

**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, 2024

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 including zip code)

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 1, 2024, the registrant had 105,482,558 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>Condensed Consolidated 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>	16
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4.</u> <u>Controls and Procedures</u>	30
<u>PART II. OTHER INFORMATION</u>	31
<u>Item 1.</u> <u>Legal Proceedings</u>	31
<u>Item 1A.</u> <u>Risk Factors</u>	31
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	32
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	32
<u>Item 5.</u> <u>Other Information</u>	32
<u>Item 6.</u> <u>Exhibits</u>	33
<u>Signatures</u>	34

PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements (Unaudited)**

MaxCyte, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
	(Unaudited)	(See Note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,958	\$ 46,506
Short-term investments, at amortized cost	116,874	121,782
Accounts receivable, net	4,560	5,778
Inventory	10,393	12,229
Prepaid expenses and other current assets	4,124	3,899
Total current assets	172,909	190,194
Investments, non-current, at amortized cost	42,797	42,938
Property and equipment, net	20,967	23,513
Right-of-use asset - operating leases	10,888	11,241
Other assets	1,051	388
Total assets	\$ 248,612	\$ 268,274
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,865	\$ 743
Accrued expenses and other	8,196	11,269
Operating lease liability, current	907	774
Deferred revenue, current portion	6,653	5,069
Total current liabilities	17,621	17,855
Operating lease liability, net of current portion	17,412	17,969
Other liabilities	277	283
Total liabilities	35,310	36,107
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, 2024 and December 31, 2023	—	—
Common stock, \$0.01 par value; 400,000,000 shares authorized, 105,300,380 and 103,961,670 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	1,053	1,040
Additional paid-in capital	418,505	406,925
Accumulated deficit	(206,256)	(175,798)
Total stockholders' equity	213,302	232,167
Total liabilities and stockholders' equity	\$ 248,612	\$ 268,274

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 8,164	\$ 8,004	\$ 29,934	\$ 25,623
Cost of goods sold	1,928	793	4,819	3,169
Gross profit	6,236	7,211	25,115	22,454
Operating expenses:				
Research and development	5,316	6,264	17,613	17,975
Sales and marketing	6,207	7,046	20,188	19,778
General and administrative	7,745	6,820	22,487	21,982
Depreciation and amortization	1,021	1,033	3,123	2,922
Total operating expenses	20,289	21,163	63,411	62,657
Operating loss	(14,053)	(13,952)	(38,296)	(40,203)
Other income:				
Interest income	2,496	2,701	7,838	7,558
Total other income	2,496	2,701	7,838	7,558
Loss before income taxes	(11,557)	(11,251)	(30,458)	(32,645)
Provision for income taxes	—	—	—	—
Net loss	\$ (11,557)	\$ (11,251)	\$ (30,458)	\$ (32,645)
Basic and diluted net loss per share	\$ (0.11)	\$ (0.11)	\$ (0.29)	\$ (0.32)
Weighted-average shares outstanding, basic and diluted	105,109,603	103,449,715	104,614,679	103,121,997

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2023	102,397,913	\$ 1,024	\$ 390,819	\$ (137,875)	\$ 253,968
Stock-based compensation expense	—	—	3,277	—	3,277
Exercise of stock options	506,832	5	1,451	—	1,456
Net loss	—	—	—	(10,882)	(10,882)
Balance at March 31, 2023	102,904,745	1,029	395,547	(148,757)	247,819
Stock-based compensation expense	—	—	3,519	—	3,519
Exercise of stock options	229,840	2	155	—	157
Net loss	—	—	—	(10,512)	(10,512)
Balance at June 30, 2023	103,134,585	1,031	399,221	(159,269)	240,983
Stock-based compensation expense	—	—	3,609	—	3,609
Exercise of stock options	155,458	2	35	—	37
Vesting of restricted stock units	258,900	3	(3)	—	—
Net loss	—	—	—	(11,251)	(11,251)
Balance at September 30, 2023	103,548,943	\$ 1,036	\$ 402,862	\$ (170,520)	\$ 233,378
	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2024	103,961,670	\$ 1,040	\$ 406,925	\$ (175,798)	\$ 232,167
Stock-based compensation expense	—	—	3,015	—	3,015
Exercise of stock options	272,640	3	700	—	703
Vesting of restricted stock units	170,801	1	(1)	—	—
Net loss	—	—	—	(9,526)	(9,526)
Balance at March 31, 2024	104,405,111	1,044	410,639	(185,324)	226,359
Stock-based compensation expense	—	—	3,564	—	3,564
Exercise of stock options	335,837	3	445	—	448
Vesting of restricted stock units	13,966	—	—	—	—
Issuance of common stock under employee stock purchase plan	69,210	1	264	—	265
Net loss	—	—	—	(9,375)	(9,375)
Balance at June 30, 2024	104,824,124	1,048	414,912	(194,699)	221,261
Stock-based compensation expense	—	—	3,370	—	3,370
Vesting of restricted stock units	195,944	2	(2)	—	—
Exercise of stock options	280,312	3	225	—	228
Net loss	—	—	—	(11,557)	(11,557)
Balance at September 30, 2024	105,300,380	\$ 1,053	\$ 418,505	\$ (206,256)	\$ 213,302

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	<u>Nine Months Ended September 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (30,458)	\$ (32,645)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,258	3,069
Non-cash lease expense	353	286
Net book value of consigned equipment sold	35	80
Loss on disposal of fixed assets	462	2
Stock-based compensation	9,949	10,405
Credit loss (recovery) expense	(130)	221
Change in excess/obsolete inventory reserve	834	—
Amortization of discounts on investments	(5,052)	(5,123)
Changes in operating assets and liabilities:		
Accounts receivable	1,348	3,571
Accounts receivable - TIA	—	1,912
Inventory	835	(4,088)
Prepaid expense and other current assets	(225)	(924)
Other assets	(732)	190
Accounts payable, accrued expenses and other	(1,420)	1,520
Operating lease liability	(424)	(13)
Deferred revenue	1,584	(1,127)
Other liabilities	(6)	(3)
Net cash used in operating activities	<u>(19,789)</u>	<u>(22,667)</u>
Cash flows from investing activities:		
Purchases of investments	(118,339)	(185,621)
Maturities of investments	128,440	247,520
Purchases of property and equipment	(1,504)	(2,785)
Proceeds from sale of equipment	—	9
Net cash provided by investing activities	<u>8,597</u>	<u>59,123</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,379	1,650
Proceeds from issuance of common stock under employee stock purchase plan	265	—
Net cash provided by financing activities	<u>1,644</u>	<u>1,650</u>
Net (decrease) increase in cash and cash equivalents	(9,548)	38,106
Cash and cash equivalents, beginning of period	46,506	11,064
Cash and cash equivalents, end of period	<u>\$ 36,958</u>	<u>\$ 49,170</u>
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment purchases included in accounts payable and accrued expenses	\$ 35	\$ 287

See accompanying notes to unaudited condensed consolidated financial statements.

MaxCyte, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(in thousands, except par value, share and per share amounts)

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 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 (the “IPO”) in the United States of America (the “U.S.”) 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 \$201,825. The Company received aggregate net proceeds of \$184,268 from the IPO after deducting aggregate underwriting commissions and offering costs of \$17,557.

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 U.S. (“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 U.S. 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 Company’s financial position, results of operations, and cash flows as of and for the periods presented. The condensed consolidated balance sheet at December 31, 2023 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 notes 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 12, 2024 (the “2023 Form 10-K”).

Significant Accounting Policies

The Company’s significant accounting policies are disclosed in the notes to its audited consolidated financial statements for the year ended December 31, 2023 included in the 2023 Form 10-K and have not materially changed during the three and nine months ended September 30, 2024.

Basis of Consolidation

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

Reclassifications

Certain reclassifications have been made to prior years' financial statements to conform to current year presentation. These reclassifications had no effect on previously reported results of operations or accumulated deficit.

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 months ended September 30, 2024, one customer represented 30% of revenue. During the nine months ended September 30, 2024, two customers represented an aggregate of 32% of revenue. During the three and nine months ended September 30, 2023, two customers represented an aggregate of 27% and 26% of revenue, respectively. As of September 30, 2024, two customers accounted for an aggregate of 40% of accounts receivable. As of December 31, 2023, three customers accounted for an aggregate of 38% 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, 2024, 20% and 18%, respectively, of the Company's additions to inventory were from one supplier. 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. As of September 30, 2024, one supplier accounted for 11% of the Company's total accounts payable. As of December 31, 2023, no supplier accounted for 10% or more of the Company's total accounts payable.

Accounts Receivable

Accounts receivable are reduced by an allowance for credit losses, if needed. The Company maintains an allowance for credit losses of an amount equal to anticipated future write-offs. The Company determined that no allowance was necessary as of September 30, 2024. The Company recorded an allowance for expected credit losses of \$130 as of December 31, 2023.

Foreign Currency

The Company's functional currency is the U.S. dollar; transactions denominated in foreign currencies are subject to currency risk. The Company recognized \$2 and \$36 in foreign currency transaction losses for the three months ended September 30, 2024 and 2023, respectively. The Company recognized \$62 and \$66 in foreign currency transaction losses for the nine months ended September 30, 2024 and 2023, 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.

Comprehensive Loss

For the three and nine months ended September 30, 2024 and 2023, comprehensive loss equaled net loss; therefore, a separate statement of comprehensive loss is not included in the accompanying condensed consolidated financial statements.

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, performance stock units and shares under employee stock purchase plans 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, performance stock units, and shares under employee stock purchase plans was 17.0 million for the three and nine months ended September 30, 2024 and 17.1 million for the three and nine months ended September 30, 2023.

Recent Accounting Pronouncements

The Company has evaluated all issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its condensed financial statements.

3. Revenue

Revenue is principally from the sale of instruments and processing assemblies, 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:

	<u>Three months ended September 30, 2024</u>			<u>Nine months ended September 30, 2024</u>		
	<u>Revenue from Contracts with Customers</u>	<u>Revenue from Lease Elements</u>	<u>Total Revenue</u>	<u>Revenue from Contracts with Customers</u>	<u>Revenue from Lease Elements</u>	<u>Total Revenue</u>
Product sales	\$ 5,196	\$ —	\$ 5,196	\$ 15,292	\$ —	\$ 15,292
Lease elements	—	2,552	2,552	—	13,774	13,774
Other	416	—	416	868	—	868
Total	<u>\$ 5,612</u>	<u>\$ 2,552</u>	<u>\$ 8,164</u>	<u>\$ 16,160</u>	<u>\$ 13,774</u>	<u>\$ 29,934</u>

	<u>Three months ended September 30, 2023</u>			<u>Nine months ended September 30, 2023</u>		
	<u>Revenue from Contracts with Customers</u>	<u>Revenue from Lease Elements</u>	<u>Total Revenue</u>	<u>Revenue from Contracts with Customers</u>	<u>Revenue from Lease Elements</u>	<u>Total Revenue</u>
Product sales	\$ 3,898	\$ —	\$ 3,898	\$ 14,107	\$ —	\$ 14,107
Lease elements	—	3,848	3,848	—	10,882	10,882
Other	258	—	258	634	—	634
Total	<u>\$ 4,156</u>	<u>\$ 3,848</u>	<u>\$ 8,004</u>	<u>\$ 14,741</u>	<u>\$ 10,882</u>	<u>\$ 25,623</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 \$6,930 and \$5,352 as of September 30, 2024 and December 31, 2023, respectively. During the three and nine months ended September 30, 2024, the Company recognized \$1,464 and \$4,689 of revenue, respectively, that was included in deferred revenue at the beginning of such periods. During the three and nine months ended September 30, 2023, the Company recognized \$1,968 and \$5,741 of revenue, respectively, 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 as of September 30, 2024 was \$364, of which the Company expects to recognize \$87 in one year or less, \$87 in one to two years, \$34 in two to three years, and \$156 thereafter.

For the three and nine months ended September 30, 2024 and 2023, 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, 2024, the Company issued 888,789 shares of common stock as a result of stock option exercises, receiving gross proceeds of \$1,379, issued 380,711 shares from the vesting of restricted stock units, and issued 69,210 shares to employees pursuant to the MaxCyte, Inc. 2021 Employee Stock Purchase Plan, (the "ESPP") receiving gross proceeds of \$265.

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, 2024 and December 31, 2023, 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 the Company’s Annual Meeting of Stockholders held on June 11, 2024, the Company’s stockholders approved to increase by 2,300,000 the maximum number of shares of common stock authorized to be issued under the 2022 Plan.

At September 30, 2024 and December 31, 2023, there were 6,645,000 and 6,202,000 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, 2024, total unrecognized compensation expense was \$20,699, which will be recognized over an estimated weighted-average period of 2.3 years.

Stock Options

The weighted-average fair value of the stock options granted during the three months ended September 30, 2024 and 2023 was estimated to be \$2.14 and \$1.91, per option share, respectively. The weighted-average fair value of the stock options granted during the nine months ended September 30, 2024 and 2023 was estimated to be \$2.27 and \$2.03, per option share, respectively.

Restricted Stock Units (“RSUs”)

The weighted-average fair value of the RSUs granted during the three months ended September 30, 2024 and 2023 was estimated to be \$4.02 and \$4.18 per RSU, respectively. The weighted-average fair value of the RSUs granted during the nine months ended September 30, 2024 and 2023 was estimated to be \$4.39 and \$4.29 per RSU, respectively.

Performance Stock Units (“PSUs”)

During the nine months ended September 30, 2024, 550,838 PSUs were awarded to certain members of management and executive officers. The PSU awards represent a number of shares of common stock to be earned if a target level of performance, as approved by the Board of Directors, is achieved. The performance period continues through December

31, 2026. The actual number of shares of common stock underlying the PSUs to be earned will be between 0% and 125% of the target number of PSUs, depending on the level of achievement of such performance metrics. The weighted-average fair value of the PSUs granted during the nine months ended September 30, 2024 was estimated to be \$4.31 per PSU. As of September 30, 2024, the Company determined that it was probable that the grants will vest at 100% of the target number of PSUs. Stock-based compensation expense for the service period since the grant date of \$199 and \$594 was recognized in the three and nine months ended September 30, 2024, respectively. The Company did not issue PSUs prior to January 2024.

Employee Stock Purchase Plan (“ESPP”)

In May 2023, the Company commenced the initial offering under the ESPP. The ESPP provides an offering period of 24 months, with four purchase periods that are generally six months long (each, a “Purchase Period”). The third Purchase Period began on May 20, 2024. The weighted-average fair value of the shares under the ESPP for the nine months ended September 30, 2024 was \$1.38 per share, which the Company will expense over the Purchase Period.

Stock-based Compensation Expense

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

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
General and administrative	\$ 1,815	\$ 1,591	\$ 5,336	\$ 4,559
Sales and marketing	788	815	2,238	2,415
Research and development	767	1,203	2,375	3,431
Total	<u>\$ 3,370</u>	<u>\$ 3,609</u>	<u>\$ 9,949</u>	<u>\$ 10,405</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:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2024</u>	<u>2023</u>
Raw materials inventory	\$ 5,559	\$ 5,694
Finished goods inventory	4,529	5,977
Work in progress	305	558
Total inventory	<u>\$ 10,393</u>	<u>\$ 12,229</u>

The Company reserved \$865 and \$697 in inventory allowance as of September 30, 2024 and December 31, 2023, respectively.

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, 2024	December 31, 2023
Leasehold improvements	\$ 14,727	\$ 14,654
Furniture and equipment	11,981	12,288
Internal-use software	4,316	4,106
Instruments	2,026	2,441
Construction in process	536	310
Accumulated depreciation and amortization	(12,619)	(10,286)
Property and equipment, net	<u>\$ 20,967</u>	<u>\$ 23,513</u>

During the nine months ended September 30, 2024 and 2023, the Company transferred \$167 and \$136, respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the three and nine months ended September 30, 2024, the Company incurred depreciation and amortization expense of \$1,066 and \$3,258, respectively. For the three and nine months ended September 30, 2023, the Company incurred depreciation and amortization expense of \$1,081 and \$3,069, 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, 2024 and December 31, 2023.

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

Money market funds, U.S. 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 three and nine months ended September 30, 2024 and 2023.

The following table summarizes the Company’s financial instruments that were measured at fair value on a non-recurring basis as of September 30, 2024:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds and cash equivalents	Cash equivalents	\$ 26,463	\$ —	\$ —	\$ 26,463
Commercial paper	Cash equivalents	4,950	2	—	4,952
Commercial paper	Short-term investments	55,690	66	—	55,756
U.S. Treasury securities and government agency bonds	Short-term investments	52,174	228	—	52,402
Corporate debt	Short-term investments	9,010	21	—	9,031
U.S. Treasury securities and government agency bonds	Long-term investments	39,866	322	(2)	40,186
Corporate debt	Long-term investments	2,931	34	—	2,965
Total cash equivalents, short-term investments and long-term investments		<u>\$ 191,084</u>	<u>\$ 673</u>	<u>\$ (2)</u>	<u>\$ 191,755</u>

The following table summarizes the Company’s financial instruments that were measured at fair value on a non-recurring basis as of December 31, 2023:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds and cash equivalents	Cash equivalents	\$ 22,693	\$ —	\$ —	\$ 22,693
U.S. Treasury securities and government agency bonds	Cash equivalents	20,986	3	—	20,989
Commercial paper	Short-term investments	107,131	100	(1)	107,230
U.S. Treasury securities and government agency bonds	Short-term investments	14,651	28	(6)	14,673
U.S. Treasury securities and government agency bonds	Long-term investments	42,938	282	(2)	43,218
Total cash equivalents, short-term investments and long-term investments		<u>\$ 208,399</u>	<u>\$ 413</u>	<u>\$ (9)</u>	<u>\$ 208,803</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 three and nine months ended September 30, 2024 and 2023.

7. Commitments and Contingencies

Operating Leases

In May 2021, the Company entered into a lease for its headquarters (the “Headquarters Lease”), consisting of an operating lease agreement, as amended, for new office, laboratory, manufacturing, and other space. The lease term expires on August 31, 2035. Under the 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. During the three months ended September 30, 2024 and 2023, the Company paid \$532 and \$558 included in the measurement of lease liabilities, respectively. During the nine months ended September 30, 2024 and 2023, the Company paid \$1,395 and \$868 included in the measurement of lease liabilities, respectively.

The Company had no finance leases as of September 30, 2024 and December 31, 2023.

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

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended September 30,</u>	
	2024	2023	2024	2023
Operating lease cost	\$ 441	\$ 358	\$ 1,323	\$ 1,206
Short-term lease cost	8	10	28	29
Variable lease cost	299	313	895	715
Total lease cost	<u>\$ 748</u>	<u>\$ 681</u>	<u>\$ 2,246</u>	<u>\$ 1,950</u>

	<u>As of September 30,</u>	<u>As of December 31,</u>
	2024	2023
Operating leases		
Assets		
Right-of-use asset - operating leases	<u>\$ 10,888</u>	<u>\$ 11,241</u>
Liabilities		
Operating lease liability, current	\$ 907	\$ 774
Operating lease liabilities, net of current portion	17,412	17,969
Total operating lease liabilities	<u>\$ 18,319</u>	<u>\$ 18,743</u>
Other information		
Weighted-average remaining lease term (in years)	10.9	11.7
Weighted-average incremental borrowing rate	7.0%	7.0%

The following table reconciles the remaining minimum lease payments to lease liabilities as of September 30, 2024:

	<u>Operating Leases</u>
Remainder of 2024	\$ 532
2025	2,171
2026	2,225
2027	2,281
2028	2,338
2029 and thereafter	17,156
Total undiscounted lease payments	26,703
Discount factor	(8,384)
Present value of lease liabilities	<u>\$ 18,319</u>

8. Related Party Transactions

Effective January 1, 2024, the Company entered into a consulting agreement with a member of the Board of Directors to provide consulting services to the Company for a 12-month period for an amount not to exceed \$150. During the three and nine months ended September 30, 2024, the Company incurred \$13 and \$77, respectively, pursuant to this consulting agreement.

During the nine months ended September 30, 2024, the Company sold \$84 in products to a customer whose Chief Executive Officer is a member of the Company's Board of Directors.

During the nine months ended September 30, 2024, the Company sold less than \$1 in products to a customer whose Board of Directors includes a member who also serves on the Company's Board of Directors.

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, 2023 included in the 2023 Form 10-K, as well as the information contained under Part II, Item 1A “Risk Factors” of this Quarterly Report on Form 10-Q, the “Risk Factors” section contained in the 2023 Form 10-K 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;
- the market acceptance and demand for our technology and products, including in the cell therapeutics and bioprocessing application markets;
- the expected future growth of our manufacturing capabilities and sales, support and marketing capabilities;
- our ability to expand our customer base and enter into additional SPL partnerships;
- 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 our partners will have access to capital markets to develop and commercialize their cell therapy programs;
- our ability to maintain our Master File with the U.S. Food and Drug Administration (the “FDA”) and Master and 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;

- risks associated with our management transition and our ability to retain and hire senior management and key personnel;
- regulatory developments in the U.S. and foreign countries;
- our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”);
- our expectations and plans regarding a potential cancellation of the admission of our common stock from the AIM exchange;
- our ability to develop and maintain our corporate infrastructure, including our internal controls;
- our financial performance and capital requirements;
- the adequacy of our cash resources and availability of financing on commercially reasonable terms;
- 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;
- general market and economic conditions that may impact investor confidence in the biopharmaceutical industry and affect the amount of capital such investors provide to our current and potential partners; 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 on Form 10-Q 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 this Quarterly Report on Form 10-Q and the 2023 Form 10-K. 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 on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. Given these uncertainties, 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 or joint ventures.

You should read this Quarterly Report on Form 10-Q 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.

Trademarks

We have applied for various trademarks that we use in connection with the operation of our business. This Quarterly Report on Form 10-Q includes trademarks, service marks, and trade names owned by us or other companies. All trademarks, service marks, and trade names included in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this report may be referred to without the ® or ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Overview

We are a leading commercial cell engineering company focused on providing enabling platform technologies to advance the discovery, development, and commercialization of next-generation cell therapeutics including cell and gene therapies and to support innovative cell-based research and development. Over more than two decades, we have developed and commercialized our proprietary Flow Electroporation® technology, which is used by biopharmaceutical companies to facilitate 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. 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. Our platform is also supported by a robust intellectual property portfolio with more than 200 granted U.S. and foreign patents and more than 100 pending patent applications worldwide.

From leading commercial cell therapy drug and biologic 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, which includes but is not limited to our 29 SPL partners, ranges from large biopharmaceutical companies, including a majority of the top 25 pharmaceutical companies based on 2023 global revenue, to hundreds of biotechnology companies and academic centers focused on translational research. Our Flow Electroporation technology is used by one of our SPL partners to engineer the first ex-vivo cell therapy approved by the FDA in December 2023.

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 \$29.9 million and incurred a net loss of \$30.5 million for the nine months ended September 30, 2024. As of September 30, 2024, we had an accumulated deficit of \$206.3 million. We expect to continue to incur net losses as we focus on growing commercial sales of our products in both the U.S. and international markets, including growing our sales force, scaling our manufacturing operations, and 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, which are discussed in more detail under the caption “Results of Operations” below, 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 the first three quarters of 2024, we signed SPL agreements with six new partners: Lion TCR, Imugene, and Wugen in January, Be Biopharma in March, Legend Biotech in May, and Kamau Therapeutics in September. We continue to grow our SPL pipeline and, while the specific timing of any agreement is uncertain, we look forward to continuing to build on our existing SPL partnerships and develop additional SPL partnerships in the future.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 and 2023

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

	Three Months Ended September 30,	
	2024	2023
	(in thousands)	
Total revenue	\$ 8,164	\$ 8,004
Cost of goods sold	1,928	793
Gross profit	6,236	7,211
Operating expenses		
Research and development	5,316	6,264
Sales and marketing	6,207	7,046
General and administrative	7,745	6,820
Depreciation and amortization	1,021	1,033
Total operating expenses	20,289	21,163
Operating loss	(14,053)	(13,952)
Other income		
Interest income	2,496	2,701
Total other income	2,496	2,701
Net loss	<u>\$ (11,557)</u>	<u>\$ (11,251)</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. Core revenue includes sales and leases of instruments and disposables to cell therapy and drug discovery customers, excluding SPL program-related revenue. 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.

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

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
(in thousands, except percentages)				
Core revenue:				
Cell therapy	\$ 6,511	\$ 4,700	\$ 1,811	39%
Drug discovery	1,629	1,900	(271)	(14%)
Total core revenue	8,140	6,600	1,540	23%
Program-related	24	1,404	(1,380)	(98%)
Total revenue	<u>\$ 8,164</u>	<u>\$ 8,004</u>	<u>\$ 160</u>	2%

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

	Three Months Ended		Change	
	2024	2023	Amount	%
(in thousands, except percentages)				
Core revenue:				
Instrument revenue	\$ 1,764	\$ 1,672	\$ 92	6%
Disposables revenue	3,432	2,226	1,206	54%
Lease revenue	2,528	2,444	84	3%
Other revenue	416	258	158	61%
Total core revenue	<u>\$ 8,140</u>	<u>\$ 6,600</u>	<u>\$ 1,540</u>	23%

Total revenue for the three months ended September 30, 2024 was \$8.2 million, an increase of \$0.2 million, or 2%, compared to \$8.0 million during the three months ended September 30, 2023. The increase was primarily driven by an increase in disposables revenue, offset by a decrease in program-related revenue.

Total core revenue for the three months ended September 30, 2024 was \$8.1 million, an increase of \$1.5 million, or 23%, compared to \$6.6 million for the three months ended September 30, 2023. Our overall increase in core revenue was primarily driven by increases in disposable sales of \$1.2 million, and an aggregate increase of other components of core revenue of \$0.3 million.

The \$1.4 million decrease in program-related revenues for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 resulted from the variability in achievement of contractually specified clinical and regulatory milestones during the three months ended September 30, 2023 and reflects the expected variability from period to period in the level of program-related revenue given the small number of individual triggering events which currently generate this portion of revenue. We expect program-related revenue to continue to experience variability for some time, although we anticipate that variability may moderate as the volume of SPL partnerships and associated milestones grows and matures.

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 also 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 will 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 believe we are well-positioned to attract new customers who may 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 may 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, 2024, gross margin was 76% compared to 90% for the three months ended September 30, 2023. The decrease in gross margin was primarily due to an increase in cost of goods sold, described below, and a decrease in program-related revenue. 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 Good Manufacturing Practices ("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.

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Cost of goods sold	\$ 1,928	\$ 793	\$ 1,135	143%
Gross profit	\$ 6,236	\$ 7,211	\$ (975)	(14%)
Gross margin	76%	90%		

Cost of goods sold increased by \$1.1 million, or 143%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The increase was primarily driven by increases in disposable sales, an increase in inventory reserves, and lower absorption of manufacturing overhead costs.

Gross profit decreased by \$1.0 million, or 14%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The decrease was primarily driven by the increase in cost of goods sold described above, and a decrease in program-related revenue.

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

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Research and development	\$ 5,316	\$ 6,264	(\$948)	(15)%

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.

Research and development expenses decreased by \$0.9 million, or 15%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The decrease was primarily driven by a \$0.5 million decrease in stock-based compensation, a \$0.4 million decrease in lab expense, and a \$0.2 decrease in engineering expenses, offset by an increase of \$0.2 million increase in occupancy expense.

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 fluctuate in absolute dollars in future periods and vary from period to period as a percentage of revenue.

Sales and Marketing

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Sales and marketing	\$ 6,207	\$ 7,046	\$ (839)	(12)%

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 decreased by \$0.8 million, or 12%, for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The decrease was primarily driven by a \$0.3 million decrease in occupancy expense, a \$0.3 million decrease in marketing expense, a \$0.1 million decrease in travel expense, and a \$0.1 million decrease in compensation expense.

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 could 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

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
General and administrative	\$ 7,745	\$ 6,820	\$ 925	14%

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 fees and insurance costs. These expenses are exclusive of depreciation and amortization.

General and administrative increased \$0.9 million, or 14% for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The increase was primarily driven by a \$0.6 million increase in legal expense, a \$0.2 million increase in stock-based compensation, a \$0.1 million increase in public company expenses, and a \$0.1 million increase in occupancy expenses, offset by a \$0.1 million decrease in compensation expense.

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. 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.

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Depreciation and amortization	\$ 1,021	\$ 1,033	\$ (12)	(1)%

Depreciation and amortization expense decreased by \$12,000 or 1%, for the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Interest Income

	<u>Three Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Interest income	\$ 2,496	2,701	\$ (205)	(8)%

Interest income represents interest on our cash balances and investments, Interest income decreased \$0.2 million, 8% for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. The decrease was driven by decreases in interest rates and average cash and investment balances during the three months ended September 30, 2024.

Comparison of the Nine Months Ended September 30, 2024 and 2023

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

	Nine Months Ended September 30,	
	2024	2023
(in thousands)		
Total revenue	\$ 29,934	\$ 25,623
Cost of goods sold	4,819	3,169
Gross profit	<u>25,115</u>	<u>22,454</u>
Operating expenses		
Research and development	17,613	17,975
Sales and marketing	20,188	19,778
General and administrative	22,487	21,982
Depreciation and amortization	3,123	2,922
Total operating expenses	<u>63,411</u>	<u>62,657</u>
Operating loss	<u>(38,296)</u>	<u>(40,203)</u>
Other income		
Interest income	7,838	7,558
Total other income	<u>7,838</u>	<u>7,558</u>
Net loss	<u>\$ (30,458)</u>	<u>\$ (32,645)</u>

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

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
(in thousands, except percentages)				
Core revenue:				
Cell therapy	\$ 19,144	\$ 17,311	\$ 1,833	11%
Drug discovery	4,758	5,350	(592)	(11%)
Total core revenue	<u>23,902</u>	<u>22,661</u>	<u>1,241</u>	<u>5%</u>
Program-related	6,032	2,962	3,070	104%
Total revenue	<u>\$ 29,934</u>	<u>\$ 25,623</u>	<u>\$ 4,311</u>	<u>17%</u>

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

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
(in thousands, except percentages)				
Core revenue:				
Instrument revenue	\$ 5,454	\$ 5,987	\$ (533)	(9%)
Disposables revenue	9,838	8,120	1,718	21%
Lease revenue	7,742	7,920	(178)	(2%)
Other revenue	868	634	234	37%
Total core revenue	<u>\$ 23,902</u>	<u>\$ 22,661</u>	<u>\$ 1,241</u>	<u>5%</u>

Total revenue for the nine months ended September 30, 2024 was \$29.9 million, an increase of \$4.3 million, or 17%, compared to revenue of \$25.6 million during the nine months ended September 30, 2023. The increase was primarily driven by an increase in disposables revenue and program-related revenue.

Total core revenue for the nine months ended September 30, 2024 was \$23.9 million, an increase of \$1.2 million, or 5%, compared to core revenue of \$22.7 million for the nine months ended September 30, 2023. Our overall increase in core revenue was primarily driven by increases in disposable sales and other revenue of \$1.7 million and \$0.2 million, respectively, offset by decreases in instrument sales and lease revenue of \$0.5 million and \$0.2 million, respectively.

Cost of Goods Sold and Gross Profit

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Cost of goods sold	\$ 4,819	\$ 3,169	\$ 1,650	52%
Gross profit	\$ 25,115	\$ 22,454	\$ 2,661	12%
Gross margin	84%	88%		

During the nine months ended September 30, 2024, gross margin was 84%, compared to 88% compared to the nine months ended September 30, 2023.

Cost of goods sold increased by \$1.7 million, or 52%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was primarily driven by increases in disposable sales, an increase in inventory reserves, and lower absorption of manufacturing overhead costs.

Gross profit increased by \$2.7 million, or 12%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was primarily driven by an increase in program-related revenue for the nine months ended September 30, 2024 offset by increases to cost of goods sold described above.

Operating Expenses

Research and Development

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Research and development	\$ 17,613	\$ 17,975	(\$362)	(2%)

Research and development expenses decreased by \$0.4 million, or 2%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decrease was primarily driven by a \$1.1 million decrease in stock-based compensation, and a \$0.4 million decrease in engineering expenses, offset by a \$0.8 million increase in compensation expenses, and a \$0.5 million increase in occupancy expense.

Sales and Marketing

	<u>Nine Months Ended September 30,</u>		<u>Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>%</u>
(in thousands, except percentages)				
Sales and marketing	\$ 20,188	\$ 19,778	\$ 410	2%

Sales and marketing expenses increased by \$0.4 million, or 2%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was primarily driven by a \$1.1 million increase in compensation expenses, a \$0.6 million increase in professional fees, offset by a \$0.2 million decrease in stock-based compensation, a \$0.6 million decrease in occupancy expenses and a \$0.5 million decrease in marketing expenses.

General and Administrative

(in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
General and administrative	\$ 22,487	\$ 21,982	\$ 505	2%

General and administrative expenses increased by \$0.5 million, or 2%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was primarily driven by an increase in stock-based compensation of \$0.8 million, and an increase in legal fees of \$0.6 million, and an increase in travel and occupancy expenses of \$0.3 million, offset by a \$0.9 million decrease in professional services and a \$0.3 million decrease in compensation expenses.

Depreciation and Amortization

(in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Depreciation and amortization	\$ 3,123	\$ 2,922	\$ 201	7%

Depreciation and amortization expense increased by \$0.2 million, or 7%, for the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was primarily driven by increases in leasehold improvements and purchases in laboratory equipment.

Interest Income

(in thousands, except percentages)	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Interest income	\$ 7,838	\$ 7,558	\$ 280	4%

Interest income represents interest on our cash balances and investments, which increased by \$0.3 million, or 4%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The increase was driven by increases in interest rates during the nine months ended September 30, 2024.

Liquidity and Capital Resources

Since our inception, we have experienced losses and negative cash flows from operations. For the nine months ended September 30, 2024, we incurred a net loss of \$30.5 million. As of September 30, 2024, we had an accumulated deficit of \$206.3 million. To date, we have funded our operations primarily with proceeds from sales of common stock, borrowings under loan agreements and cash flows associated with sales and licenses of our products to customers. On August 3, 2021, we completed our U.S. IPO, generating gross proceeds of \$201.8 million. We received net proceeds of \$184.3 million after deducting aggregate underwriting commissions and offering expenses of \$17.6 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 that our existing cash, cash equivalents, short-term investments and internally generated cash flows will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months from the date these financial statements have been issued.

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:

- costs and expenses related to strategic activities and transactions;
- 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 our business plan and adequately fund operations, or if the business plan requires a level of spending in excess of cash resources, we may 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,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ (19,789)	\$ (22,667)
Investing activities	8,597	59,123
Financing activities	1,644	1,650
Net (decrease) increase in cash and cash equivalents	<u>\$ (9,548)</u>	<u>\$ 38,106</u>

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2024 was \$19.8 million, and consisted primarily of our net loss of \$30.5 million, which was offset in part by net non-cash expenses of \$9.7 million. Net non-cash expenses include stock-based compensation of \$9.9 million, depreciation and amortization expenses of \$3.3 million, an increase to our excess and obsolete inventory reserve of \$0.8 million, and an aggregate \$0.7 million in other non-cash charges offset by amortization of discounts on investments of \$5.1 million. We also had net cash inflows of \$1.0 million due to changes in our operating assets and liabilities. Net changes in our operating assets and liabilities consisted primarily of an increase in deferred revenue of \$1.6 million, a decrease in accounts receivable of \$1.3 million, and a decrease in inventory of \$0.8 million, offset by a decrease in accounts payable and accrued expenses of \$1.4 million due to timing considerations, an increase in other assets of \$0.7 million, a decrease in operating lease liabilities of \$0.4 million and an increase in prepaid expenses and other current assets of \$0.2 million.

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 \$8.9 million, including stock-based compensation of \$10.4 million, depreciation and amortization expenses of \$3.1 million, and other non-cash charges of \$0.6 million, offset by amortization of discounts on investments of \$5.1 million. We also had net cash inflows of \$1.0 million due to changes in our operating assets and liabilities. Net changes in our operating assets and liabilities consisted primarily of a decrease in accounts receivable of \$3.6 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, and a decrease in other assets of \$0.2 million, offset by a \$4.1 million increase in inventory, a decrease in deferred revenue of \$1.1 million, and a \$0.9 million increase in prepaid expenses and other current assets.

Investing Activities

Net cash provided by investing activities during the nine months ended September 30, 2024 was \$8.6 million, which was primarily attributable to maturities of investments of \$128.4 million, offset by purchases of investments of \$118.3 million and purchases of property and equipment of \$1.5 million.

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 property and equipment of \$2.8 million.

Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2024 was \$1.6 million, which was attributable to proceeds from the exercise of stock options and employee purchases from our employee stock purchase plan.

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

Contractual Obligations and Commitments

Our contractual obligations and commitments as of September 30, 2024 consisted exclusively of operating lease obligations. In May 2021, we entered into the Headquarters Lease for new office, lab and warehouse/manufacturing space. The Headquarters Lease term expires on August 31, 2035. The total incremental remaining non-cancellable lease payments under the lease agreement are \$26.7 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, 2024 and December 31, 2023.

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 U.S. GAAP. Our preparation of these condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Actual results could therefore differ materially from these estimates under different assumptions or conditions.

There have been no 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 2023 Form 10-K.

JOBS Act Accounting Election

We are an emerging growth company, (“EGC”), under 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 of 1933, as amended 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 of 2002.

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 IPO in the U.S.; (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 Securities Exchange Act of 1934, as amended (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 unaudited 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 assess 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 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.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. 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, 2024 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, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, 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 will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors.

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. “Risk Factors” and elsewhere in the 2023 Form 10-K. Other than set forth below, there have been no material changes to the risk factors set forth in that report.

We are currently evaluating the benefits and challenges of maintaining dual listings of our stock on both AIM and the Nasdaq Global Select Market (“Nasdaq”) and may consider concentrating our trading on Nasdaq. If the Company decides to cancel the admission of our common stock from AIM, and such cancellation is approved by our shareholders, the associated transition could affect the liquidity of our shares and may create volatility during the transition period. Furthermore, if sufficient demand does not exist to absorb shares held by investors who are unable or unwilling to hold Nasdaq-listed securities, our share price could decline.

Our shares of common stock are traded on both AIM, a market operated by the London Stock Exchange plc, and the Nasdaq Global Select Market.

We are currently considering, and may elect to cancel the admission of our common stock from AIM, as we believe that concentrating our trading on a single exchange may improve liquidity and reduce administrative costs associated with maintaining dual listings. At present, the vast majority of our trading volume occurs on the Nasdaq Global Select Market. If the Company’s board of directors ultimately decides that cancelling the admission of our common stock from AIM is in the best interests of the Company and its shareholders, we would request shareholder approval to implement this strategy at the 2025 Annual Meeting of Shareholders. While we have not made any final determinations as to whether to cancel the admission of our common stock from AIM, if we do pursue this path, the associated transition could impact the price of our common stock and affect the liquidity of our common stock. During the transition and following the cancellation of admission of our common stock, the Company may not be able to raise capital from certain shareholders that require or otherwise prefer the AIM listing for purposes of holding shares of our common stock. It may also become more difficult for stockholders to dispose of, transfer, or obtain accurate price quotations for our common stock in the transition period.

Additionally, transferring shares between markets requires the completion of specific procedures with our transfer agent, which could cause delays and incur costs for stockholders. If we choose to cancel the admission of our common stock from AIM, investors currently holding shares on AIM may experience reduced liquidity and some investors may be unable to hold shares solely traded on Nasdaq, which could lead to a selloff by such investors and result in downward pressure on our share price. Investors whose source of funds for the purchase of shares of our common stock is denominated in a currency other than U.S. Dollars may also be adversely affected by fluctuations in the exchange rate between such currency and the U.S. Dollar.

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 6, 2024

By: /s/ Maher Masoud
Name: Maher Masoud
Title: President and Chief Executive Officer (Principal Executive Officer)

Date: November 6, 2024

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, Maher Masoud, 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 6, 2024

By: _____ /s/ Maher Masoud
Name: Maher Masoud
Title: President and Chief Executive Officer
(Principal Executive Officer)
