$0.5 million increase in instrument sales. The \$0.2 million increase in program-related revenues resulted from expected variability of milestone revenues from period to period given the small number of individual triggering events which currently generate this portion of revenue. We expect program-related revenue to experience variability for some time, although we anticipate that this variability may moderate as the volume of SPLs and associated milestones grow.

Cost of Goods Sold and Gross Profit

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Cost of goods sold	\$ 3,169	\$ 3,552	\$ (383)	(11%)
Gross profit	\$ 22,455	\$ 28,286	\$ (5,832)	(21%)
Gross margin	88%	89%		

Cost of goods sold decreased by \$0.4 million, or 11%, for the nine months ended September 30, 2023 compared to the nine months September 30, 2022. The decrease was primarily driven by decreased revenue from instrument sales and disposable sales.

Gross profit decreased by \$5.8 million, or 21%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily driven by decreased revenue from instrument and disposable sales.

During the nine months ended September 30, 2023, gross margin was 88%, compared to 89% in the same period of 2022. The decrease was primarily driven by an increase in cost of goods due to initial scale-up of our in-house manufacturing processing assemblies.

Operating Expenses

Research and Development

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Research and development	\$ 17,975	\$ 13,786	\$ 4,189	30%

Research and development expenses increased by \$4.2 million, or 30%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily driven by a \$1.2 million increase in compensation expenses as a result of increases in headcount, a \$0.9 million increase in lab expense and new product development, a \$0.9 million increase in stock-based compensation, \$0.5 million increase in professional service fees relating to new product and regulatory consultants, a \$0.4 million increase in travel expenses, and a \$0.3 million increase in office and miscellaneous expenses.

Sales and Marketing

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Sales and marketing	\$ 19,779	\$ 13,276	\$ 6,503	49%

Sales and marketing expenses increased by \$6.5 million, or 49%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily driven by a \$3.7 million increase in compensation expenses as a result of increases in headcount, a \$0.8 million increase in occupancy expenses, a \$0.6 million increase in travel expenses, a \$0.6 million increase in stock-based compensation, a \$0.3 million increase in marketing expenses, and a \$0.2 million increase in professional fees, and a \$0.2 million increase in general office expenses.

General and Administrative

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
General and administrative	\$ 21,982	\$ 20,180	\$ 1,802	9%

General and administrative expenses increased by \$1.8 million, or 9%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily driven by a \$1.5 million increase in strategic consulting expenses, a \$0.5 million increase in compensation expenses primarily due to headcount, a \$0.5 million increase in general office expenses, a \$0.3 million increase in stock-based compensation, a \$0.2 million increase in legal fees, and a \$0.2 million increase in memberships, partially offset by a \$0.8 million reduction in public company fees, and a \$0.5 million decrease in occupancy expenses.

Depreciation and Amortization

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Depreciation and amortization	\$ 2,922	\$ 1,654	\$ 1,268	77%

Depreciation and amortization expense increased by \$1.3 million, or 77%, for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was primarily driven by increases in leasehold improvements and purchases in laboratory equipment.

Interest Income and Other Expense

	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
(in thousands, except percentages)				
Other expense	\$ —	\$ (116)	\$ 116	(100%)
Interest and other income	\$ 7,558	\$ 1,965	\$ 5,593	285%

Other expense for the nine months ended September 30, 2022 related to a write-off of leasehold improvements due to early termination of a prior facility lease. We did not incur other expense for the nine months ended September 30, 2023. The increase in interest and other income was driven by increases in interest rates and a higher weighted average balance of interest-bearing securities held during the nine months ended September 30, 2023.

Liquidity and Capital Resources

Since our inception, we have experienced losses and negative cash flows from operations. For the nine months ended September 30, 2023, we incurred a net loss of \$32.6 million. As of September 30, 2023, we had an accumulated deficit of \$170.5 million. We have funded our operations primarily with proceeds from sales of common stock, including our initial public offering of common stock in the United States (the "IPO") in 2021, as well as revenues associated with sales and licenses of our products to customers. As of September 30, 2023, we had cash and cash equivalents and short-term investments of \$190.2 million.

We expect to incur near-term operating losses as we continue to invest in expanding our business through growing our sales and marketing efforts, continued research and development, product development and expanding our product offerings. Based on our current business plan, we believe our existing cash and cash equivalents and short-term investments will enable us to fund our operating expenses and capital expenditure requirements for the foreseeable future.

We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. Our future funding requirements will depend on many factors, including:

- transaction and capital expenditures necessitated by strategic activities;
- market acceptance of our products;
- the cost and timing of establishing additional sales, marketing and distribution capabilities;
- the cost of our research and development activities and successful development of data supporting use of our products for new applications, and timely launch of new features and products;
- sales to existing and new customers and the progress of our SPL partners in developing their pipelines of product candidates;
- our ability to enter into additional SPL partnerships and licenses for clinical use of our platform in the future;
- changes in the amount of capital available to existing and emerging customers in our target markets;
- the effect of competing technological and market developments; and
- the level of our selling, general and administrative expenses.

If we are unable to execute on our business plan and adequately fund operations, or if our business plans require a level of spending in excess of cash resources, we will have to seek additional equity or debt financing. If additional financings are required from outside sources, we may not be able to raise such capital on terms acceptable to us or at all. To the extent that we raise additional capital through the sale of equity or debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants restricting our ability to take specific actions, such as incurring additional debt, selling or licensing our assets, making product acquisitions, making capital expenditures or declaring dividends. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If we are unable to raise additional capital when desired, we may have to delay development or commercialization of future products. We also may have to reduce marketing, customer support or other resources devoted to our existing products.

Cash Flows

The following table summarizes our uses and sources of cash for the periods presented:

(in thousands)	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (22,668)	\$ (8,697)
Investing activities	59,123	2,272
Financing activities	1,650	1,663
Net increase (decrease) in cash and cash equivalents	<u>\$ 38,106</u>	<u>\$ (4,762)</u>

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2023 was \$22.7 million, and consisted primarily of our net loss of \$32.6 million, offset in part by net non-cash expenses of \$8.7 million, including stock-based compensation of \$10.4 million and depreciation and amortization expenses of \$3.1 million, reduced by amortization of discounts on investments of \$5.1 million. We also had net cash inflows of \$1.3 million due to changes in our operating assets and liabilities. Net changes in our operating assets and liabilities consisted primarily of a decrease in account receivable of \$3.3 million due to increased cash collections, a decrease in tenant improvements allowance (“TIA”) receivable of \$1.9 million, an increase in accounts payable and accrued expenses of \$1.5 million due to timing considerations, a decrease in right-of-use assets of \$0.3 million and an increase in other assets of \$0.2 million, partially offset by a \$4.1 million increase in inventory and a \$1.1 million decrease in deferred revenue, and an increase in prepaid expense and other current assets of \$0.7 million.

Net cash used in operating activities for the nine months ended September 30, 2022 was \$8.7 million, and consisted primarily of our net loss of \$18.8 million, offset in part by net non-cash expenses of \$9.4 million, including stock-based compensation of \$8.6 million and depreciation and amortization expenses of \$1.8 million, partially offset by amortization of discounts on investments of \$1.2 million. We also had net cash inflows of \$0.6 million due to net changes in our operating assets and liabilities. Net changes in our operating assets and liabilities consisted primarily of an increase in the net effect of our right-of-use assets and lease liabilities of \$5.1 million, an increase in accounts payable and accrued expenses of \$1.2 million, partially offset by a \$2.9 million increase in inventory, a \$0.9 million increase in other assets, a \$0.8 million increase in TIA receivable, a \$0.6 million increase in accounts receivable and a \$0.5 million decrease in deferred revenue.

Investing Activities

Net cash provided by investing activities during the nine months ended September 30, 2023 was \$59.1 million, which was primarily attributable to maturities of investments of \$247.5 million, partially offset by purchases of investments of \$185.6 million and purchases of laboratory equipment of \$2.8 million.

Net cash provided by investing activities during the nine months ended September 30, 2022 was \$2.3 million, which was primarily attributable to maturities of investments of \$232.1 million, partially offset by purchases of investments of \$213.5 million and capitalized lease-related construction expenses of \$13.4 million and purchase of equipment of \$1.9 million. Purchases and sales of investments are made as part of ordinary course investing activities in compliance with our investment policy which has as its primary objective preservation of principal.

Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2023 and 2022 was \$1.7 million which was attributable to the exercise of stock options.

Contractual Obligations and Commitments

Our contractual obligations and commitments as of September 30, 2023 consisted exclusively of operating lease obligations. In May 2021, we entered into an operating lease for new office, lab and warehouse/manufacturing space. The lease for the new facility consists of three phases, with Phase 1 having commenced in December 2021, Phase 2 having commenced in the first quarter of 2022, and Phase 3 having commenced in November 2023. The lease term for all phases expires on August 31, 2035. We designed and constructed the leasehold improvements with the approval of the landlord. The lease provides that the landlord will reimburse us for \$6.3 million in costs of leasehold improvement construction. As of September 30, 2023, we received all reimbursements from the TIA. The total incremental non-cancellable lease payments under the lease agreement are \$29.6 million through the lease term. We expect to be able to fund our obligations under this lease, both in the short term and in the long term, from cash on hand, investments and operating cash flows.

We had no debt obligations as of September 30, 2023 and December 31, 2022.

Purchase orders or contracts for the purchase of supplies and other goods and services are based on our current procurement or development needs and are generally fulfilled by our vendors within short time horizons.

Critical Accounting Estimates

We have prepared our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. 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 material changes to our critical accounting policies and estimates from those disclosed in our consolidated financial statements and the related notes and other financial information included in the Annual Report on Form 10-K filed with SEC on March 15, 2023.

JOBS Act Accounting Election

We are an “emerging growth company,” (“EGC”), under the Jumpstart Our Business Startups Act of 2012, (the “JOBS Act”). Section 107 of the JOBS Act provides that an EGC can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of the delayed adoption of new and revised accounting standards and, therefore, we will be subject to the same requirements to adopt new or revised accounting standards as private entities. We also intend to rely on other exemptions provided by the JOBS Act, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

We will remain an EGC until the earliest of: (i) December 31, 2026, which is the last day of the fiscal year following the fifth anniversary of our initial public offering in the United States; (ii) the last day of the first fiscal year in which our annual gross revenue is \$1.235 billion or more; (iii) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities; and (iv) the last day of the fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of June 30 of such fiscal year.

We are also a “smaller reporting company,” as defined by Rule 12b-2 of the Exchange Act. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than \$250 million as of the last business day of our second fiscal quarter or (ii) our annual revenue is less than \$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700 million as of the last business day of our second fiscal quarter. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies.

Recent Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position, results of operations or cash flows is disclosed in Note 2 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risk for changes in interest rates related primarily to balances of our financial instruments including cash and cash equivalents and investments. The primary objective of our investment approach is to preserve principal and provide liquidity. As a result, a 10% change in the level of market interest rates would not be expected to have a material effect on our business, financial condition or results of operations.

As we do not currently have indebtedness, we are not exposed to interest rate risk from increases in interest rates.

Foreign Currency Risk

We are exposed to financial risks as a result of exchange rate fluctuations between the U.S. Dollar and certain foreign currencies and the volatility of these rates. In the normal course of business, we earn revenue primarily denominated in U.S. Dollars as well as in Euros and British Pounds. We incur expenses primarily in U.S. Dollars as well as in Euros, British Pounds and other currencies. Our reporting currency is the U.S. Dollar. We hold our cash primarily in U.S. Dollars as well as in Euros and British Pounds. We do not expect that foreign currency gains or losses will have a material effect on our financial position or results of operations in the foreseeable future. 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 managing risks relating to fluctuations in currency exchange rates.

Inflation Risk

During the last two years, inflation and changing prices have not had a material effect on our business. We are unable to predict whether inflation or changing prices will materially affect our business in the foreseeable future.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of September 30, 2023 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any material legal proceedings, and we are not aware of any pending or threatened legal proceeding against us that we believe could have an adverse effect on our business, operating results or financial condition.

Item 1A. Risk Factors.

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 15, 2023. However, the risk factors described in this report and in the Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any such risks materialize, it could have a material adverse effect on our business, financial condition, results of operations and growth prospects and cause the trading price of our common stock to decline.

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

(a) Sale of Unregistered Securities

None.

(b) Use of Proceeds

Cash used since the IPO 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 the IPO as described in the final prospectus for our IPO.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

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

Exhibit Number	Description	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	Inline XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.SCH, 101.CAL, 101.DEF, 101.LAB and 101.PRE).				

* 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 of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.

SIGNATURES

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

MaxCyte, Inc.

Date: November 8, 2023

By: /s/ Douglas Doerfler
Name: Douglas Doerfler
Title: President and Chief Executive Officer

Date: November 8, 2023

By: /s/ Douglas Swirsky
Name: Douglas Swirsky
Title: Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas Doerfler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MaxCyte, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(r) and 15d-15(r)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

By: _____ /s/ Douglas Doerfler
Name: Douglas Doerfler
Title: President and Chief Executive Officer
(Principal Executive Officer)
