UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from to

Commission File Number: 001-40538

ALPHA TEKNOVA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-3368109**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2451 Bert Dr. Hollister, CA	**95023**
(Address of principal executive offices)	**(Zip Code)**

(831) 637-1100

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.00001 per share	TKNO	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, 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 9, 2023, the registrant had 40,727,780 shares of common stock, $0.00001 par value per share, outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements relating to our financial condition, results of operations, plans, objectives, future performance and business, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "would," "potential," "likely," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q may include, but not be limited to, statements about:

- our recent history of losses and our ability to continue as a going concern;
- our ability to meet our publicly announced guidance or other expectations about our business;
- our future financial performance, including our revenue, costs of revenue, and operating expenses;
- our ability to achieve and grow profitability;
- our ability to expand our operations and increase capacity;
- our anticipated uses of cash in the short and long terms and the sufficiency of our sources of liquidity;
- our ability to defend against claims and mitigate adverse results from any legal proceedings against us and the merits of any claims or suits against us;
- our ability to maintain cash and cash equivalents and limit our accounts receivable and credit risk exposure;
- our future investments in additional facilities to facilitate our expected growth;
- our future uses of capital to purse potential acquisitions that further or accelerate our strategy;
- our future use of equity or debt financings to execute our business strategy;
- our ability to take advantage of certain exemptions from various reporting requirements generally applicable to public companies;
- 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);
- the impact of recent accounting pronouncements on our financial position, results of operations, or cash flows;
- any failure to maintain effective internal controls over financial reporting or fully remediate any weaknesses in our internal controls that may arise or be identified in the future;
- the impact of changes to our internal control over financial reporting, other than changes intended to remediate material weaknesses;
- the impact of any pandemic, epidemic, or outbreak of infectious disease (including COVID-19), natural disasters, geopolitical unrest, war (including in Ukraine or the Middle East), terrorism, public health issues or other catastrophic events may have on our business and our ability to actively manage our response to these types of events;
- our future adoption of critical accounting policies and estimates;
- our ability to increase the scale and capacity of our manufacturing processes and systems;
- the impact of increased competition from additional companies entering the market and the availability of more advanced technologies in the market;
- the impact of global economic conditions on us and our customers;
- our ability to hire and retain key personnel;
- our ability to obtain capital on favorable terms, or at all;
- our ability to generate future revenue growth from introducing new products to support the growing cell and gene therapy market and the increasing use of messenger ribonucleic acid (mRNA) vaccines and therapies;
- our ability to generate future revenue growth in market segments such as cell and gene therapy, liquid biopsy, and synthetic biology;

- the impact of inflation and increased costs on our operations, including materials, labor, and rising interest rates;
- our ability to use cash on hand to meet current and future financial obligations, including funding our operations, debt service requirements, and capital expenditures;
- our ability to access our invested cash or cash equivalents;
- the enforceability of our exclusive forum provisions in our amended and restated certificate of incorporation;
- our customers’ sensitivity to product nonconformances, defects, and errors;
- the availability of exemption of our products from the requirements of the U.S. Food, Drug and Cosmetic Act (FDCA);
- our ability to secure and maintain a stable supply of raw materials in the future;
- our ability to maintain a corporate culture that contributes to our success;
- the marketability of our products across a wide range of markets and the probability of success in our target markets;
- regulatory developments in the United States and other countries;
- the impact of revenue recognition rules and other factors on our financial results;
- our ability to obtain, maintain, and enforce intellectual property protection for our current and future products, including our ability to protect our trade secrets, trademarks, and trade names; and
- the ongoing expenses associated with being a public company.

We caution you that the foregoing list may not contain all the forward-looking statements made in this Quarterly Report on Form 10-Q.

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, results of operations, prospects, business strategy, and financial needs. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, assumptions, and other factors described in the section titled “Risk Factors” in Part I, Item 1A, of our Annual Report on Form 10-K filed with the SEC on March 30, 2023 (the 2022 Annual Report on Form 10-K) and elsewhere in this Quarterly Report on Form 10-Q. These risks are not exhaustive. Other sections of this Quarterly Report on Form 10-Q include additional factors that could adversely impact our business and financial performance. Furthermore, 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 Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will 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 upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

Unless the context otherwise requires, the terms “Teknova,” the “Company,” “we,” “us,” and “our” in this Quarterly Report on Form 10-Q refer to Alpha Teknova, Inc.

ALPHA TEKNOVA, INC.

Form 10-Q for the Quarter Ended September 30, 2023

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

ALPHA TEKNOVA, INC.
Condensed Statements of Operations
(Unaudited)
(in thousands, except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	$ 8,169	$ 10,692	$ 28,817	$ 33,529
Cost of sales	6,697	5,922	19,856	18,163
Gross profit	1,472	4,770	8,961	15,366
Operating expenses:				
Research and development	1,397	1,925	4,256	5,867
Sales and marketing	2,412	2,397	6,929	6,592
General and administrative	6,138	6,502	19,426	20,856
Amortization of intangible assets	287	287	860	861
Long-lived assets impairment	—	—	2,195	—
Goodwill impairment	—	16,613	—	16,613
Total operating expenses	10,234	27,724	33,666	50,789
Loss from operations	(8,762)	(22,954)	(24,705)	(35,423)
Other (expenses) income, net				
Interest (expense) income, net	(791)	70	(1,006)	85
Loss on extinguishment of debt	(824)	—	(824)	—
Other income, net	233	36	417	36
Total other (expenses) income, net	(1,382)	106	(1,413)	121
Loss before income taxes	(10,144)	(22,848)	(26,118)	(35,302)
Provision for (benefit from) income taxes	9	(374)	6	(1,128)
Net loss	$ (10,153)	$ (22,474)	$ (26,124)	$ (34,174)
Net loss per share—basic and diluted	$ (0.34)	$ (0.80)	$ (0.91)	$ (1.22)
Weighted average shares used in computing net loss per share—basic and diluted	29,956,930	28,090,267	28,810,068	28,059,897

The accompanying notes are an integral part of these condensed financial statements.

ALPHA TEKNOVA, INC.
Condensed Balance Sheets
(Unaudited)
(in thousands, except share and per share data)

	As of September 30, 2023	As of December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,079	$ 42,236
Accounts receivable, net of allowance for doubtful accounts of $43 thousand and $22 thousand	5,160	4,261
Inventories, net	11,468	12,247
Income taxes receivable	—	22
Prepaid expenses and other current assets	2,371	2,374
Total current assets	51,078	61,140
Property, plant, and equipment, net	51,579	51,577
Operating right-of-use lease assets	17,080	19,736
Intangible assets, net	16,696	17,556
Other non-current assets	1,952	2,252
Total assets	$ 138,385	$ 152,261
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,422	$ 2,449
Accrued liabilities	5,147	6,203
Current portion of operating lease liabilities	1,770	2,223
Total current liabilities	8,339	10,875
Deferred tax liabilities	1,228	1,223
Other accrued liabilities	125	191
Long-term debt, net	13,168	21,976
Long-term operating lease liabilities	15,873	18,111
Total liabilities	38,733	52,376
Stockholders' equity:		
Preferred stock, $0.00001 par value, 10,000,000 shares authorized at September 30, 2023 and December 31, 2022, respectively, zero shares issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, $0.00001 par value, 490,000,000 shares authorized at September 30, 2023 and December 31, 2022, 40,727,780 and 28,179,423 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	180,782	154,891
Accumulated deficit	(81,130)	(55,006)
Total stockholders' equity	99,652	99,885
Total liabilities and stockholders' equity	$ 138,385	$ 152,261

The accompanying notes are an integral part of these condensed financial statements.

ALPHA TEKNOVA, INC.
Condensed Statements of Stockholders' Equity
(in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at July 1, 2023	28,341,302	$ —	$ 157,185	$ (70,977)	$ 86,208
Stock-based compensation	—	—	1,035	—	1,035
Equity financing, net of issuance costs	12,386,478	—	22,562	—	22,562
Net loss	—	—	—	(10,153)	(10,153)
Balance at September 30, 2023	40,727,780	$ —	$ 180,782	$ (81,130)	$ 99,652

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at July 1, 2022	28,080,484	$ —	$ 152,705	$ (19,238)	$ 133,467
Stock-based compensation	—	—	968	—	968
Issuance of common stock upon exercise of stock options	50,000	—	35	—	35
Net loss	—	—	—	(22,474)	(22,474)
Balance at September 30, 2022	28,130,484	$ —	$ 153,708	$ (41,712)	$ 111,996

The accompanying notes are an integral part of these condensed financial statements.

ALPHA TEKNOVA, INC.
Condensed Statements of Stockholders' Equity
(in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2023	28,179,423	$ —	$ 154,891	$ (55,006)	$ 99,885
Stock-based compensation	—	—	3,115	—	3,115
Issuance of common stock upon exercise of stock options	51,774	—	76	—	76
Issuance of common stock under employee stock purchase plan	82,034	—	138	—	138
Vesting of restricted stock units	28,071	—	—	—	—
Equity financing, net of issuance costs	12,386,478	—	22,562	—	22,562
Net loss	—	—	—	(26,124)	(26,124)
Balance at September 30, 2023	40,727,780	$ —	$ 180,782	$ (81,130)	$ 99,652

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2022	28,012,017	$ —	$ 150,741	$ (7,538)	$ 143,203
Stock-based compensation	—	—	2,689	—	2,689
Issuance of common stock upon exercise of stock options	105,232	—	134	—	134
Issuance of common stock under employee stock purchase plan	13,235	—	144	—	144
Net loss	—	—	—	(34,174)	(34,174)
Balance at September 30, 2022	28,130,484	$ —	$ 153,708	$ (41,712)	$ 111,996

The accompanying notes are an integral part of these condensed financial statements.

ALPHA TEKNOVA, INC.
Condensed Statements of Cash Flows
(Unaudited)
(in thousands)

	For the Nine Months Ended September 30, 2023	2022
Operating activities:		
Net loss	$ (26,124)	$ (34,174)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	21	34
Inventory reserve	130	178
Depreciation and amortization	4,049	2,272
Stock-based compensation	3,115	2,689
Deferred taxes	5	(1,125)
Amortization of debt financing costs	415	159
Non-cash lease expense	86	256
Loss on disposal of property, plant, and equipment	5	210
Long-lived assets impairment	2,195	—
Goodwill impairment	—	16,613
Loss on extinguishment of debt	824	—
Changes in operating assets and liabilities:		
Accounts receivable	(721)	(949)
Contract assets	—	(667)
Inventories	649	(5,107)
Income taxes receivable	22	1,068
Prepaid expenses and other current assets	(694)	(1,083)
Other non-current assets	300	(996)
Accounts payable	(948)	969
Accrued liabilities	815	343
Other	(66)	(61)
Cash used in operating activities	(15,922)	(19,371)
Investing activities:		
Purchase of property, plant, and equipment	(7,622)	(23,419)
Cash used in investing activities	(7,622)	(23,419)
Financing activities:		
Proceeds from equity financing	22,915	—
Repayment of long-term debt	(10,000)	—
Proceeds from financed insurance premiums	1,004	—
Repayment of financed insurance premiums	(294)	—
Proceeds from long-term debt	—	5,135
Payment of debt issuance costs	(24)	(151)
Payment of exit fee costs	—	(135)
Payment of ATM Facility costs	(395)	—
Proceeds from exercise of stock options	76	134
Proceeds from issuance of common stock under employee stock purchase plan	138	144
Cash provided by financing activities	13,420	5,127
Change in cash, cash equivalents, and restricted cash	(10,124)	(37,663)
Cash, cash equivalents, and restricted cash at beginning of period	42,236	87,518
Cash, cash equivalents, and restricted cash at end of period	$ 32,112	$ 49,855
Supplemental cash flow disclosures:		
Income taxes paid	$ —	$ —
Interest paid, net of amounts capitalized	$ 1,934	$ —
Debt issuance costs included in accrued liabilities	$ 23	$ —
Offering costs included in accounts payable and accrued liabilities	$ 353	$ —
Capitalized property, plant, and equipment included in accounts payable and accrued liabilities	$ 205	$ 3,108
Recognition of operating right-of-use lease asset	$ (1,137)	$ 20,318
Recognition of operating lease liabilities	$ (1,193)	$ 20,587

The accompanying notes are an integral part of these condensed financial statements.

ALPHA TEKNOVA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Nature of the Business

Alpha Teknova, Inc. (referred to herein as the Company or Teknova), produces critical reagents for the discovery, development, and commercialization of novel therapies, vaccines, and molecular diagnostics. Product offerings include pre-poured media plates for cell growth and cloning; liquid cell culture media and supplements for cellular expansion; and molecular biology reagents for sample manipulation, resuspension, and purification. Teknova supports customers spanning the life sciences market, including pharmaceutical and biotechnology companies, contract development and manufacturing organizations, in vitro diagnostic franchises, and academic and government research institutions, with catalog and custom, made-to-order products.

Teknova manufactures its products at its Hollister, California, headquarters and stocks inventory of raw materials, components, and finished goods at that location. The Company ships products directly from its warehouse in Hollister, California.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Accounting, Presentation and Use of Estimates

The accompanying unaudited condensed interim financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations.

The unaudited condensed financial statements have been prepared on a basis consistent with the audited annual financial statements as of and for the year ended December 31, 2022, and, in the opinion of management, reflect all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the results for the interim periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts of assets, liabilities, revenue, expenses, and related disclosures at the date of the financial statements and during the reporting period. The Company's critical and significant accounting estimates are influenced by the Company's assessment of the economic environment. Actual results may differ from those estimates. Certain prior period amounts have been reclassified to conform to the current year's presentation.

These unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements and the related notes thereto as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2023 (the 2022 Annual Report on Form 10-K). Refer to "Notes to Financial Statements—Note 2. Summary of Significant Accounting Policies," within the 2022 Annual Report on Form 10-K for a full list of the Company's significant accounting policies. The information in those notes has not changed except as a result of normal adjustments in the interim periods.

Teknova has determined that it operates in one reporting unit, one operating segment, and one reportable segment, as the chief operating decision maker of the Company reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

Going Concern

Accounting Standards Codification (ASC) 205-40, *Presentation of Financial Statements—Going Concern*, requires management to evaluate an entity's ability to continue as a going concern for the twelve-month period following the date on which the financial statements are available for issuance. Management performed an assessment to determine whether there were conditions or events that, considered individually and in the aggregate, raised substantial doubt about the Company's ability to continue as a going concern for the twelve-month period following the date on which the accompanying unaudited financial statements are being issued. This assessment indicated certain negative conditions and events, described further below, that raise substantial doubt about the Company's ability to continue as a going concern.

As of September 30, 2023, the Company had limited capital resources to fund ongoing operations. During the three and nine months ended September 30, 2023, Teknova incurred net losses of $10.2 million and $26.1 million, respectively. In addition, as of September 30, 2023, the Company had an accumulated deficit of $81.1 million and a total principal amount of outstanding borrowings of $12.1 million. As of September 30, 2023, the Company had $42.7 million of working capital, which included $32.1 million in cash and cash equivalents. The Company's available capital resources may not be sufficient for the Company to continue to meet its obligations as they become due over the next twelve months if the Company cannot improve its operating results or increase its operating cash inflows. If these capital resources are not sufficient, the Company may need to raise additional capital through the sale of equity or debt securities, enter into strategic business collaboration agreements with other companies, seek other funding facilities, or sell assets. However, there can be no assurance that the Company will be able to accomplish any of the foregoing or do so on favorable terms. If the Company is unable to meet its obligations when they become due over the next twelve months through its available capital resources, or obtain new sources of capital when needed, the Company may have to delay expenditures, reduce the scope of its manufacturing operations, reduce or eliminate one or more of its development programs, make significant changes to its operating plan, or cease its operations.

As disclosed in Note 10. Long-term Debt, Net, the Company is subject to certain financial covenants as set forth in the Amended Credit Agreement (defined in Note 10). These financial covenants include (i) a trailing twelve months minimum net revenue covenant that must be met each calendar month, and (ii) a requirement to maintain a minimum level of cash at all times through the term of the Amended Credit Agreement. The Company was in compliance with its financial covenants as of September 30, 2023; however, the Company continues to experience unfavorable market conditions, like other companies in the industry, which have led the Company to lower its revenue projections. As a result, the Company believes it may be unable to comply with the trailing twelve months revenue covenant for the twelve-month period following the date on which the financial statements are available for issuance. Failing to comply with the monthly revenue covenant would be an event of default under the Amended Credit Agreement and the lender would have the right, but not the obligation, to accelerate the Company's obligations to pay the outstanding balance due and payable under the Term Loan (defined in Note 10). If the Company violates one or more of its covenants under the Amended Credit Agreement and is not able to obtain a waiver from or agree to an accommodation with the lender with respect to any such violation, the Company could be required to pay all or a portion of the outstanding amount under the Term Loan. In that event, the Company may need to seek other sources of capital and there can be no assurances that the Company would be able to do so on acceptable terms.

The accompanying unaudited financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and the satisfaction of liabilities in the normal course of business for one year following the issuance of these unaudited financial statements. As such, the accompanying unaudited financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

Reduction in Workforce

On February 1, 2023, the Company carried out a reduction in workforce of approximately 40 positions, aimed at reducing operating expenses. The Company incurred $0.7 million of costs in connection with the reduction in workforce related to severance pay and other termination benefits. The costs associated with the reduction in workforce were recorded in the quarter ended March 31, 2023, in general and administrative expenses.

At-the-Market Facility

On March 30, 2023, the Company entered into a sales agreement (the ATM Facility) with Cowen and Company, LLC (Cowen), under which the Company may offer and sell, from time to time, shares of its common stock having aggregate gross proceeds of up to $50.0 million. The issuance and sale of these shares pursuant to the ATM Facility are deemed "*at the market*" offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act), and are registered under the Securities Act. The Company will pay a commission of up to 3.0% of gross sales proceeds of any common stock sold under the ATM Facility. The aggregate market value of shares eligible for sale under the ATM Facility will be subject to the limitations of General Instruction I.B.6 of Form S-3, to the extent required under such instruction. Following the capital raise through offerings described further below, costs capitalized related to the ATM Facility of $0.4 million were written off during the three months ended September 30, 2023, and reflected in general and administrative expenses.

Concurrent Registered Direct Offering and Private Placements

On September 15, 2023, the Company entered into a securities purchase agreement (the Registered Direct Purchase Agreement) in connection with a registered direct offering (the Registered Direct Offering) with certain accredited investors and qualified institutional buyers. On September 15, 2023, the Company also entered into a securities purchase agreement (the PIPE Purchase Agreement and, together with the Registered Direct Purchase Agreement, the Purchase Agreements) and a registration rights agreement (the Registration Rights Agreement) in connection with a concurrent private placement (the PIPE Private Placement) with certain accredited investors and qualified institutional buyers.

Pursuant to the Registered Direct Purchase Agreement, the Company sold 1,086,485 shares of the Company's common stock, $0.00001 par value per share (the Common Stock) at an offering price of $1.85 per share. Pursuant to the PIPE Purchase Agreement, the Company sold 11,299,993 shares of Common Stock (the PIPE Shares), at the same offering price of $1.85 per share.

The Company's controlling stockholder, Telegraph Hill Partners Management Company LLC, through its affiliates Telegraph Hill Partners IV, L.P. and THP IV Affiliates Fund, LLC, the Company's President and Chief Executive Officer and a member of its board of directors, Stephen Gunstream, the Company's Chief Financial Officer, Matthew Lowell, and the Company's General Counsel and Chief Compliance Officer, Damon Terrill, and the Mackowski Family Trust, which is affiliated with J. Matthew Mackowski, a member of the Company's board of directors, participated in the PIPE Private Placement and purchased an aggregate of 9,054,052 shares of common stock on the same terms as the other investors.

The Company received aggregate gross proceeds of $22.915 million from the Registered Direct Offering and PIPE Private Placement (collectively, the Offerings), before deducting offering expenses payable by the Company. As of September 30, 2023, $0.4 million of costs directly related to these Offerings were included as a reduction to additional paid-in capital on the balance sheet.

The Offerings closed on September 19, 2023.

Cash and Cash Equivalents

The following table provides a reconciliation of the amount of cash, cash equivalents, and restricted cash reported within the balance sheets (in thousands). Restricted cash represents amounts held in an escrow account related to payments made in consideration for the early termination of the lease as described below in Note 14. Related Parties.

	As of September 30, 2023	As of December 31, 2022
Cash and cash equivalents	$ 32,079	$ 42,236
Restricted cash included in other current assets	33	—
Total cash, cash equivalents, and restricted cash	$ 32,112	$ 42,236

Recently Adopted Accounting Pronouncements

Effective January 1, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326), which introduced a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses and applied to the Company's accounts receivable. The adoption of this standard did not have a significant impact on the Company's condensed financial statements.

Note 3. Revenue Recognition

Teknova recognizes revenue from the sale of manufactured products and services when the Company transfers control of promised goods or services to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services. The majority of the Company's sales agreements contain performance obligations satisfied at a point in time when control is transferred to the customer.

Teknova's revenue, disaggregated by product category, was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Lab Essentials	$ 7,274	$ 9,470	$ 22,112	$ 24,838
Clinical Solutions	597	919	5,859	7,673
Other	298	303	846	1,018
Total revenue	$ 8,169	$ 10,692	$ 28,817	$ 33,529

Teknova’s revenue, disaggregated by geographic region, was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	$ 7,827	$ 10,384	$ 27,628	$ 32,489
International	342	308	1,189	1,040
Total revenue	$ 8,169	$ 10,692	$ 28,817	$ 33,529

Note 4. Concentrations of Risk

Customers

Customers who accounted for 10% or more of the Company’s revenues and outstanding balance of accounts receivable and contract assets are presented as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		As of September 30, 2023	As of December 31, 2022
	2023	2022	2023	2022		
Distributor customer A	*	*	*	*	*	15%
Distributor customer B	20%	14%	18%	14%	28%	17%
Direct customer A	*	*	*	*	12%	*
Direct customer B	*	15%	*	*	*	*
Direct customer C	*	13%	*	*	*	*

* Represents less than 10%.

The Company’s customers that are distributors, as opposed to direct customers, represent highly diversified customer bases.

Suppliers

Suppliers who accounted for 10% or more of the Company’s inventory purchases and outstanding balance of accounts payable are presented as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		As of September 30, 2023	As of December 31, 2022
	2023	2022	2023	2022		
Distributor supplier A	46%	37%	39%	36%	12%	11%
Direct supplier A	*	*	10%	*	*	*
Direct supplier B	*	24%	*	18%	*	*
Direct supplier C	13%	*	10%	*	*	*

* Represents less than 10%.

The Company’s suppliers that are distributors, as opposed to direct suppliers, represent highly diversified supplier bases.

Note 5. Inventories, Net

Inventories consist of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Finished goods, net	$ 8,155	$ 8,368
Work in process	58	186
Raw materials, net	3,255	3,693
Total inventories, net	$ 11,468	$ 12,247

Note 6. Property, Plant, and Equipment, Net

Property, plant, and equipment consist of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Machinery and equipment	$ 29,475	$ 19,433
Office furniture and equipment	899	628
Vehicles	292	229
Leasehold improvements	24,609	12,093
	55,275	32,383
Less—Accumulated depreciation	(6,711)	(4,520)
	48,564	27,863
Construction in progress	3,015	23,714
Total property, plant, and equipment, net	$ 51,579	$ 51,577

For the three and nine months ended September 30, 2023, depreciation expense was $1.3 million and $3.2 million, respectively, and for the three and nine months ended September 30, 2022, depreciation expense was $0.4 million and $1.4 million, respectively.

Teknova capitalizes interest on funds borrowed to finance certain of its capital expenditures. Capitalized interest is recorded as part of an asset's cost and depreciated over the asset's useful life. For the three and nine months ended September 30, 2023, capitalized interest costs were not significant and $0.9 million, respectively, and for the three and nine months ended September 30, 2022, capitalized interest costs were $0.4 million and $1.1 million, respectively.

In June 2023, the Company identified circumstances that indicated that certain of its long-lived assets may not be fully recoverable. Specifically, these circumstances included changes in the market price of the asset group, continued losses and a current expectation that, more likely than not, these long-lived assets in question will be sold or otherwise disposed of significantly before the end of their previously estimated useful life. The Company reviewed the recoverability of the carrying value of these assets and determined that their carrying value exceeded their fair value. The fair value of these assets was measured employing cost and market approaches, using Level 3 inputs under ASC 820, *Fair Value Measurement*. Unobservable inputs include salvage value estimates, replacement or reproduction cost estimates, as well as consideration of physical deterioration, and functional and economic obsolescence, where measurable. As a result of this fair value analysis, an impairment charge of $2.2 million was recorded related to these long-lived assets in the quarter ended June 30, 2023. Subsequently, management sold these assets which were no longer expected to be used in operations during the quarter ended September 30, 2023 at an amount that approximated carrying value after the impairment charges recorded.

Note 7. Leases

The Company leases office space, warehouse and manufacturing space, and equipment. The Company's lease agreements have remaining lease terms of one year to 14 years, and some of these leases have renewal and termination options exercisable at the Company's election. Terms and conditions to extend or terminate such leases are recognized as part of the right-of-use assets and lease liabilities where reasonably certain to be exercised. All of the Company's leases are operating leases.

Operating lease expense was $0.7 million and $2.2 million for the three and nine months ended September 30, 2023, respectively, and operating lease expense was $0.8 million and $2.5 million for the three and nine months ended September 30, 2022, respectively. Cash paid for amounts included in the measurement of the lease liabilities was $0.6 million and $2.1 million for the three and nine months ended September 30, 2023, respectively, and cash paid for amounts included in the measurement of the lease liabilities was $0.7 million and $2.1 million for the three and nine months ended September 30, 2022, respectively. The weighted-average discount rate was 5.0% and the weighted-average remaining lease term was 9.0 years as of September 30, 2023.

Maturities of operating lease liabilities at September 30, 2023 were as follows (in thousands):

	Amount
Remainder of 2023	$ 647
2024	2,601
2025	2,354
2026	2,413
2027	2,416
Thereafter	11,917
Total lease payments	22,348
Less: imputed interest	(4,705)
Present value of lease liabilities	$ 17,643

Note 8. Intangible Assets, Net

The following is a summary of intangible assets with definite and indefinite lives (in thousands):

	Balance at September 30, 2023			Balance at December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Definite Lived:						
Customer relationships	$ 9,180	$ 5,403	$ 3,777	$ 9,180	$ 4,543	$ 4,637
Indefinite Lived:						
Tradename	12,919	—	12,919	12,919	—	12,919
Total intangible assets	$ 22,099	$ 5,403	$ 16,696	$ 22,099	$ 4,543	$ 17,556

For each of the three months ended September 30, 2023 and 2022, amortization expense was $0.3 million and for each of the nine months ended September 30, 2023 and 2022, amortization expense was $0.9 million.

As of September 30, 2023, the remaining weighted-average useful life of definite lived intangible assets was 3.3 years. The estimated future amortization expense of intangible assets with definite lives is as follows (in thousands):

	Amount
Remainder of 2023	$ 288
2024	1,148
2025	1,148
2026	1,148
2027	45
Estimated future amortization expense of definite-lived intangible assets	$ 3,777

Note 9. Accrued Liabilities

Accrued liabilities were comprised of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Payroll-related	$ 3,068	$ 2,796
Property, plant, and equipment	110	1,966
Deferred revenue	24	198
Insurance premiums and accrued interest	709	—
Other	1,236	1,243
Total current accrued liabilities	$ 5,147	$ 6,203

On July 13, 2023, the Company entered into a financing agreement with First Insurance Funding for the financing of the Company's Directors and Officers (D&O) liability insurance and related policies. Under the terms of the financing agreement, the Company agreed to pay a total of $1.2 million in premiums, taxes and fees, plus interest at an annual percentage rate of 7.74% in ten monthly installment payments commencing on July 25, 2023. During the three months ended September 30, 2023, the Company paid a down payment on the policy of $0.2 million to the insurer and three monthly installments for an aggregate of $0.3 million to First Insurance Funding. As of September 30, 2023, the Company owed $0.7 million for insurance premiums and accrued interest.

Note 10. Long-term Debt, Net

On May 10, 2022, the Company entered into the Amended and Restated Credit and Security Agreement (Term Loan) as borrower, with MidCap Financial Trust (MidCap), as agent and lender, and the additional lenders from time to time party thereto (the Term Loan Credit Agreement) and the Amended and Restated Credit and Security Agreement (Revolving Loan) as borrower, with MidCap as agent and lender, and the additional lenders from time to time party thereto (the Revolving Loan Credit Agreement, together with the Term Loan Credit Agreement, the Credit Agreement).

The Credit Agreement provided for a $57.135 million credit facility (the Credit Facility) consisting of a $52.135 million senior secured term loan (the Term Loan) and a $5.0 million working capital facility (the Revolver). The Term Loan consisted of the $12.0 million balance made available in 2021 under the previous credit facility and an additional $40.135 million, staged such that $5.135 million was funded upon closing of the Credit Agreement, an additional $5.0 million was funded on October 31, 2022, $10.0 million was to be available in the first half of 2023, $10.0 million was to be available in the second half of 2023 and $10.0 million was to be available in the first half of 2024, with the borrowing in the second half of 2023 and in the first half of 2024 being contingent upon achieving trailing twelve months of Clinical Solutions revenue of $15.0 million and $19.0 million, respectively, and liquidity requirements (as defined in the Credit Agreement) of $10.0 million and $15.0 million, respectively. The maximum loan amount under the Revolver was $5.0 million, and the Company was permitted to request the lenders to increase such amount up to $15.0 million. Borrowings on the Revolver were limited in accordance with a borrowing base calculation.

The interest on the Term Loan was based on the annual rate of one-month London Inter-Bank Offered Rate (LIBOR) plus 6.45%, subject to a LIBOR floor of 1.00%. If any advance under the Term Loan was prepaid at any time, the prepayment fee was based on the amount being prepaid and an applicable percentage amount, such as 3%, 2%, or 1%, based on the date the prepayment was made after the closing date of the Term Loan. Interest on the outstanding balance of the Revolver was payable monthly in arrears at an annual rate of one-month LIBOR plus 3.75%, subject to a LIBOR floor of 1.00%.

The maturity date of the Credit Facility is May 1, 2027. On the date of termination of the Term Loan or the date on which the obligations under the Term Loan become due and payable in full, the Company would pay an exit fee in an amount equal to 5.00% of the total aggregate principal amount of term loans made pursuant to the Term Loan as of such date. The Credit Agreement contained a financial covenant based upon a trailing twelve months of net revenue, including a requirement of $42.5 million in the twelve months ending December 31, 2022.

On November 8, 2022, the Company entered into Amendment No. 1 to the Credit Agreement (Amendment No. 1) which (i) replaced the LIBOR-based interest rate with a rate equal to the forward-looking one-month term Secured Overnight Financing Rate adjusted upward by 0.10% (or Term SOFR, as defined in Amendment No. 1) plus an applicable margin (6.45% for the Term Loan and 3.75% for the Revolver), with a Term SOFR floor of 1.00%, and with such interest rate calculation change taking effect on December 1, 2022, (ii) increased the applicable prepayment fee percentage amounts by one percentage point, (iii) gave the lenders discretion regarding the $10.0 million in borrowing that was previously guaranteed to be available under the Term Loan in the first half of 2023, and (iv) reduced the requirements for trailing twelve months of net revenue for all future periods. Concurrent with Amendment No. 1, the exit fee due on the date of termination of the Term Loan, or the date on which the obligations under the Term Loan become due and payable in full, increased from 5.00% to 7.00% of the total aggregate principal amount of term loans made pursuant to the Term Loan as of such date.

On March 28, 2023, the Company entered into Amendment No. 2 to the Credit Agreement (Amendment No. 2) which (i) increased the applicable margin from 6.45% to 7.00% for the Term Loan and from 3.75% to 4.00% for the Revolver, and increased the Term SOFR floor from 1.00% to 4.50% on both the Term Loan and Revolver, (ii) gave the lenders discretion regarding the $10.0 million in borrowings in the second half of 2023 and the $10.0 million in borrowings in the first half of 2024 by removing the trailing twelve-month Clinical Solutions revenue requirement that was previously required under the Term Loan, (iii) removed the increase in the minimum cash covenant from $10.0 million to $15.0 million on the $10.0 million in borrowings in the first half of 2024, and added the $10.0 million minimum cash covenant requirement throughout the remaining term of the Amended Credit Agreement, and (iv) reduced the requirements for trailing twelve months of net revenue for all future periods—for example, for the twelve months ending December 31, 2023, the minimum net revenue requirement was reduced from $45.0 million to $42.0 million. Concurrent with Amendment No. 2, the exit fee due on the date of termination of the Term Loan, or the date on which the obligations under the Term Loan become due and payable in full, increased from 7.00% percent to 8.50% of the total aggregate principal amount of term loans made pursuant to the Term Loan as of such date.

On July 13, 2023, the Company entered into Amendment No. 3 to the Credit Agreement (Amendment No. 3), which amended the definition of Permitted Debt in the Amended Credit Agreement from $250,000 to $1,100,000 to allow for the financing of the Company's D&O liability insurance and related policies as described further above.

On September 19, 2023, the Company entered into Amendment No. 4 to the Credit Agreement (Amendment No. 4, or as amended, the Amended Credit Agreement). As previously disclosed in our Form 10-Q for the period ended June 30, 2023, the Company determined that it was not in compliance with the trailing twelve months minimum net revenue covenant contained in the Credit Agreement as of July 31, 2023. Amendment No. 4 includes a waiver from MidCap of the revenue covenant violation for the period ending July 31, 2023. As a condition to the effectiveness of Amendment No. 4, the Company prepaid the principal amount of the Term Loan in an amount equal to $10.0 million (the Term Loan Prepayment). The Company recognized a loss on the extinguishment of debt in the amount of $0.8 million related to the Term Loan Prepayment in the Statements of Operations for the three and nine months ended September 30, 2023. Amendment No. 4 reduced the minimum net revenue requirements for future periods up to and including for the twelve months ending December 31, 2025—for example, the Company's minimum net revenue requirement was reduced (i) for the twelve months ending December 31, 2023, from $42.0 million to $36.5 million, (ii) for the twelve months ending December 31, 2024, from $49.0 million to $42.0 million, and (iii) for the twelve months ending December 31, 2025, from $58.8 million to $50.0 million. Amendment No. 4 also removed those requirements for the periods ending January 31, 2026 through March 31, 2027, instead requiring that for each applicable twelve-month period ending after December 31, 2025, the Company's minimum net revenue requirement will be determined by MidCap in its reasonable discretion in consultation with the Company's senior management and based on financial statements and projections delivered to MidCap in accordance with the financial reporting requirements in the Amended Credit Agreement, so long as the minimum net revenue requirements for those periods shall not be less than the greater of (x) the applicable minimum net revenue requirement for the twelve-month period ending on the last day of the immediately preceding month and (y) $50.0 million. In addition, the minimum cash covenant requirement was reduced from $10.0 million to $9.0 million. Concurrent with Amendment No. 4, the exit fee due on the date of termination of the Term Loan, or the date on which the obligations under the Term Loan become due and payable in full, increased from 8.5% to 9.0% of the total aggregate principal amount of term loans made pursuant to the Term Loan (including amendments thereto) as of such date. The Company did not pay a prepayment fee in connection with the Term Loan Prepayment. Finally, Amendment No. 4 conditions the next borrowing under the Revolving Loan on the Company achieving net revenue for the preceding twelve-month period of at least $45.0 million. Except as described above, the Amended Credit Agreement is unmodified in all other material respects.

Debt, net consisted of the following (in thousands):

	As of September 30, 2023	As of December 31, 2022
Debt	$ 12,135	$ 22,135
Cumulative accretion of exit fee	1,192	161
Unamortized debt discount and debt issuance costs	(159)	(320)
Debt, net	$ 13,168	$ 21,976

At September 30, 2023, the scheduled maturities of the Company's debt obligations were as follows (in thousands):

	Amount
Remainder of 2023	$ —
2024	—
2025	3,539
2026	6,068
2027	2,528
Total	$ 12,135

As of September 30, 2023, the fair value of the Company's debt approximated its carrying value. The fair value of the Company's debt was based on observable market inputs (Level 2).

Note 11. Stock-Based Compensation

Equity Incentive Plans

The Company maintains a stock incentive plan, that permits the granting of incentive stock options or nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards, and other stock-based awards. The equity-based awards for employees will vest over a four-year period, pursuant to two different vesting schedules. For initial equity-based awards granted to employees, the first vest is generally a one-year cliff vest, followed by monthly vesting for the final three years. Thereafter, annual equity-based awards granted to employees typically vest monthly over the four-year vest term. The initial equity-based awards granted to the Company's non-employee, independent directors upon appointment to the board of directors will vest over a three-year period, with the first vest being a one-year cliff, followed by monthly vesting over the remaining two years. Thereafter, annual equity-based awards granted to the Company's non-employee, independent directors will cliff vest after one year from the date of grant.

Stock Options

The following table summarizes the stock option activity for the nine months ended September 30, 2023 (in thousands, except share and per share data):

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2023	3,846,532	$ 7.02	8.31	$ 9,083
Granted	604,835	$ 5.05		
Exercised	(51,774)	$ 1.47		
Forfeited	(263,348)	$ 10.24		
Expired	(42,807)	$ 15.33		
Outstanding at September 30, 2023	4,093,438	$ 6.51	7.71	$ 3,477
Exercisable at September 30, 2023	2,008,038	$ 5.66	7.27	$ 2,309
Vested and expected to vest at September 30, 2023	3,808,756	$ 6.96	7.89	$ 2,811

The weighted average assumptions used in the Black-Scholes pricing model for stock options granted during the three and nine months ended September 30, 2023, were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Estimated dividend yield	- %	- %	- %	- %
Weighted-average expected stock price volatility	35.43 %	34.27 %	35.08 %	33.22 %
Weighted-average risk-free interest rate	4.54 %	3.49 %	4.15 %	2.19 %
Expected average term of options (in years)	3.00	6.25	5.95	6.25
Weighted-average fair value of common stock	$ 1.95	$ 4.84	$ 5.05	$ 14.27
Weighted-average fair value per option	$ 0.57	$ 1.95	$ 2.12	$ 5.23

Restricted Stock

The following table summarizes the restricted stock unit activity for the nine months ended September 30, 2023 (in thousands, except share and per share data):

	Number of Shares	Weighted Average Grant Date Fair Value per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2023	28,071	$ 7.43	0.42	$ 158
Granted	174,595	$ 4.93		
Vested	(28,071)	$ 7.43		
Forfeited	(18,815)	$ 3.93		
Outstanding at September 30, 2023	155,780	$ 5.05	1.61	$ 435
Vested and expected to vest at September 30, 2023	155,780	$ 5.05	1.61	$ 435

Employee Stock Purchase Plan

The Company also maintains an employee stock purchase plan (ESPP) that authorizes the issuance of shares of common stock pursuant to purchase rights granted to eligible employees. Unless otherwise determined by the Company’s board of directors, shares of the Company’s common stock will be purchased for the accounts of employees participating in the Company’s ESPP at a price per share equal to the lesser of (i) 85% of the fair market value of a share of the Company’s common stock on the first day of an offering; or (ii) 85% of the fair market value of a share of the Company’s common stock on the date of purchase. Offering periods are generally six months long; beginning on May 15, 2023, offering periods begin on June 1 and December 1 of each year. The Company issued zero and 82,034 shares of common stock under the ESPP during the three and nine months ended September 30, 2023, respectively. The Company issued zero and 13,235 shares of common stock under the ESPP during the three and nine months ended September 30, 2022.

Stock-Based Compensation Expense

Stock-based compensation expense included in the accompanying condensed financial statements was as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of sales	$ 36	$ 45	$ 112	$ 108
Research and development	43	40	120	153
Sales and marketing	168	126	492	351
General and administrative	788	757	2,391	2,077
Total stock-based compensation expense	$ 1,035	$ 968	$ 3,115	$ 2,689

Stock-based compensation expense related to stock options was $0.9 million and $2.8 million for the three and nine months ended September 30, 2023, respectively, and $0.9 million and $2.5 million for the three and nine months ended September 30, 2022, respectively. Unrecognized compensation expense related to stock options was $7.4 million at September 30, 2023, which is expected to be recognized as expense over the weighted-average period of 2.91 years.

Stock-based compensation expense related to restricted stock units was $0.1 million and $0.2 million for the three and nine months ended September 30, 2023, respectively, and was not significant for each of the three and nine months ended September 30, 2022, respectively. Unrecognized compensation expense related to restricted stock units was $0.6 million at September 30, 2023, which is expected to be recognized as expense over the weighted-average period of 2.75 years.

Stock-based compensation expense related to the ESPP was not significant and $0.1 million for the three and nine months ended September 30, 2023, respectively, and was not significant for either the three or nine months ended September 30, 2022. Total compensation cost related to the ESPP not yet recognized was not significant at September 30, 2023. As of September 30, 2023, $0.1 million has been withheld on behalf of employees for future purchases under the ESPP.

Note 12. Income Taxes

For the three months ended September 30, 2023, the Company's provision for income taxes was not significant, compared to the three months ended September 30, 2022, when the Company recorded a $0.4 million income tax benefit. The effective tax rates for the three months ended September 30, 2023 and 2022 were (0.1%) and 1.6%, respectively. The effective tax rates differ from the federal statutory rate primarily due to operating losses not expected to produce a benefit.

For the nine months ended September 30, 2023, the Company's provision for income taxes was not significant, compared to the nine months ended September 30, 2022, when the Company recorded a $1.1 million income tax benefit. The effective tax rates for the nine months ended September 30, 2023 and 2022 were 0.0% and 3.2%, respectively. The effective tax rates differ from the federal statutory rate primarily due to operating losses not expected to produce a benefit.

Note 13. Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents to the extent they are dilutive. For purposes of this calculation, stock options, restricted stock units, and employee stock purchase rights are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive for all periods presented.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (10,153)	$ (22,474)	$ (26,124)	$ (34,174)
Weighted average shares used in computing net loss per share—basic and diluted	29,956,930	28,090,267	28,810,068	28,059,897
Net loss per share—basic and diluted	$ (0.34)	$ (0.80)	$ (0.91)	$ (1.22)

The following is a summary of the common stock equivalents for the securities outstanding during the respective periods that have been excluded from the computation of diluted net loss per common share, as their effect would be anti-dilutive:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Employee share-based awards to purchase common stock	4,019,909	3,311,656	4,000,857	3,133,232

Note 14. Related Parties

The Company has identified Meeches LLC (Meeches) as a related party through common control. Meeches is controlled by Ted Davis and Irene Davis, founders and current directors, and greater than five percent stockholders of the Company. Prior to May 16, 2023, the Company leased certain real property in Mansfield, Massachusetts, from Meeches. As of September 30, 2023 and December 31, 2022 the Company did not have any outstanding balances owed to Meeches. For the three and nine months ended September 30, 2023, the Company paid Meeches lease payments of zero and $0.1 million, respectively, and for the three and nine months ended September 30, 2022, the Company paid Meeches lease payments of $0.1 million and $0.2 million, respectively.

On April 11, 2023, the Company and Meeches entered into an agreement to terminate the Mansfield lease, which termination occurred on May 16, 2023. Shortly thereafter, Meeches sold the property to a third party. As part of the consideration for the early termination of the Mansfield lease, the Company entered into an escrow agreement with the new owner on May 17, 2023, and placed in escrow an amount equal to five months of base rent plus related expenses assumed by Teknova under the Mansfield lease. Escrow funds have been released to the new owner on a pro-rata monthly basis.

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 together with our unaudited condensed financial statements and related notes thereto included in Part I, Item I of this Quarterly Report on Form 10-Q and with our audited financial statements and related notes thereto for the year ended December 31, 2022, included in the 2022 Annual Report on Form 10-K (the 2022 Annual Report on Form 10-K) filed on March 30, 2023, with the Securities and Exchange Commission (SEC). For a discussion of factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Quarterly Report on Form 10-Q, you should review the risk factors identified in Part I, Item 1A, Risk Factors, of our 2022 Annual Report on Form 10-K and in Item 1A, Risk Factors, of this Quarterly Report on Form 10-Q.

As in Item 1. of this Quarterly Report on Form 10-Q, in this Item 2, unless the context otherwise requires, the terms “Teknova,” the “Company,” “we,” “us,” and “our” refer to Alpha Teknova, Inc.

Overview

Since our founding in 1996, we have been producing critical reagents for the discovery, development, and commercialization of novel therapies, vaccines, and molecular diagnostics. Our more than 3,000 active customers span the entire continuum of the life sciences market, including leading pharmaceutical and biotechnology companies, contract development and manufacturing organizations, in vitro diagnostics franchises, and academic and government research institutions. Our Company is built around our knowledge, methods, and know-how in our proprietary manufacturing processes, which are highly adaptable and configurable. These proprietary processes enable us to manufacture and deliver high-quality, custom, made-to-order products with short turnaround times and at scale, across all stages of our customers’ product development, from early research through commercialization.

We have two primary product categories: Lab Essentials and Clinical Solutions. We offer three primary product types: (i) pre-poured media plates for cell growth and cloning; (ii) liquid cell culture media and supplements for cellular expansion; and (iii) molecular biology reagents for sample manipulation, resuspension, and purification. Our liquid cell culture media and supplements and molecular biology reagents are available in both of our two product categories; pre-poured media plates are available in our Lab Essentials category only.

We are ISO 13485:2016 certified, enabling us to manufacture products for use in diagnostic and therapeutic applications. Our certification allows us to offer solutions across the entire customer product development workflow, supporting our customers’ need for materials in greater volume and that meet increasingly stringent quality requirements as they scale from research to commercialization.

We manufacture our products at our Hollister, California, headquarters and stock inventory of raw materials, components, and finished goods at that campus. We rely on a limited number of suppliers for certain raw materials, and we have no long-term supply arrangements with our suppliers, as we order on a purchase order basis. We ship our products directly from our warehouse in Hollister, California, to our customers and distributors, generally pursuant to purchase orders. We typically recognize revenue when products are shipped.

We generated revenue of $8.2 million during the three months ended September 30, 2023, which represents a decrease of $2.5 million compared to revenue of $10.7 million during the three months ended September 30, 2022. For the three months ended September 30, 2023 and 2022, only 4.2% and 2.9%, respectively, of our revenue was generated from customers located outside of the United States. We generated revenue of $28.8 million during the nine months ended September 30, 2023, which represents a decrease of $4.7 million compared to revenue of $33.5 million during the nine months ended September 30, 2022. For the nine months ended September 30, 2023 and 2022, only 4.1% and 3.1%, respectively, of our revenue was generated from customers located outside of the United States. Our sales outside of the United States are denominated in U.S. Dollars.

We had an operating loss of $8.8 million during the three months ended September 30, 2023, compared to an operating loss excluding goodwill impairment of $6.3 million during the three months ended September 30, 2022. We had an operating loss excluding long-lived asset impairment of $22.5 million during the nine months ended September 30, 2023, compared to an operating loss excluding goodwill impairment of $18.8 million during the nine months ended September 30, 2022. While our expenses may fluctuate over the short term, we expect our expenses will continue to increase in future periods, but at a slower rate, in connection with our ongoing activities as we:

- attract, hire, and retain qualified personnel;
- invest in processes and infrastructure to enable manufacturing automation and expand capacity, including the ramp up of our new, state-of-the-art manufacturing, warehouse, and distribution facilities;
- introduce new products and services and create and protect intellectual property;
- build our brand and market, and sell new and existing products and services; and
- potentially acquire businesses or technologies to accelerate the growth of our business.

Impact of Broader Economic Trends on Our Business

We are closely monitoring economic uncertainty in the U.S. and abroad. General inflation in the U.S. has risen to levels not experienced in recent decades. General inflation, including rising prices for our raw materials and other inputs, as well as rising salaries and other expenses, negatively impact our business by increasing our cost of sales and operating expenses. In addition, the U.S. Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Inflation, together with increased interest rates, may cause our customers to reduce, delay, or cancel orders for our goods and services, thereby causing a decrease in or change in timing of sales of our products and services. We cannot predict the impact of future inflation and interest rate increases on the results of our operations. For further information regarding the impact of these economic factors on the Company, please see the risk factors identified in Part I, Item 1A, Risk Factors, of our 2022 Annual Report on Form 10-K.

Results of Operations

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

The following tables set forth our results of operations for the three months ended September 30, 2023 and 2022 (dollars in thousands):

	For the Three Months Ended September 30, 2023	2022	$ Change	% Change
Revenue	$ 8,169	$ 10,692	$ (2,523)	(23.6)%
Cost of sales	6,697	5,922	775	13.1%
Gross profit	1,472	4,770	(3,298)	(69.1)%
Operating expenses:				
Research and development	1,397	1,925	(528)	(27.4)%
Sales and marketing	2,412	2,397	15	0.6%
General and administrative	6,138	6,502	(364)	(5.6)%
Amortization of intangible assets	287	287	—	—
Long-lived assets impairment	—	—	—	—
Goodwill impairment	—	16,613	(16,613)	(100.0)%
Total operating expenses	10,234	27,724	(17,490)	(63.1)%
Loss from operations	(8,762)	(22,954)	14,192	(61.8)%
Other (expenses) income, net				
Interest (expense) income, net	(791)	70	(861)	(1230.0)%
Loss on extinguishment of debt	(824)	—	(824)	(100.0)%
Other income, net	233	36	197	547.2%
Total other (expenses) income, net	(1,382)	106	(1,488)	(1403.8)%
Loss before income taxes	(10,144)	(22,848)	12,704	(55.6)%
Provision for (benefit from) income taxes	9	(374)	383	(102.4)%
Net loss	$ (10,153)	$ (22,474)	$ 12,321	(54.8)%

Revenue

Our revenue disaggregated by product category for the three months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	$ Change	% Change
Lab Essentials	$ 7,274	$ 9,470	$ (2,196)	(23.2)%
Clinical Solutions	597	919	(322)	(35.0)%
Other	298	303	(5)	(1.7)%
Total revenue	$ 8,169	$ 10,692	$ (2,523)	(23.6)%

Total revenue was $8.2 million for the three months ended September 30, 2023, and $10.7 million for the three months ended September 30, 2022.

Lab Essentials revenue was $7.3 million for the three months ended September 30, 2023, a decrease of $2.2 million, or 23.2%, compared to $9.5 million for the three months ended September 30, 2022. The decrease in Lab Essentials revenue was primarily attributable to a decreased number of customers, and to a lesser extent lower average revenue per customer.

Clinical Solutions revenue was $0.6 million for the three months ended September 30, 2023, a decrease of $0.3 million, or 35.0%, compared to $0.9 million for the three months ended September 30, 2022. The decrease in Clinical Solutions revenue was attributable to lower average revenue per customer, partially offset by an increased number of customers.

Our revenue disaggregated by geographic region, for the three months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	$ Change	% Change
United States	$ 7,827	$ 10,384	$ (2,557)	(24.6)%
International	342	308	34	11.0%
Total revenue	$ 8,169	$ 10,692	$ (2,523)	(23.6)%

Revenue from U.S. sales was $7.8 million and $10.4 million for the three months ended September 30, 2023 and 2022, respectively. Revenue from U.S. sales as a percentage of our total revenue was consistent period over period, representing 95.8% and 97.1% of our total revenue during the three months ended September 30, 2023 and 2022, respectively.

Revenue from international sales was $0.3 million for each of the three months ended September 30, 2023 and 2022, respectively. Revenue from international sales as a percentage of our total revenue was also consistent, representing 4.2% and 2.9% of our total revenue during the three months ended September 30, 2023 and 2022, respectively.

Gross profit

Our gross profit for the three months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Three Months Ended September 30, 2023	For the Three Months Ended September 30, 2022	$ Change	% Change
Cost of sales	$ 6,697	$ 5,922	$ 775	13.1%
Gross profit	1,472	4,770	(3,298)	(69.1)%
Gross profit %	18.0%	44.6%		

Gross profit percentage was 18.0% and 44.6% for the three months ended September 30, 2023 and 2022, respectively. The decrease in gross profit percentage was primarily driven by the decrease in revenue and the associated lower absorption of fixed manufacturing costs, and to a lesser extent increased overhead costs that were partially offset by reduced headcount.

Operating expenses

Our operating expenses for the three months ended September 30, 2023 and 2022, were as follows (dollars in thousands):

	For the Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Research and development	$ 1,397	$ 1,925	$ (528)	(27.4)%
Sales and marketing	2,412	2,397	15	0.6%
General and administrative	6,138	6,502	(364)	(5.6)%
Amortization of intangible assets	287	287	—	—
Goodwill impairment	—	16,613	(16,613)	(100.0)%
Total operating expenses	$ 10,234	$ 27,724	$ (17,490)	(63.1)%

Research and development expenses were $1.4 million and $1.9 million for the three months ended September 30, 2023 and 2022, respectively. The decrease was primarily driven by reduced headcount and professional fees.

Sales and marketing expenses were consistent at $2.4 million for each of the three months ended September 30, 2023 and 2022, respectively.

General and administrative expenses were $6.1 million and $6.5 million for the three months ended September 30, 2023 and 2022, respectively. Excluding the one-time, non-recurring charge of $0.4 million related to the write-off of ATM Facility costs during the three months ended September 30, 2023, general and administrative expenses decreased $0.8 million compared to the three months ended September 30, 2022. The decrease was driven by reduced headcount and spending, primarily in professional fees.

Amortization of intangible assets was consistent at $0.3 million for each of the three months ended September 30, 2023 and 2022.

We incurred a $16.6 million goodwill impairment charge for the three months ended September 30, 2022, with no comparable charges in the same period of the prior year. Refer to the “Notes to Financial Statements — Note 8. Goodwill and Intangible Assets, Net” in our 2022 Annual Report on Form 10-K for details regarding the goodwill impairment.

Other (expenses) income, net

Our other (expenses) income, net for the three months ended September 30, 2023 and 2022, were as follows (dollars in thousands):

	For the Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Interest (expense) income, net	$ (791)	$ 70	$ (861)	(1230.0)%
Loss on extinguishment of debt	(824)	—	(824)	(100.0)%
Other income, net	233	36	197	547.2%
Total other (expenses) income, net	$ (1,382)	$ 106	$ (1,488)	(1403.8)%

Total other expenses, net was $1.4 million for the three months ended September 30, 2023, compared to total other income, net of $0.1 million for the three months ended September 30, 2022. The increase in total other expenses, net was attributable to a $0.8 million loss on extinguishment of debt related to the partial repayment on the Term Loan coupled with higher interest expense incurred driven by both higher interest rates as well as lower amounts of interest capitalized. We continue to capitalize a portion of the interest on funds borrowed to finance certain of our capital expenditures. Capitalized interest costs were not significant and $0.4 million for the three months ended September 30, 2023 and 2022, respectively. Offsetting these other expenses is other income, which increased due to higher interest rates and thus income earned on short-term liquid investments.

Provision for (benefit from) income taxes

Our provision for (benefit from) income taxes for the three months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Provision for (benefit from) income taxes	$ 9	$ (374)	$ 383	(102.4)%
Effective tax rate	(0.1)%	1.6%		

Our provision for income taxes was not significant for the three months ended September 30, 2023, compared to a $0.4 million benefit for the three months ended September 30, 2022. The increase in our provision for income taxes was attributable to operating losses not expected to produce a benefit.

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

The following tables set forth our results of operations for the nine months ended September 30, 2023 and 2022 (dollars in thousands):

	For the Nine Months Ended September 30, 2023	2022	$ Change	% Change
Revenue	$ 28,817	$ 33,529	$ (4,712)	(14.1)%
Cost of sales	19,856	18,163	1,693	9.3%
Gross profit	8,961	15,366	(6,405)	(41.7)%
Operating expenses:				
Research and development	4,256	5,867	(1,611)	(27.5)%
Sales and marketing	6,929	6,592	337	5.1%
General and administrative	19,426	20,856	(1,430)	(6.9)%
Amortization of intangible assets	860	861	(1)	(0.1)%
Long-lived assets impairment	2,195	—	2,195	100.0%
Goodwill impairment	—	16,613	(16,613)	(100.0)%
Total operating expenses	33,666	50,789	(17,123)	(33.7)%
Loss from operations	(24,705)	(35,423)	10,718	(30.3)%
Other (expenses) income, net				
Interest (expense) income, net	(1,006)	85	(1,091)	(1283.5)%
Loss on extinguishment of debt	(824)	—	(824)	(100.0)%
Other income, net	417	36	381	1058.3%
Total other (expenses) income, net	(1,413)	121	(1,534)	(1267.8)%
Loss before income taxes	(26,118)	(35,302)	9,184	(26.0)%
Provision for (benefit from) income taxes	6	(1,128)	1,134	(100.5)%
Net loss	$ (26,124)	$ (34,174)	$ 8,050	(23.6)%

Revenue

Our revenue disaggregated by product category for the nine months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Nine Months Ended September 30, 2023	2022	$ Change	% Change
Lab Essentials	$ 22,112	$ 24,838	$ (2,726)	(11.0)%
Clinical Solutions	5,859	7,673	(1,814)	(23.6)%
Other	846	1,018	(172)	(16.9)%
Total revenue	$ 28,817	$ 33,529	$ (4,712)	(14.1)%

Total revenue was $28.8 million for the nine months ended September 30, 2023, and $33.5 million for the nine months ended September 30, 2022.

Lab Essentials revenue was $22.1 million for the nine months ended September 30, 2023, a decrease of $2.7 million, or 11.0%, compared to $24.8 million for the nine months ended September 30, 2022. The decrease in Lab Essentials revenue was attributable to a decreased number of customers, partially offset by higher average revenue per customer.

Clinical Solutions revenue was $5.9 million for the nine months ended September 30, 2023, a decrease of $1.8 million, or 23.6%, compared to $7.7 million for the nine months ended September 30, 2022. The decrease in Clinical Solutions revenue was attributable to lower average revenue per customer, partially offset by an increased number of customers.

Our revenue disaggregated by geographic region, for the nine months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022	$ Change	% Change
United States	$ 27,628	$ 32,489	$ (4,861)	(15.0)%
International	1,189	1,040	149	14.3%
Total revenue	$ 28,817	$ 33,529	$ (4,712)	(14.1)%

Revenue from U.S. sales was $27.6 million and $32.5 million for the nine months ended September 30, 2023 and 2022, respectively. Revenue from U.S. sales as a percentage of our total revenue was consistent period over period, representing 95.9% and 96.9% of our total revenue during the nine months ended September 30, 2023 and 2022, respectively.

Revenue from international sales was $1.2 million and $1.0 million for the nine months ended September 30, 2023 and 2022, respectively. Revenue from international sales as a percentage of our total revenue was also consistent, representing 4.1% and 3.1% of our total revenue during the nine months ended September 30, 2023 and 2022, respectively.

Gross profit

Our gross profit for the nine months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022	$ Change	% Change
Cost of sales	$ 19,856	$ 18,163	$ 1,693	9.3%
Gross profit	8,961	15,366	(6,405)	(41.7)%
Gross profit %	31.1%	45.8%		

Gross profit percentage was 31.1% and 45.8% for the nine months ended September 30, 2023 and 2022, respectively. The decrease in gross profit percentage was primarily driven by the decrease in revenue and the associated lower absorption of fixed manufacturing costs, and to a lesser extent increased overhead costs that were partially offset by reduced headcount.

Operating expenses

Our operating expenses for the nine months ended September 30, 2023 and 2022, were as follows (dollars in thousands):

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022	$ Change	% Change
Research and development	$ 4,256	$ 5,867	$ (1,611)	(27.5)%
Sales and marketing	6,929	6,592	337	5.1%
General and administrative	19,426	20,856	(1,430)	(6.9)%
Amortization of intangible assets	860	861	(1)	(0.1)%
Long-lived assets impairment	2,195	—	2,195	100.0%
Goodwill impairment	—	16,613	(16,613)	(100.0)%
Total operating expenses	$ 33,666	$ 50,789	$ (17,123)	(33.7)%

Research and development expenses were $4.3 million and $5.9 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease was primarily driven by reduced headcount and professional fees.

Sales and marketing expenses were $6.9 million and $6.6 million for the nine months ended September 30, 2023 and 2022, respectively. The increase was primarily driven by higher labor and benefit costs as well as stock-based compensation, partially offset by lower marketing expenses.

General and administrative expenses were $19.4 million and $20.9 million for the nine months ended September 30, 2023 and 2022, respectively. Excluding the one-time, non-recurring charges related to the reduction in workforce of $0.7 million and the $0.4 million write off related to ATM Facility costs during the nine months ended September 30, 2023, general and administrative expenses decreased $2.6 million compared to the nine months ended September 30, 2022. The decrease was driven by reduced spending, primarily in professional fees and occupancy costs, partially offset by higher stock-based compensation expense.

Amortization of intangible assets was consistent at $0.9 million for each of the nine months ended September 30, 2023 and 2022.

We incurred a $2.2 million impairment charge related to long-lived assets for the nine months ended September 30, 2023, with no comparable charges for the nine months ended September 30, 2022. Refer to “Notes to Financial Statements—Note 6—Property, Plant, and Equipment, Net,” in our financial statements for details regarding the impairment.

We incurred a $16.6 million goodwill impairment charge for the three months ended September 30, 2022, with no comparable charges in the same period of the prior year. Refer to the “Notes to Financial Statements — Note 8. Goodwill and Intangible Assets, Net” in our 2022 Annual Report on Form 10-K for details regarding the goodwill impairment.

Other (expenses) income, net

Our other (expenses) income, net for the nine months ended September 30, 2023 and 2022, were as follows (dollars in thousands):

	For the Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Interest (expense) income, net	$ (1,006)	$ 85	$ (1,091)	(1283.5)%
Loss on extinguishment of debt	(824)	—	(824)	(100.0)%
Other income, net	417	36	381	1058.3%
Total other (expenses) income, net	$ (1,413)	$ 121	$ (1,534)	(1267.8)%

Total other expenses, net was $1.4 million for the nine months ended September 30, 2023, compared to total other income, net of $0.1 million for the nine months ended September 30, 2022. The increase in total other expenses, net was attributable to higher interest expense primarily driven by an increase in debt coupled with higher interest rates, as well as by a $0.8 million loss on extinguishment of debt related to the partial repayment on the Term Loan. We continue to capitalize a portion of the interest on funds borrowed to finance certain of our capital expenditures. Capitalized interest costs were $0.9 million and $1.1 million for the nine months ended September 30, 2023 and 2022, respectively. Offsetting these other expenses is other income, which increased due to higher interest rates and thus income earned on short-term liquid investments.

Provision for (benefit from) income taxes

Our provision for (benefit from) income taxes for the nine months ended September 30, 2023 and 2022, was as follows (dollars in thousands):

	For the Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Provision for (benefit from) income taxes	$ 6	$ (1,128)	$ 1,134	(100.5)%
Effective tax rate	(0.0)%	3.2%		

Our provision for income taxes was not significant for the nine months ended September 30, 2023, compared to a $1.1 million benefit for the nine months ended September 30, 2022. The decrease in our benefit from income taxes was attributable to operating losses not expected to produce a benefit.

Liquidity and Capital Resources

The primary sources of financing for our operations are our (i) initial public offering, which we completed in June 2021 (IPO) and resulted in net proceeds to us of $99.1 million, after deducting underwriting discounts and commissions of $7.7 million and offering expenses of $3.6 million, and (ii) registered direct offering and concurrent private placement (collectively, the Offerings), which we completed in September 2023 and which resulted in aggregate gross proceeds of $22.915 million before deducting offering expenses of $0.4 million payable by the Company and the prepayment of $10 million owed under the Term Loan as discussed below.

To facilitate our expected growth, we have used our sources of liquidity to make investments to expand our operations and increase capacity, and may continue to do so in the future. In particular, we have completed the build out of our new manufacturing facility and have made improvements to our warehouse and distribution facilities, all located in Hollister, California.

Our principal liquidity requirements are to fund our operations and capital expenditures. As of September 30, 2023, we have limited capital resources to fund ongoing operations. During the three and nine months ended September 30, 2023, we incurred net losses of $10.2 million and $26.1 million, respectively. In addition, as of September 30, 2023, we had an accumulated deficit of $81.1 million and borrowings outstanding under our Term Loan (defined below). As of September 30, 2023, we had $42.7 million of working capital, which included $32.1 million in cash and cash equivalents. Our available capital resources may not be sufficient for us to continue to meet our obligations as they become due over the next twelve months if we cannot improve our operating results or increase our operating cash inflows. In the event these capital resources are not sufficient, we may need to raise additional capital through the sale of equity or debt securities, enter into strategic business collaboration agreements with other companies, seek other funding sources, or sell assets. However, there can be no assurance that we will be able to accomplish any of the foregoing or do so on favorable terms. If we are unable to meet our obligations when they become due over the next twelve months through our available capital resources, or obtain new sources of capital when needed, we may have to delay expenditures, reduce the scope of our manufacturing operations, reduce or eliminate one or more of our development programs, make significant changes to our operating plan, or cease our operations.

As of September 30, 2023, we had an outstanding principal amount of $12.1 million under a senior secured term loan (the Term Loan) pursuant to our amended credit agreement with MidCap Financial Trust (the Amended Credit Agreement). As previously disclosed in our Form 10-Q for the period ended June 30, 2023, the Company determined that it was not in compliance with the trailing twelve months minimum net revenue covenant as of July 31, 2023. As a result, the Company entered into Amendment No. 4 to the Credit Agreement (Amendment No. 4, or as amended, the Amended Credit Agreement) which includes a waiver from MidCap of the revenue covenant violation for the period ending July 31, 2023. As a condition to the effectiveness of Amendment No. 4, the Company prepaid the principal amount of the Term Loan in an amount equal to $10.0 million (the Term Loan Prepayment). Amendment No. 4 reduced these requirements for future periods up to and including for the twelve months ending December 31, 2025—for example, the Company's minimum net revenue requirement was reduced (i) for the twelve months ending December 31, 2023, from $42.0 million to $36.5 million, (ii) for the twelve months ending December 31, 2024, from $49.0 million to $42.0 million, and (iii) for the twelve months ending December 31, 2025, from $58.8 million to $50.0 million. Amendment No. 4 also removed those requirements for the periods ending January 31, 2026 through March 31, 2027, instead requiring that for each applicable twelve-month period ending after December 31, 2025, the Company's minimum net revenue requirement will be determined by MidCap in its reasonable discretion in consultation with the Company's senior management and based on financial statements and projections delivered to MidCap in accordance with the financial reporting requirements in the Amended Credit Agreement, so long as the minimum net revenue requirements for those periods shall not be less than the greater of (x) the applicable minimum net revenue requirement for the twelve-month period ending on the last day of the immediately preceding month and (y) $50.0 million. In addition, the minimum cash requirement was reduced from $10.0 million to $9.0 million. Additionally, Amendment No. 4 conditions the next borrowing under the Revolving Loan on the Company achieving net revenue for the preceding twelve-month period of at least $45.0 million. See "Notes to Financial Statements—Note 10—Debt, Net," for a more detailed discussion of the material terms of our Amended Credit Agreement.

We were in compliance with our financial covenants under the terms of the Amended Credit Agreement as of September 30, 2023. However, we continue to experience unfavorable market conditions, like other companies in our industry, which have led us to lower our revenue projections. As a result, we believe we may be unable to comply with the trailing twelve months revenue covenant for the twelve-month period following the date on which the financial statements are available for issuance. Failing to comply with the monthly revenue covenant would be an event of default under the Amended Credit Agreement and the lender would have the right, but not the obligation, to accelerate our obligations to pay the outstanding balance due and payable under the Term Loan. If we violate one or more of our covenants under the Amended Credit Agreement and are not able to obtain a waiver from or agree to an accommodation with the lender with respect to any such violation, we could be required to pay all or a portion of the outstanding amount under the Term Loan. In that event, we may need to seek other sources of capital and there can be no assurances that we would be able to do so on acceptable terms. See "Notes to Financial Statements—Note 10—Debt, Net," for a more detailed discussion of the material terms of our Amended Credit Agreement.

We also have an ATM Facility under which we may offer and sell, from time to time, shares of our common stock having aggregate gross proceeds of up to $50.0 million. We will pay a commission of up to 3.0% of gross sales proceeds of any common stock sold under the ATM Facility. The aggregate market value of shares eligible for sale under the ATM Facility will be subject to the limitations of General Instruction I.B.6 of Form S-3, to the extent required under such instruction. See "Notes to Financial Statements—Note 2—Basis of Presentation and Summary of Significant Accounting Policies," for a more detailed discussion of the material terms of our ATM Facility.

As of September 30, 2023, our material cash requirements from known contractual obligations and commitments relate primarily to operating leases for our office, manufacturing, warehouse, and distribution facilities. See "Notes to Financial Statements—Note 7—Leases," for a discussion of our lease obligations reflected on our balance sheet.

The accompanying unaudited financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q, have been prepared assuming we will continue as a going concern, which contemplates continuity of operations, realization of assets, and the satisfaction of liabilities in the normal course of business for one year following the issuance of these unaudited financial statements. As such, the accompanying unaudited financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

The following table sets forth, for the periods indicated, net cash flows used in operating activities, used in investing activities, and (used in) provided by financing activities (in thousands):

	For the Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (15,922)	$ (19,371)
Net cash used in investing activities	(7,622)	(23,419)
Net cash provided by financing activities	13,420	5,127
Net decrease in cash and cash equivalents	$ (10,124)	$ (37,663)

Operating Activities

Net cash used in operating activities consists primarily of net loss adjusted for certain non-cash items (including depreciation and amortization, bad debt expense, deferred taxes, loss on disposal of property, plant, and equipment, inventory reserve, amortization of debt issuance costs, and stock-based compensation expense), and the effect of changes in working capital and other activities.

Net cash used in operating activities was $15.9 million for the nine months ended September 30, 2023, which primarily consisted of net loss of $26.1 million plus net adjustments for non-cash charges of $10.8 million, offset by net changes in operating assets and liabilities of $0.6 million. The primary non-cash adjustments to net loss included $4.0 million of depreciation and amortization, $3.1 million of stock-based compensation, a $2.2 million impairment charge related to long-lived assets, $0.8 million loss on extinguishment of debt, and $0.4 million in amortization of debt financing costs. The main drivers of the changes in operating assets and liabilities were a $0.9 million decrease in accounts payable, a $0.7 million increase in accounts receivable, a $0.7 million increase in prepaid expenses and other current assets, partially offset by a $0.8 million increase in accrued liabilities, a $0.6 million decrease in inventories, and a $0.3 million decrease other non-current assets.

Net cash used in operating activities was $19.4 million for the nine months ended September 30, 2022, which primarily consisted of net loss of $34.2 million plus net adjustments for non-cash charges of $21.3 million, offset by net changes in operating assets and liabilities of $6.5 million. The primary non-cash adjustments to net loss included a $16.6 million goodwill impairment charge, $2.7 million of stock-based compensation and $2.3 million of depreciation and amortization, partially offset by $1.1 million in deferred taxes. Net cash used in changes in operating assets and liabilities consisted primarily of a $5.1 million increase in inventories, a $1.1 million increase in prepaid expenses and other current assets, a $1.0 million increase in other non-current assets, a $0.9 million increase in accounts receivable, and a $0.7 million increase in contract assets, partially offset by a $1.1 million decrease in income taxes receivable, a $1.0 million increase in accounts payable, and a $0.3 million increase in accrued liabilities.

Investing Activities

Net cash used in investing activities relates to purchases of property, plant, and equipment. Net cash used in investing activities was $7.6 million and $23.4 million for the nine months ended September 30, 2023 and 2022, respectively.

Financing Activities

Net cash provided by financing activities was $13.4 million for the nine months ended September 30, 2023, which was primarily attributable to proceeds from the Offerings of $22.9 million and proceeds from financed insurance premiums of $1.0 million, partially offset by repayment of long-term debt of $10.0 million, repayment of financed insurance premiums of $0.3 million and payment of offering costs of $0.4 million related to the ATM Facility. We also received proceeds of $0.1 million from the exercise of stock options and $0.1 million from issuance of common stock under our employee stock purchase plan.

Net cash provided by financing activities was $5.1 million for the nine months ended September 30, 2022, which was primarily attributable to proceeds from long-term debt of $5.1 million, partially offset by related debt issuance costs of $0.2 million and payment of exit fee costs of $0.1 million related to our debt refinancing. We also received proceeds of $0.1 million from the exercise of stock options and $0.1 million from issuance of common stock under our employee stock purchase plan.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Results of Operations and Financial Condition" in Part II, Item 7 and the notes to our financial statements in Part II, Item 8 of our 2022 Annual Report on Form 10-K. See also Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our condensed financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no material changes to our critical accounting estimates since our 2022 Annual Report on Form 10-K.

Emerging Growth Company and Smaller Reporting Company

We qualify as an “emerging growth company” as defined in the JOBS Act. As long as we qualify as an emerging growth company, we may take advantage of certain exemptions from various reporting requirements and other burdens that are otherwise applicable generally to public companies. These provisions include, but are not limited to:

- reduced obligations with respect to financial data, including presenting only two years of audited financial statements;
- an exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements, and registration statements; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption from adopting new or revised accounting standards, and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies or that have opted out of using such extended transition period, which may make comparison of our financial statements with those of other public companies more difficult. We may take advantage of these reporting exemptions until we no longer qualify as an emerging growth company, or, with respect to adoption of certain new or revised accounting standards, until we irrevocably elect to opt out of using the extended transition period.

Under the JOBS Act, we will remain an emerging growth company until the earliest to occur of:

- the last day of the fiscal year in which we have total annual gross revenues of $1.235 billion or more;
- the last day of our fiscal year following the fifth anniversary of the date of the closing of our IPO;
- the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; and
- the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the Exchange Act) (i.e., the first day of the fiscal year after we have (i) more than $700.0 million in outstanding common equity held by our non-affiliates, measured each year on the last business day of our most recently completed second fiscal quarter, and (ii) been public for at least 12 months).

We are also a “smaller reporting company” as defined in Rule 12b-2 under the Exchange Act. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We may take advantage of certain of the scaled disclosures available to smaller reporting companies until the fiscal year following the determination that (i) the market value of our voting and non-voting common stock held by non-affiliates equals or exceeds $250.0 million measured on the last business day of our most recently completed second fiscal quarter, and our annual revenues are more than $100.0 million during the most recently completed fiscal year or (ii) the market value of our voting and non-voting common stock held by non-affiliates equals or exceeds $700.0 million measured on the last business day of our most recently completed second fiscal quarter.

Recent Accounting Pronouncements

A description of recent accounting pronouncements that may potentially impact our financial position, results of operations, or cash flows is disclosed in Note 2, Basis of Presentation and Summary of Significant Accounting Policies, to our condensed financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined in Rule 12b-2 under the Exchange Act for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of a material weakness in our internal control over financial reporting as previously disclosed in the 2022 Annual Report on Form 10-K, our disclosure controls and procedures were not effective as of September 30, 2023.

Material Weakness in Internal Control Over Financial Reporting

Under standards established by the Public Company Accounting Oversight Board, a material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. During the audit of our financial statements, for the fiscal year ended December 31, 2022, we and our independent registered public accounting firm identified a material weakness in our accounting for income taxes due to errors identified and resulting adjustments recorded. Specifically, the Company did not have the appropriate complement of tax resources commensurate with the nature and complexity associated with the Company’s income tax accounting process. Our audited financial statements present income taxes in accordance with GAAP, however, the errors identified with respect to adjustments related to income taxes recorded amounted to a material weakness. The material weakness remained un-remediated as of September 30, 2023.

Management’s Plan to Remediate the Material Weakness

We continue to take measures to remediate the material weakness related to our accounting for income taxes. These measures include engaging accounting personnel and/or consultants with specific income tax accounting experience necessary to assist with our accounting for income taxes as well as implementing and adopting additional controls and procedures. These remediation measures may be time consuming, costly, and might place significant demands on our financial and operational resources. We believe that the remediation plan’s design and implementation will effectively remediate the material weakness; however, until the remediation activities are fully implemented, and the operational effectiveness of related internal controls is validated through testing, the material weakness described above will continue to exist.

Changes in Internal Control Over Financial Reporting

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

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not a party to any material legal proceedings at this time. From time to time, we may become involved in various legal proceedings that arise in the ordinary course of business. We have in the past and may in the future become involved in private actions, collective actions, investigations, and various other legal proceedings initiated by customers, employees, suppliers, competitors, government agencies, or others. We will evaluate any claims and lawsuits with respect to their potential merits, our potential defenses and counter claims, and the expected effect on us of defending the claims and a potential adverse result. However, the results of any litigation, investigation, or other legal proceedings are inherently unpredictable and expensive. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage our reputation, require significant amounts of management time, and divert significant resources. If any legal proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to monetary damages or limits on our ability to operate our business, which could have an adverse effect on our business, financial condition, and operating results.

Item 1A. Risk Factors.

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A—"Risk Factors" in the 2022 Annual Report on Form 10-K describes some of the risks and uncertainties associated with our business, which we strongly encourage you to review. These risks and uncertainties have the potential to materially affect our business, financial condition, results of operations, cash flows, projected results, and future prospects. Except as set forth below, there have been no material changes in our risk factors from those disclosed in the 2022 Annual Report on Form 10-K.

We have identified conditions and events that raise substantial doubt about our ability to continue as a going concern.

The accompanying unaudited financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q, have been prepared assuming we will continue as a going concern, which contemplates continuity of operations, realization of assets, and the satisfaction of liabilities in the normal course of business for one year following the issuance of these unaudited financial statements. However, we have identified certain negative conditions and events, described further below, that raise substantial doubt about our ability to continue as a going concern.

Our available capital resources may not be sufficient for us to continue to meet our obligations as they become due over the next twelve months if we cannot improve our operating results or increase our operating cash inflows. If these capital resources are not sufficient, we may need to raise additional capital through the sale of equity or debt securities, enter into strategic business collaboration agreements with other companies, seek other funding sources, or sell assets. However, there can be no assurance that we will be able to accomplish any of the foregoing or do so on favorable terms. If we are unable to meet our obligations when they become due over the next twelve months through our available capital resources, or obtain new sources of capital when needed, we may have to delay expenditures, reduce the scope of our manufacturing operations, reduce or eliminate one or more of our development programs, make significant changes to our operating plan, or cease our operations.

Additionally, we are subject to certain financial covenants under the terms of the Amended Credit Agreement. These financial covenants include (i) a trailing twelve months minimum net revenue covenant that we must meet each calendar month, and (ii) a requirement to maintain a minimum level of cash at all times through the term of the Amended Credit Agreement. We were in compliance with our financial covenants as of September 30, 2023; however, we continue to experience unfavorable market conditions, like other companies in our industry, which have led us to lower our revenue projections. As a result, we believe that we may be unable to comply with the monthly revenue covenant for the twelve-month period following the date on which the financial statements are available for issuance. Failing to comply with the monthly revenue covenant would be an event of default under the Amended Credit Agreement and the lender would have the right, but not the obligation, to accelerate our obligations to pay the outstanding balance due and payable under the Term Loan. If we violate one or more of our covenants under the Amended Credit Agreement and are not able to obtain a waiver from or agree to an accommodation with the lender with respect to any such violation, we could be required to pay all or a portion of the outstanding amount under the Term Loan. In that event, we may need to seek other sources of capital and there can be no assurances that we would be able to do so on acceptable terms.

The uncertainty regarding our ability to continue as a going concern could materially adversely affect our share price and our ability to service our indebtedness, raise new capital or enter into commercial transactions. To address these matters, the Company may take actions that materially and adversely affect our business, including significant reductions in research, development, administrative, and commercial activities, reduction of our employee base, and ultimately curtailing or ceasing operations, any of which could materially adversely affect our business, financial condition, results of operations, and share price.

If we fail to comply with the covenants and other obligations under the Amended Credit Agreement, the lender may be able to accelerate amounts owed under the facilities and may foreclose upon the assets securing our obligations.

Our indebtedness under the Amended Credit Agreement is secured by substantially all of our assets. We may not be able to comply with the financial covenants contained in the Amended Credit Agreement, which would allow the lenders to accelerate the required repayment of all or a portion of the amounts due, if they choose not to grant us a waiver or agree to an accommodation. In addition, if we do not meet our other covenants under the Amended Credit Agreement, the lender would be able to accelerate the required repayment of amounts due and, if they are not repaid, could foreclose upon the assets securing our obligations with respect to such indebtedness.

We have incurred operating losses in the past and may incur losses in the future.

We have incurred operating losses in the past, may incur operating losses in the future, and may never achieve or maintain profitability. For the years ending December 31, 2022 and 2021, we incurred net losses of $47.5 million and $9.8 million, respectively. Although we had net income of $3.6 million for the year ended December 31, 2020, we also incurred net losses both prior and subsequent to such time. In addition, during the three and nine months ended September 30, 2023, we incurred net losses of $10.2 million and $26.1 million, respectively, and during the three and nine months ended September 30, 2022, we incurred net losses of $22.5 million and $34.2 million. While our operating expenses may fluctuate in the short term, we expect that our operating expenses will continue to increase as we grow our business. We have also incurred additional costs in connection with legal, accounting, and other administrative expenses related to operating as a public company. Since our inception, we have financed our operations primarily through revenue from our products, the sale of our equity securities, including through our IPO and Offerings, and credit agreements. While our revenue has grown in recent years, if our revenue declines or fails to grow at a rate sufficient to offset increases in our operating expenses, we will not be able to achieve and maintain profitability in future periods. We may never be able to generate sufficient revenue to achieve or maintain profitability, and our past growth and profitability should not be considered indicative of our future performance.

A significant portion of our total outstanding shares of common stock are available for immediate resale and may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. All shares sold in our IPO were freely tradable upon such sale without restriction or further registration under the Securities Act, except for any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act (Rule 144), including our directors, executive officers, and other affiliates (including Telegraph Hill Partners Management Company LLC, which, through its affiliates Telegraph Hill Partners IV, L.P. and THP IV Affiliates Fund, LLC, controls 62.9% of the voting power of our outstanding common stock), which may be sold only in compliance with certain limitations. In addition, in October of 2023, the Company filed a registration statement on Form S-1 under the Securities Act registering for resale all shares sold in the PIPE Private Placement. As a result, all shares sold in the Offerings are freely tradable subject to the restrictions applicable to affiliates discussed above.

As of September 30, 2023, we have 40,727,780 shares of common stock outstanding, substantially all of which are held by directors, executive officers, and other affiliates and will be subject to volume, manner of sale, and other limitations under Rule 144. Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement.

The market price of our stock could decline if the holders of currently restricted shares of common stock sell such shares or are perceived by the market as intending to do so. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities. In addition, shares of our common stock that are issued pursuant to our equity incentive plans and our Employee Stock Purchase Plan (ESPP) will become eligible for sale in the public market, subject to provisions relating to various vesting agreements, lock-up agreements, and Rule 144, as applicable.

As of September 30, 2023, there were 312,174, 1,617,953 and 2,319,091 shares of common stock reserved for issuance pursuant to outstanding stock option awards under the 2016 Stock Plan, as amended (2016 Plan), the 2020 Equity Incentive Plan, as amended (2020 Plan), and the 2021 Equity Incentive Plan (2021 Plan), respectively. In addition, the 2021 Plan and the ESPP provide for annual automatic increases in the number of shares reserved thereunder. As of January 1, 2023, a total of 3,596,340 and 804,236 shares of common stock were available and have been reserved for future issuance under the 2021 Plan and our ESPP, respectively. In the future, we may also issue our securities in connection with investments or acquisitions. The number of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

On March 10, 2023, the Federal Deposit Insurance Corporation (FDIC) announced that Silicon Valley Bank had been closed by the California Department of Financial Protection and Innovation and on March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services and the FDIC was named receiver. Although we do not maintain any bank accounts with Silicon Valley Bank or Signature Bank, we do maintain cash balances at First Republic Bank, acquired by JPMorgan Chase on May 1, 2023. Any failure of a depository institution to return any of our deposits, or any other adverse conditions in the financial or credit markets affecting depository institutions, could impact access to our invested cash or cash equivalents and could adversely impact our operating liquidity and financial performance.

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

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

Cash used since the IPO is described elsewhere in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our periodic reports filed with the SEC. There has been no material change in the planned use of proceeds from the IPO from those described in the final prospectus for our IPO, dated as of June 24, 2021, and filed with the SEC pursuant to Rule 424(b)(4) on June 25, 2021 (File No. 333-256795).

(c) Repurchases

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Alpha Teknova, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 29, 2021).
3.2	Amended and Restated Bylaws of Alpha Teknova, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 29, 2021).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-256795 filed with the SEC on June 21, 2021).
4.2	Investors' Rights Agreement, dated as of January 14, 2019, by and among Alpha Teknova, Inc., and certain of its stockholders (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-256795) filed with the SEC on June 4, 2021).
10.1	Form of Securities Purchase Agreement, dated September 15, 2023 (Registered Direct Offering) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2023).
10.2	Form of Securities Purchase Agreement, dated September 15, 2023 (PIPE Private Placement) (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2023).
10.3	Form of Registration Rights Agreement, dated September 15, 2023 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2023).
10.4	Amendment No. 3, dated as of July 13, 2023, to the Amended and Restated Credit and Security Agreement (Term Loan), dated as of May 10, 2022, and as amended on November 8, 2022 and March 28, 2023 by and among Alpha Teknova, Inc. and MidCap Financial Trust, as agent and as a lender, and the additional lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the period ended June 30, 2023).
10.5	Limited Waiver and Amendment No. 4 dated as of September 19, 2023, to the Amended and Restated Credit and Security Agreement (Term Loan), dated as of May 10, 2022, and as amended on November 8, 2022 and March 28, 2023 and July 13, 2023 by and among Alpha Teknova, Inc. and MidCap Financial Trust, as agent and as a lender, and the additional lenders from time to time party thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2023).
10.6	Amendment No. 3, dated as of July 13, 2023, to the Amended and Restated Credit and Security Agreement (Revolving Loan), dated as of May 10, 2022, and as amended November 8, 2022 and March 28, 2023 by and among Alpha Teknova,

	Inc. and MidCap Financial Trust, as agent and as a lender, and the additional lenders from time to time party thereto(incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the period ended June 30, 2023).
10.4	Limited Waiver and Amendment No. 4 dated as of September 19, 2023 to the Amended and Restated Credit and Security Agreement (Revolving Loan), by and among Alpha Teknova, Inc. and MidCap Financial Trust, as agent and as a lender, and the additional lenders from time to time party thereto (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2023).
10.5	Amended Alpha Teknova, Inc. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q filed with the SEC on May 11, 2023).
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 and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

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.

	ALPHA TEKNOVA INC.
Date: November 13, 2023	By: /s/ STEPHEN GUNSTREAM
	Stephen Gunstream
	President and Chief Executive Officer
	(Principal Executive Officer)
Date: November 13, 2023	By: /s/ MATTHEW LOWELL
	Matthew Lowell
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 31.1

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, Stephen Gunstream, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2023

By: /s/ STEPHEN GUNSTREAM
Stephen Gunstream
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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, Matthew Lowell, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 13, 2023

By: /s/ MATTHEW LOWELL
Matthew Lowell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Alpha Teknova, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: November 13, 2023

By: /s/ STEPHEN GUNSTREAM
Stephen Gunstream
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: /s/ MATTHEW LOWELL
Matthew Lowell
Chief Financial Officer
(Principal Financial Officer)