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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

FOR THE TRANSITION PERIOD FROM_____ TO_____

Commission File Number 001-39587

23ANDME HOLDING CO.

(Exact name of Registrant as specified in its Charter)

Delaware	**87-1240344**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
349 Oyster Point Boulevard **South San Francisco, California**	**94080**
(Address of principal executive offices)	**(Zip Code)**

(650) 938-6300
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0001 par value per share	**ME**	**The Nasdaq Global Select Market**

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

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

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

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

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

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

As of October 31, 2023, there were 311,613,095 shares of Class A common stock, $0.0001 par value per share, and 167,491,460 shares of Class B common stock, $0.0001 par value per share, issued and outstanding.

23ANDME HOLDING CO.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q"), including, without limitation, statements under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations," includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Generally, statements that are not historical facts, including statements concerning 23andMe Holding Co.'s (the "Company," "23andMe," "we," "us," or "our") possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. In some instances, these forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, words like "believes," "estimates," "anticipates," "expects," "intends," "plans," "may," "will," "potential," "projects," "predicts," "continue," or "should," or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations.

The forward-looking statements contained in this Form 10-Q are based on our current expectations and beliefs, which we believe to be reasonable, concerning future developments and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control), and other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, without limitation, those factors described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on May 25, 2023, and our subsequent reports filed with the SEC. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition, and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. In addition, even if our results of operations, financial condition, and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

23ANDME HOLDING CO.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2023	March 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 256,386	$ 386,849
Restricted cash	1,399	1,399
Accounts receivable, net	1,501	1,897
Inventories	14,979	10,247
Deferred cost of revenue	5,782	5,376
Prepaid expenses and other current assets	17,948	19,224
Total current assets	297,995	424,992
Property and equipment, net	32,805	38,608
Operating lease right-of-use assets	52,549	56,078
Restricted cash, noncurrent	6,974	6,974
Internal-use software, net	18,971	15,661
Intangible assets, net	37,835	45,520
Goodwill	351,744	351,744
Other assets	2,357	3,021
Total assets	$ 801,230	$ 942,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (includes related party amounts of nil and $3,186, respectively)	$ 8,546	$ 12,924
Accrued expenses and other current liabilities (includes related party amounts of $13,732 and $8,738, respectively)	44,686	66,430
Deferred revenue (includes related party amounts of nil and $11,753, respectively)	40,283	62,521
Operating lease liabilities	8,086	7,541
Total current liabilities	101,601	149,416
Operating lease liabilities, noncurrent	72,963	77,763
Other liabilities	1,415	1,480
Total liabilities	175,979	228,659
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock - par value $0.0001, 10,000,000 shares authorized as of September 30, 2023 and March 31, 2023; zero shares issued and outstanding as of September 30, 2023 and March 31, 2023	—	—
Common stock, par value $0.0001 - Class A shares, 1,140,000,000 shares authorized, 311,339,539 and 293,020,474 shares issued and outstanding as of September 30, 2023 and March 31, 2023, respectively; Class B shares, 350,000,000 shares authorized, 167,491,460 and 168,179,488 shares issued and outstanding as of September 30, 2023 and March 31, 2023, respectively	48	46
Additional paid-in capital	2,311,481	2,220,897
Accumulated other comprehensive loss	—	(620)
Accumulated deficit	(1,686,278)	(1,506,384)
Total stockholders' equity	625,251	713,939
Total liabilities and stockholders' equity	$ 801,230	$ 942,598

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

23ANDME HOLDING CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue (includes related party revenue of $1,082 and $14,925 for the three months ended September 30, 2023 and 2022, respectively, and $11,753 and $23,190 for the six months ended September 30, 2023 and 2022, respectively)	$ 49,999	$ 75,659	$ 110,863	$ 140,172
Cost of revenue (includes related party cost of $20 and $(271) for the three months ended September 30, 2023 and 2022, respectively, and $295 and $(510) for the six months ended September 30, 2023 and 2022, respectively)	28,270	37,386	58,453	76,409
Gross profit	21,729	38,273	52,410	63,763
Operating expenses:				
Research and development (includes related party expenses of $4,907 and $2,717 for the three months ended September 30, 2023 and 2022, respectively, and $8,208 and $6,266 for the six months ended September 30, 2023 and 2022, respectively)	54,588	52,598	116,917	104,607
Sales and marketing	18,328	24,835	40,986	58,269
General and administrative	25,290	28,881	76,030	58,524
Restructuring and other charges	2,654	—	6,871	—
Total operating expenses	100,860	106,314	240,804	221,400
Loss from operations	(79,131)	(68,041)	(188,394)	(157,637)
Other income (expense):				
Interest income, net	3,752	1,392	8,059	1,637
Other income (expense), net	145	(687)	477	(1,122)
Loss before income taxes	(75,234)	(67,336)	(179,858)	(157,122)
Provision for (benefit from) income taxes	36	(1,271)	36	(1,525)
Net loss	(75,270)	(66,065)	(179,894)	(155,597)
Other comprehensive income, net of tax	954	829	620	1,453
Total comprehensive loss	$ (74,316)	$ (65,236)	$ (179,274)	$ (154,144)
Net loss per share of Class A and Class B common stock attributable to common stockholders:				
Basic and diluted	$ (0.16)	$ (0.15)	$ (0.38)	$ (0.35)
Weighted-average shares used to compute net loss per share:				
Basic and diluted	474,858,266	449,899,537	468,592,009	448,211,708

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

23ANDME HOLDING CO.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share and per share data)
(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance as of March 31, 2023	461,199,962	$ 46	$ 2,220,897	$ (620)	$ (1,506,384)	$ 713,939
Issuance of common stock upon exercise of stock options	180,718	—	85	—	—	85
Issuance of common stock upon release of restricted stock units	1,812,802	—	—	—	—	—
Issuance of common stock upon release of restricted stock units under the 2022 Annual Incentive Plan	8,961,053	1	18,629	—	—	18,630
Net share settlements for stock-based minimum tax withholdings	(58,985)	—	(121)	—	—	(121)
Stock-based compensation expense	—	—	47,915	—	—	47,915
Other comprehensive loss	—	—	—	(334)	—	(334)
Net loss	—	—	—	—	(104,624)	(104,624)
Balance as of June 30, 2023	472,095,550	$ 47	$ 2,287,405	$ (954)	$ (1,611,008)	$ 675,490
Issuance of common stock upon exercise of stock options	828,561	—	388	—	—	388
Issuance of common stock upon release of restricted stock units	4,358,378	1	(1)	—	—	—
Issuance of common stock upon release of restricted stock units under the 2022 Annual Incentive Plan	57,996	—	102	—	—	102
Net share settlements for stock-based minimum tax withholdings	(19,022)	—	(22)	—	—	(22)
Issuance of common stock under employee stock purchase plan	1,509,536	—	1,411	—	—	1,411
Stock-based compensation expense	—	—	22,198	—	—	22,198
Other comprehensive income	—	—	—	954	—	954
Net loss	—	—	—	—	(75,270)	(75,270)
Balance as of September 30, 2023	478,830,999	$ 48	$ 2,311,481	$ —	$ (1,686,278)	$ 625,251

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance as of March 31, 2022	448,812,321	$ 45	$ 2,110,160	$ 179	$ (1,194,728)	$ 915,656
Issuance of common stock upon exercise of stock options	1,065,784	—	1,533	—	—	1,533
Issuance of common stock upon release of restricted stock units	1,461,448	—	—	—	—	—
Net share settlements for stock-based minimum tax withholdings	(14,036)	—	—	—	—	—
Stock-based compensation expense	—	—	25,915	—	—	25,915
Other comprehensive income	—	—	—	624	—	624
Net loss	—	—	—	—	(89,532)	(89,532)
Balance as of June 30, 2022	451,325,517	$ 45	$ 2,137,608	$ 803	$ (1,284,260)	$ 854,196
Issuance of common stock upon exercise of stock options	1,430,629	—	2,498	—	—	2,498
Issuance of common stock upon release of restricted stock units	1,580,591	—	—	—	—	—
Net share settlements for stock-based minimum tax withholdings	(14,038)	—	(86)	—	—	(86)
Issuance of common stock under employee stock purchase plan	1,130,337	—	3,238	—	—	3,238
Stock-based compensation expense	—	—	24,710	—	—	24,710
Other comprehensive income	—	—	—	829	—	829
Net loss	—	—	—	—	(66,065)	(66,065)
Balance as of September 30, 2022	455,453,036	$ 45	$ 2,167,968	$ 1,632	$ (1,350,325)	$ 819,320

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

23ANDME HOLDING CO.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (179,894)	$ (155,597)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,714	16,747
Amortization and impairment of internal-use software	2,514	2,078
Stock-based compensation expense	74,840	59,430
Loss (gain) on disposal of property and equipment	(5)	4
Loss on disposition of Lemonaid Health Limited	2,026	—
Other operating activities	(504)	—
Changes in operating assets and liabilities:		
Accounts receivable, net (includes related party amounts of $19 and $(50,001) for the six months ended September 30, 2023 and 2022, respectively)	396	(49,502)
Inventories	(4,733)	(3,017)
Deferred cost of revenue	(406)	914
Prepaid expenses and other current assets	(2,433)	4,899
Operating lease right-of-use assets	3,529	3,689
Other assets	664	(834)
Accounts payable (includes related party amounts of $(3,186) and $(8,915) for the six months ended September 30, 2023 and 2022, respectively)	(3,951)	(26,968)
Accrued expenses and other current liabilities (includes related party amounts of $4,993 and $(3,009) for the six months ended September 30, 2023 and 2022, respectively)	(5,674)	(10,367)
Deferred revenue (includes related party amounts of $(11,753) and $26,812 for the six months ended September 30, 2023 and 2022, respectively)	(22,237)	18,984
Operating lease liabilities	(4,255)	(4,426)
Other liabilities	(65)	(2,008)
Net cash used in operating activities	(126,474)	(145,974)
Cash flows from investing activities:		
Purchases of property and equipment	(715)	(1,945)
Proceeds from sale of property and equipment	5	2
Capitalized internal-use software costs	(4,758)	(3,008)
Net cash used in investing activities	(5,468)	(4,951)
Cash flows from financing activities:		
Proceeds from exercise of stock options	473	3,944
Proceeds from issuance of common stock under employee stock purchase plan	1,411	3,238
Payments of deferred offering costs	(263)	—
Payments for taxes related to net share settlement of equity awards	(142)	—
Net cash provided by financing activities	1,479	7,182
Effect of exchange rates on cash and cash equivalents	—	1,452
Net decrease in cash, cash equivalents and restricted cash	(130,463)	(142,291)
Cash, cash equivalents and restricted cash—beginning of period	395,222	561,755
Cash, cash equivalents and restricted cash—end of period	$ 264,759	$ 419,464
Supplemental disclosures of non-cash investing and financing activities:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 26	$ 762
Stock-based compensation capitalized for internal-use software costs	$ 2,089	$ 1,320
Reconciliation of cash, cash equivalents, and restricted cash within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows above:		
Cash and cash equivalents	$ 256,386	$ 410,891
Restricted cash, current	1,399	1,599
Restricted cash, noncurrent	6,974	6,974
Total cash, cash equivalents and restricted cash	$ 264,759	$ 419,464

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

23ANDME HOLDING CO.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Description of Business

23andMe Holding Co. (the "Company" or "23andMe") is dedicated to helping people access, understand, and benefit from the human genome. The Company is building the leading direct-to-consumer precision medicine platform that powers its genetics-driven therapeutics and research business.

The Company is dedicated to empowering customers to live healthier lives by providing consumers direct access to their genetic information and digital access to affordable, personalized healthcare through the Lemonaid Health, Inc. ("Lemonaid Health") platform.

The Company pioneered direct-to-consumer genetic testing, giving consumers unique, personalized information about their genetic health risks, ancestry, and traits. It was the first company to obtain Food and Drug Administration ("FDA") authorization for a direct-to-consumer genetic test, and it is the only company to have FDA authorization, clearance, or an exemption from premarket notification for all of the carrier status, genetic health risk, cancer predisposition, and pharmacogenetics reports that the Company offers to customers.

Through the Lemonaid Health telehealth platform, the Company connects patients to licensed healthcare professionals to provide affordable and direct online access to medical care, from consultation through treatment, for a number of common conditions, using evidence-based guidelines and up-to-date clinical protocols. When medications are prescribed by Lemonaid Health's affiliated healthcare professionals, patients can use Lemonaid Health's online pharmacy for fulfillment. Patients also can access telehealth consultations for certain 23andMe genetic reports through Lemonaid Health.

23andMe, Inc., the Company's accounting predecessor, was incorporated in Delaware in 2006. The Company is headquartered in South San Francisco, California. The Company's predecessor, VG Acquisition Corp. ("VGAC"), was a blank check company originally incorporated in 2020 as a Cayman Islands exempted company. On June 16, 2021 (the "Closing Date"), VGAC and Chrome Merger Sub, Inc., a Delaware corporation and wholly owned direct subsidiary of VGAC ("Merger Sub"), consummated a merger with 23andMe, Inc. (the "Merger"), whereby Merger Sub merged with and into 23andMe, Inc., with 23andMe, Inc. being the surviving corporation and a wholly owned subsidiary of the Company. In connection with the Merger, VGAC changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to 23andMe Holding Co. (the "Domestication" and, together with the Merger, the "Business Combination").

The Company has evaluated how it is organized and managed and has identified two reporting segments: Consumer and Research Services, and Therapeutics.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principle of Consolidation

The Company's unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries, and variable interest entities in which it holds a controlling financial interest. All intercompany accounts and transactions have been eliminated in consolidation.

For the three and six months ended September 30, 2023 and 2022, the Company's operations were primarily in the United States. The Company had immaterial operations in the United Kingdom ("U.K.") prior to the disposition of its U.K. subsidiary on August 1, 2023.

There have been no material changes to the Company's significant accounting policies during the six months ended September 30, 2023, as compared to the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

Unaudited Interim Condensed Consolidated Financial Information

The accompanying interim condensed consolidated financial statements as of September 30, 2023 and for the three and six months ended September 30, 2023 and 2022 and accompanying notes, are unaudited. These unaudited interim condensed consolidated financial statements (the "condensed consolidated financial statements") have been prepared in accordance with GAAP applicable to interim financial statements. These financial statements are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. As such, the information included herein should be read in conjunction with the consolidated financial statements and accompanying notes as of and for the fiscal year ended March 31, 2023 (the "audited consolidated financial statements") that were included in the Company's Annual Report on Form 10-K filed with the SEC on May 25, 2023. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, which include only normal recurring adjustments, necessary for a fair statement of the Company's financial position as of September 30, 2023 and its condensed consolidated results of operations and cash flows for the six months ended September 30, 2023 and 2022. The results of operations for the three and six months ended September 30, 2023 are not necessarily indicative of the results expected for the year ending March 31, 2024 or any other future interim or annual periods.

Fiscal Year

The Company's fiscal year ends on March 31. References to fiscal 2024 refer to the fiscal year ending March 31, 2024 and references to fiscal 2023 and fiscal 2022 refer to the fiscal years ended March 31, 2023 and March 31, 2022, respectively.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period and the accompanying notes. Significant items subject to such estimates and assumptions include, but are not limited to the determination of standalone selling price for various performance obligations; the estimated expected benefit period for the rate and recognition pattern of breakage revenue for purchases where a saliva collection kit ("Kit") is never returned for processing; the capitalization and estimated useful life of internal use software; the useful life of long-lived assets; fair value of intangible assets acquired in business combinations; the carrying value of goodwill; the incremental borrowing rate for operating leases; stock-based compensation including the determination of the fair value of stock options, annual incentive bonuses payable in the form of restricted stock units ("RSUs"), as well as the Company's common stock prior to the Closing Date of the Merger; and the valuation of deferred tax assets and uncertain tax positions. The Company bases these estimates on historical and anticipated results, trends, and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from these estimates, and such differences could be material to the condensed consolidated financial statements.

The Company is not aware of any specific event or circumstance that would require revisions to estimates, updates to judgments, or adjustments to the carrying value of assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the condensed consolidated financial statements.

Concentration of Supplier Risk

Certain of the raw materials, components, and equipment associated with the deoxyribonucleic acid ("DNA") microarrays and Kits used by the Company in the delivery of its services are available only from third-party suppliers. The Company also relies on a third-party laboratory service for the processing of its customer samples. Shortages and slowdowns could occur in these essential materials, components, equipment, and laboratory services due to an interruption of supply or increased demand in the industry. If the Company were unable to procure certain materials, components, equipment, or laboratory services at acceptable prices, it would be required to reduce its laboratory operations, which could have a material adverse effect on its results of operations.

A single supplier accounted for 100% of the Company's total purchases of microarrays and a separate single supplier accounted for 100% of the Company's total purchases of Kits for the three and six months ended September 30, 2023 and 2022. One laboratory service provider accounted for 100% of the Company's processing of customer samples for the three and six months ended September 30, 2023 and 2022.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk include cash, cash equivalents and accounts receivable. The Company maintains a majority of its cash and cash equivalents with a single high-quality financial institution, the composition and maturities of which are regularly monitored by the Company. The Company's revenue and accounts receivable are derived primarily from the United States. See Note 3, "*Revenue*," for additional information regarding geographical disaggregation of revenue. The Company grants credit to its customers in the normal course of business, performs ongoing credit evaluations of its customers, and does not require collateral. The Company regularly monitors the aging of accounts receivable balances.

Significant customer information is as follows:

	September 30, 2023	March 31, 2023
Percentage of accounts receivable:		
Customer C [(1)]	83%	69%
Customer F	13%	27%

(1) Customer C is a reseller.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Percentage of revenue:				
Customer C [(1)]	26%	23%	21%	19%
Customer B	*	20%	11%	17%

* less than 10%

(1) Customer C is a reseller.

Restructuring

The Company defines restructuring expenses to include costs directly associated with exit or disposal activities, such as severance payments, benefits continuation, and non-cash stock-compensation charges associated with the modification of certain stock awards. In general, the Company records involuntary employee-related exit and disposal costs when it communicates to employees that they are entitled to receive such benefits and the amount can be reasonably estimated.

Liquidity

The Company's operations have been financed primarily through the sales of equity securities and revenue from sales of PGS, telehealth, and research services. During fiscal 2022, the Company received gross proceeds of $309.7 million from the Merger and $250.0 million from the PIPE investment consummated in connection with the Merger. The Company expects to continue to incur operating losses and negative cash flows from operations for the foreseeable future due to the investments it intends to continue to make in research and development, along with general and administrative, and sales and marketing, expenses incurred to capitalize on market opportunities and drive long-term growth. The Company may require additional financing to fund operations to meet its business plan. The Company's ability to obtain additional financing depends on a number of factors, including, but not limited to, the market price of the Company's Class A common stock, the availability and cost of additional equity capital, the Company's ability to retain the listing of its Class A common stock on The Nasdaq Stock Market, and the general economic and industry conditions affecting the availability and cost of capital.

As of September 30, 2023, the Company had cash and cash equivalents of $256.4 million. Based on current cash resources and the implementation of the previously-disclosed reductions in force in June 2023 and August 2023, the Company believes its cash and cash equivalents will be sufficient to fund estimated operating expenses and capital expenditure requirements for at least 12 months from the date of the issuance of these condensed consolidated financial statements. Management considers that there are no conditions or events in the aggregate that raise substantial doubt about the Company's ability to continue as a going concern for a period of at least one year from the date the condensed consolidated financial statements are issued.

3. Revenue

Disaggregation of Revenue

The following table presents revenue by category:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands, except percentages)				(in thousands, except percentages)			
Point in Time [1]								
PGS	$ 34,202	68 %	$ 40,110	53 %	$ 65,961	59 %	$ 79,800	57 %
Telehealth	6,872	14 %	9,171	12 %	15,157	14 %	18,532	13 %
Consumer services	41,074	82 %	49,281	65 %	81,118	73 %	98,332	70 %
Research services	—	—	—	—	2,353	2 %	—	—
Total	$ 41,074	82 %	$ 49,281	65 %	$ 83,471	75 %	$ 98,332	70 %
Over Time [1]								
PGS	$ 5,400	11 %	$ 4,731	7 %	$ 10,670	10 %	$ 9,216	6 %
Telehealth	2,184	4 %	2,497	3 %	4,423	4 %	5,020	4 %
Consumer services	7,584	15 %	7,228	10 %	15,093	14 %	14,236	10 %
Research services	1,341	3 %	19,150	25 %	12,299	11 %	27,604	20 %
Total	$ 8,925	18 %	$ 26,378	35 %	$ 27,392	25 %	$ 41,840	30 %
Revenue by Category [1]								
PGS	$ 39,602	79 %	$ 44,841	60 %	$ 76,631	69 %	$ 89,016	63 %
Telehealth	9,056	18 %	11,668	15 %	19,580	18 %	23,552	17 %
Consumer services	48,658	97 %	56,509	75 %	96,211	87 %	112,568	80 %
Research services	1,341	3 %	19,150	25 %	14,652	13 %	27,604	20 %
Total	$ 49,999	100 %	$ 75,659	100 %	$ 110,863	100 %	$ 140,172	100 %

(1) There was no Therapeutics revenue for the three and six months ended September 30, 2023 and 2022.

The following table summarizes revenue by region based on the shipping address of customers or the location where the services are delivered:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands, except percentages)				(in thousands, except percentages)			
United States	$ 42,185	84 %	$ 52,546	69 %	$ 85,511	77 %	$ 100,655	72 %
United Kingdom	4,163	8 %	19,030	25 %	18,518	17 %	31,004	22 %
Canada	2,558	5 %	2,839	4 %	4,728	4 %	5,878	4 %
Other regions	1,093	3 %	1,244	2 %	2,106	2 %	2,635	2 %
Total	$ 49,999	100 %	$ 75,659	100 %	$ 110,863	100 %	$ 140,172	100 %

Breakage Revenue

The Company sells through multiple channels, including direct-to-consumer via the Company's website and through online retailers. If the customer does not return the Kit for processing, services cannot be completed by the Company, potentially resulting in unexercised rights ("breakage") revenue. The Company recognized breakage revenue from unreturned Kits of $4.3 million and $6.0 million for the three months ended September 30, 2023 and 2022, respectively, and $8.9 million and $11.0 million for the six months ended September 30, 2023 and 2022, respectively.

Contract Balances

Accounts receivable are recorded when the right to consideration becomes unconditional. Contract assets include amounts associated with contractual rights related to consideration for performance obligations and are included in prepaid expenses and other current assets on the condensed consolidated balance sheets. The amount of contract assets was immaterial as of September 30, 2023 and March 31, 2023.

Contract liabilities consist of deferred revenue. As of September 30, 2023 and March 31, 2023, deferred revenue for consumer services was $39.2 million and $48.6 million, respectively. Of the $48.6 million of deferred revenue for consumer services as of March 31, 2023, the Company recognized $8.9 million and $31.4 million as revenue during the three and six months ended September 30, 2023, respectively.

As of September 30, 2023 and March 31, 2023, deferred revenue for research services was $1.1 million and $14.0 million, respectively. As of March 31, 2023, deferred revenue for research services included $11.8 million of related party deferred revenue. There was no related party deferred revenue as of September 30, 2023. Of the $14.0 million of deferred revenue for research services as of March 31, 2023, the Company recognized $1.2 million and $13.6 million as revenue during the three and six months ended September 30, 2023, respectively, which included related party revenue amounts of $1.1 million and $11.8 million, respectively.

Remaining Performance Obligations

The transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that are expected to be billed and recognized as revenue in future periods. The Company has utilized the practical expedient available under Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606") to not disclose the value of unsatisfied performance obligations for PGS and telehealth as those contracts have an expected length of one year or less. As of September 30, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations for research services was $2.9 million. The Company expects to recognize revenue of approximately 75% of this amount over the next 12 months and the remainder thereafter. During the three and six months ended September 30, 2023 and 2022, the Company did not recognize any revenue for performance obligations satisfied in prior periods.

4. Collaborations

GlaxoSmithKline Agreement

In July 2018, the Company and an affiliate of GlaxoSmithKline ("GSK") entered into a four-year exclusive drug discovery and development collaboration agreement (the "GSK Agreement") for collaboration on identification and development of therapeutic agents with a unilateral option for GSK to extend the term for an additional year. In January 2022, GSK elected to exercise the option to extend the exclusive target discovery term for an additional year to July 2023. In October 2022, the Company received a one-time payment of $50.0 million from GSK in consideration of the exercise of the option pursuant to the GSK Agreement. The exclusive drug discovery period under the GSK Agreement expired on July 23, 2023.

The Company concluded that GSK is considered a customer. Therefore, the Company has applied the guidance in ASC 606 to account for and present consideration received from GSK related to research services provided by the Company. The Company's activities under the GSK Agreement, which included reporting, drug target discovery, and joint steering committee participation, represented one combined performance obligation to deliver research services. In addition, the GSK Agreement, along with subsequent amendments, provided GSK the right to include certain identified pre-existing Company programs in the collaboration at GSK's election, each of which was considered distinct from the research services. The Company recognized research services revenue related to the GSK Agreement as the performance obligation was satisfied using an input method to measure progress. The Company believes that actual hours incurred relative to projected hours was the most accurate measurement of progress for the input method.

Prior to the expiration of the GSK Agreement, drug targets were identified for inclusion in the collaboration during the performance of research services. Cost sharing related to the performance of research services was recorded when incurred within cost of revenue in the Consumer and Research Services segment.

For drug targets that had been identified for inclusion in the collaboration, the Company and GSK continue to equally share in the costs of further research, development, and commercialization of identified targets under the GSK Agreement, subject to certain rights of either party to opt-out of funding at certain predetermined development milestones. These cost-sharing charges for costs incurred subsequent to the identification of drug targets have been included in research and development expense on the condensed consolidated statements of operations and comprehensive loss during the period incurred. The Company may also share in the net profits or losses of products that are commercialized pursuant to the collaboration or receive royalties on products which are successfully commercialized.

The Company recognized research services revenue related to the GSK Agreement of $1.1 million and $14.9 million during the three months ended September 30, 2023 and 2022, respectively, and $11.8 million and $23.2 million during the six months ended September 30, 2023 and 2022, respectively. As of March 31, 2023, the Company had deferred revenue, all of which was current, related to the GSK Agreement of $11.8 million. As of September 30, 2023, the Company did not have any deferred revenue related to the GSK Agreement. Cost-sharing amounts incurred prior to the identification of targets included in cost of revenue were immaterial for each of the three months ended September 30, 2023 and 2022 and each of the six months ended September 30, 2023 and 2022. Cost-sharing amounts incurred subsequent to the identification of targets, included in research and development expenses, were $4.9 million and $2.7 million during the three months ended September 30, 2023 and 2022, respectively, and $8.2 million and $6.3 million during the six months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and March 31, 2023, the Company had $13.7 million and $11.9 million, respectively, related to balances of amounts payable to GSK for reimbursement of shared costs included within accounts payable and accrued expenses and other current liabilities on the condensed consolidated balance sheets.

GSK's affiliate, Glaxo Group Limited, held shares of the Company's Class B common stock representing approximately 20.0% and 20.1% of the Company's combined voting power as of September 30, 2023 and March 31, 2023, respectively; therefore, GSK is considered as a related party to the Company.

5. Segment Information

The Company currently operates in two reporting segments: Consumer and Research Services, and Therapeutics. The Consumer and Research Services segment consists of revenue and expenses from PGS and telehealth, as well as research services revenue and expenses from certain collaboration agreements (including the GSK Agreement). The Therapeutics segment consists of revenues from the out-licensing of intellectual property associated with identified drug targets and expenses related to therapeutic product candidates under clinical development. Substantially all of the Company's revenues are derived from the Consumer and Research Services segment. See Revenue Recognition in Note 3, "*Revenue*," for additional information regarding revenue. There are no inter-segment sales.

Certain department expenses such as Finance, Legal, Regulatory and Supplier Quality, Corporate Communications, Corporate Development, and CEO Office are not reported as part of the reporting segments as reviewed by the CODM (as defined below). These amounts are included in Unallocated Corporate in the reconciliations below. The chief operating decision-maker ("CODM") is the Chief Executive Officer ("CEO"). The CODM evaluates the performance of each segment based on Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that is defined as net income (loss) before net interest income (expense), net other income (expense), income tax expenses (benefit), depreciation and amortization, impairment charges, stock-based compensation expense, and other items that are considered unusual or not representative of underlying trends of our business, including but not limited to: changes in fair value of warrant liabilities and litigation settlements, gains or losses on dispositions of subsidiaries, and transaction-related costs, if applicable for the periods presented.

Adjusted EBITDA is a key measure used by the Company's management and Board of Directors to understand and evaluate the Company's operating performance and trends, to prepare and approve the annual budget, and to develop short-term and long-term operating plans.

The Company's revenue and Adjusted EBITDA by segment is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Segment Revenue: [1]				
Consumer and Research Services	$ 49,999	$ 75,659	$ 110,863	$ 140,172
Total revenue	$ 49,999	$ 75,659	$ 110,863	$ 140,172
Segment Adjusted EBITDA:				
Consumer and Research Services Adjusted EBITDA	$ (6,673)	$ 2,324	$ (12,275)	$ (14,673)
Therapeutics Adjusted EBITDA	(26,224)	(18,663)	(57,363)	(37,128)
Unallocated Corporate [2]	(12,156)	(13,316)	(25,215)	(27,568)
Total Adjusted EBITDA	$ (45,053)	$ (29,655)	$ (94,853)	$ (79,369)
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	$ (75,270)	$ (66,065)	$ (179,894)	$ (155,597)
Adjustments:				
Interest income, net	(3,752)	(1,392)	(8,059)	(1,637)
Other (income) expense, net	(145)	687	(477)	1,122
Provision for (benefit from) income taxes	36	(1,271)	36	(1,525)
Depreciation and amortization	4,474	5,152	8,951	10,256
Amortization of acquired intangible assets	3,638	4,267	7,277	8,582
Stock-based compensation expense	23,741	28,967	74,840	59,430
Loss on disposition of Lemonaid Health Limited and transaction-related costs [3]	2,127	—	2,375	—
Litigation settlement cost	98	—	98	—
Total Adjusted EBITDA	$ (45,053)	$ (29,655)	$ (94,853)	$ (79,369)

(1) There was no Therapeutics revenue for the three and six months ended September 30, 2023 and 2022.

(2) Certain department expenses such as Finance, Legal, Regulatory and Supplier Quality, Corporate Communications, Corporate Development, and CEO Office are not reported as part of the reporting segments as reviewed by the CODM. These amounts are included in Unallocated Corporate.

(3) Refer to Note 17, "*Disposition of Subsidiary*" for additional information.

Customers accounting for 10% or more of segment revenues were as follows:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	(in thousands)				(in thousands)			
Consumer and Research Services Segment Revenue:								
Customer C [1] [2]	$ 13,040	26%	$ 17,057	23%	$ 22,751	21%	$ 26,684	19%
Customer B [3]	*	*	$ 14,925	20%	$ 11,753	11%	$ 23,190	17%

* less than 10%

(1) Customer C is a reseller.

(2) Customer C revenues are primarily in the United States.

(3) Customer B revenues are in the U.K.

Revenue by geographical region can be found in the revenue recognition disclosures in Note 3, "*Revenue.*" Substantially all of the Company's property and equipment, net of depreciation and amortization, was located in the United States during the periods presented. The reporting segments do not present total assets as they are not reviewed by the CODM when evaluating their performance.

6. Variable Interest Entities

In providing telehealth services that include professional medical consultations, the Company maintains relationships with various affiliated professional medical corporations ("PMCs"). Additionally, with respect to its telehealth services involving the sale of prescription products, the Company maintains relationships with affiliated pharmacies (collectively, the "Affiliated Pharmacies") to fill prescriptions that are ordered by the Company's patients. The Company determined that the PMCs and Affiliated Pharmacies are variable interest entities ("VIEs") due to the respective equity holders having nominal capital at risk, and the Company has a variable interest in each of the PMCs and Affiliated Pharmacies. The Company consolidated the PMCs and Affiliated Pharmacies under the VIE model since the Company has the power to direct activities that most significantly impact the VIEs' economic performance and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIEs. Under the VIE model, the Company presents the results of operations and the financial position of the VIEs as part of the condensed consolidated financial statements of the Company.

Furthermore, as a direct result of the financial support the Company provides to the VIEs (e.g., loans), the interests held by holders lack economic substance and do not provide them with the ability to participate in the residual profits or losses generated by the VIEs. Therefore, all income and expenses recognized by the VIEs are allocated to the Company's stockholders.

The aggregate carrying value of total assets and total liabilities included on the condensed consolidated balance sheets for the VIEs after elimination of intercompany transactions were not material as of September 30, 2023 and March 31, 2023. Total revenue included on the condensed consolidated statements of operations and comprehensive loss for the VIEs after elimination of intercompany transactions was $8.5 million and $10.4 million for the three months ended September 30, 2023 and 2022, respectively, and $17.5 million and $21.1 million for the six months ended September 30, 2023 and 2022, respectively. Net loss attributable to the VIEs included on the condensed consolidated statements of operations and comprehensive loss was $3.3 million and $1.7 million for the three months ended September 30, 2023 and 2022, respectively, and $5.8 million and $2.1 million for the six months ended September 30, 2023 and 2022, respectively.

7. Fair Value Measurements

Recurring Fair Value Measurements

The fair value of cash, restricted cash, accounts receivable, accounts payable, and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date as of September 30, 2023 and March 31, 2023.

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis as of September 30, 2023 and March 31, 2023:

	September 30, 2023				March 31, 2023			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
	(in thousands)							
Financial Assets:								
Money market funds	$ 252,000	$ 252,000	$ —	$ —	$ 372,000	$ 372,000	$ —	$ —
Total financial assets	$ 252,000	$ 252,000	$ —	$ —	$ 372,000	$ 372,000	$ —	$ —

Cash equivalents consist primarily of money market funds and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

The Company had no transfers between levels of the fair value hierarchy of its assets and liabilities measured at fair value during the six months ended September 30, 2023 and the fiscal year ended March 31, 2023.

Nonrecurring Fair Value Measurements

Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. Certain of the Company's assets, including intangible assets and goodwill, are measured at fair value on a nonrecurring basis. During fiscal 2023, the Company recorded a $10.0 million impairment charge to write down the value of the U.K. partnership acquired intangible asset to its estimated fair value. There were no impairment charges during the three and six months ended September 30, 2023 and 2022.

8. Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following:

	September 30, 2023	March 31, 2023
	(in thousands)	
Computer and software	$ 9,993	$ 10,376
Laboratory equipment and software	52,803	52,785
Furniture and office equipment	8,963	8,946
Leasehold improvements	40,955	40,964
Capitalized asset retirement obligations	853	853
Property and equipment, gross	113,567	113,924
Less: accumulated depreciation and amortization	(80,762)	(75,316)
Property and equipment, net	$ 32,805	$ 38,608

Depreciation and amortization expense was $3.0 million and $3.9 million for the three months ended September 30, 2023 and 2022, respectively, and $6.0 million and $7.8 million for the six months ended September 30, 2023 and 2022, respectively.

Internal-Use Software, Net

Internal-use software, net consisted of the following:

	September 30, 2023	March 31, 2023
	(in thousands)	
Capitalized internal-use software	$ 30,901	$ 25,180
Less: accumulated amortization	(11,930)	(9,519)
Internal-use software, net	$ 18,971	$ 15,661

The Company capitalized $3.4 million and $2.4 million in internal-use software during the three months ended September 30, 2023 and 2022, respectively, and $6.8 million and $4.3 million in internal-use software during the six months ended September 30, 2023 and 2022, respectively. In addition, the Company wrote off $1.1 million of internal-use software in the three months ended September 30, 2023 related to the disposition of Lemonaid Health Limited, refer to Note 17 — "*Disposition of Subsidiary*" for additional information.

Amortization and impairment of internal-use software was $1.3 million and $1.2 million for the three months ended September 30, 2023 and 2022, respectively, and $2.5 million for each of the six months ended September 30, 2023 and 2022.

Intangible Assets, Net

Intangible assets, net consisted of the following:

	September 30, 2023			
	Weighted Average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands, except years)		
Customer relationships	0.1	$ 14,900	$ (14,279)	$ 621
Partnerships	8.1	9,000	(1,725)	7,275
Trademark	3.1	11,000	(4,217)	6,783
Developed technology	5.1	24,100	(6,599)	17,501
Non-compete agreements	3.1	2,800	(1,073)	1,727
Patents	5.0	5,500	(1,572)	3,928
Total intangible assets		$ 67,300	$ (29,465)	$ 37,835

	March 31, 2023					
	Weighted Average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Cumulative Impairment Charge	Cumulative Currency Translation	Net Carrying Amount
		(in thousands, except years)				
Customer relationships	0.6	$ 14,900	$ (10,554)	$ —	$ —	$ 4,346
Partnerships	8.6	23,200	(4,385)	(9,968)	(1,122)	7,725
Trademark	3.6	11,000	(3,117)	—	—	7,883
Developed technology	5.6	24,100	(4,877)	—	—	19,223
Non-compete agreements	3.6	2,800	(793)	—	—	2,007
Patents	5.5	5,500	(1,164)	—	—	4,336
Total intangible assets		$ 81,500	$ (24,890)	$ (9,968)	$ (1,122)	$ 45,520

Amortization expense for intangible assets was $3.8 million and $4.5 million for the three months ended September 30, 2023 and 2022, respectively, and $7.7 million and $9.0 million for the six months ended September 30, 2023 and 2022, respectively.

During the third quarter of fiscal 2023, due to decreased revenue associated with a delayed product launch and margin forecasts for the U.K. partnership business, the Company performed an interim quantitative impairment test for the U.K. partnership asset group as of December 31, 2022. The fair value of the asset group was calculated using a discounted cash flow and was determined to be lower than its carrying value. As a result, the Company recorded a $10.0 million impairment charge to write down the value of the partnership intangible asset to its estimated fair value. The charge was recorded within sales and marketing expenses in its Consumer and Research Services segment in the condensed consolidated statements of operations and comprehensive loss during the third quarter of fiscal 2023. There was no impairment to intangible assets during the three and six months ended September 30, 2023 and 2022.

Estimated future amortization expense of the identified intangible assets as of September 30, 2023 was as follows:

	Estimated Amortization
	(in thousands)
Fiscal years ending March 31,	
Remainder of 2024 (Remaining six months)	$ 4,581
2025	7,919
2026	7,919
2027	6,769
2028	5,006
Thereafter	5,641
Total estimated future amortization expense	$ 37,835

Accrued Expense and Other Current Liabilities

Accrued expense and other current liabilities consisted of the following:

	September 30, 2023	March 31, 2023
	(in thousands)	
Accrued payables	$ 8,590	$ 17,030
Accrued compensation and benefits	11,693	14,737
Accrued bonus	8,335	21,600
Accrued clinical expenses	15,195	11,707
Accrued taxes and other	873	1,356
Total accrued expenses and other current liabilities	$ 44,686	$ 66,430

9. Restructuring

In June 2023, the Company approved a reduction in force intended to restructure and strategically align its workforce with the Company's strategy and to reduce the Company's operating costs, primarily in the Consumer and Research Services segment. In August 2023, the Company approved a reduction in force primarily intended to restructure and strategically align the Therapeutics workforce. As a result, during the three and six months ended September 30, 2023, the Company recorded restructuring charges of $2.7 million and $6.9, respectively, within restructuring and other charges in the condensed consolidated statements of operations, of which $2.7 million and $6.3 million, respectively, was related to cash severance payments and benefits continuation. During the three months ended June 30, 2023, the Company recorded $0.6 million of non-cash stock compensation to restructuring charges. The Company did not record non-cash stock-compensation to restructuring charges during the three months ended September 30, 2023. These restructuring charges were primarily related to the Research Services and Therapeutics segments.

The following table shows the total amount incurred and accrued related to one-time employee termination benefits:

	One-Time Employee Termination Benefits
	(in thousands)
Accrued restructuring costs included in accrued expenses and other current liabilities as of March 31, 2023	$ —
Restructuring charges incurred during the period	6,871
Amounts paid during the period	(5,939)
Accrued restructuring costs included in accrued expenses and other current liabilities as of September 30, 2023	$ 932

The Company does not expect to incur any further material expenses in connection with the reduction in force events that occurred in June 2023 and August 2023.

10. Leases

The Company has entered into operating leases for its corporate offices, lab facilities, and storage spaces, with remaining contractual periods ranging from 2.3 years to 7.8 years. For the Company's facility in Sunnyvale, California, there is an option to extend the lease for a period of seven years. The Company is not reasonably certain that it will exercise this option and therefore it is not included in its right-of-use ("ROU") assets and lease liabilities as of September 30, 2023. The Company did not have any finance leases for all the periods presented.

For each of the three months ended September 30, 2023 and 2022, the Company recorded operating lease costs of $3.4 million and variable operating lease costs of $1.2 million. For the six months ended September 30, 2023 and 2022, the Company recorded operating lease costs of $6.8 million and $6.7 million, respectively, and variable operating lease costs of $2.5 million and $2.7 million, respectively.

As of September 30, 2023, the future minimum lease payments included in the measurement of the Company's operating lease liabilities were as follows:

	September 30, 2023
	(in thousands)
Fiscal years ending March 31,	
Remainder of 2024 (Remaining six months)	$ 6,333
2025	15,474
2026	15,946
2027	15,472
2028	11,666
Thereafter	41,429
Total future operating lease payments	106,320
Less: imputed interest	(25,271)
Total operating lease liabilities	$ 81,049

11. Commitments and Contingencies

Non-cancelable Purchase Obligations

In the normal course of business, the Company enters into agreements containing non-cancelable purchase commitments for goods or services with various parties. As of September 30, 2023, the Company had a total of $21.8 million in outstanding non-cancelable purchase obligations with a term of 12 months or longer.

Legal Matters

The Company is subject to certain routine legal and regulatory proceedings, as well as demands and claims that arise in the normal course of business. Certain conditions may exist as of the date that the consolidated financial statements are issued, which may result in a loss to the Company, but will only be recorded when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against and by the Company or unasserted claims that may result in such proceedings, the Company's management evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought. As of the date of this Form 10-Q, management was not aware of any matters that are reasonably likely to have a material adverse impact on the Company's business, financial position, results of operations, or cash flows.

Indemnification

The Company enters into indemnification provisions under agreements with other companies in the ordinary course of business, including, but not limited to, collaborators, landlords, vendors, and contractors. Pursuant to these arrangements, the Company agrees to indemnify, defend, and hold harmless the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Company's activities. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the Company believes the fair value of these provisions is not material. The Company maintains insurance, including commercial general liability insurance and product liability insurance, to offset certain potential liabilities under these indemnification provisions. In addition, the Company indemnifies its officers, directors, and certain key employees against claims made with respect to matters that arise while they are serving in their respective capacities as such, subject to certain limitations set forth under applicable law, the Company's Bylaws, and applicable indemnification agreements. As of September 30, 2023, the Company was not aware of any known events or circumstances that have resulted in a material claim related to these indemnification obligations.

12. Stockholders' Equity

Common Stock

The Company has authorized Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion rights. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share. Each share of Class B common stock is convertible into one share of Class A common stock any time at the option of the holder and is automatically converted into one share of Class A common stock upon transfer (except for certain permitted transfers). Once converted into Class A common stock, the Class B common stock will not be reissued.

Earn-Out Shares

As of September 30, 2023 and March 31, 2023, the Class A common stock included 3,814,125 shares held by VGAC founders ("Earn-Out Shares") that are subject to a lock-up of seven years from the Closing Date. The lock-up has an early release effective (i) with respect to 50% of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $12.50 per share for any 20 trading days within any 30-trading-day period, and (ii) with respect to the other 50% of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $15.00 per share for any 20 trading days within any 30-trading-day period; provided that the transfer restrictions applicable to the Earn-Out Shares will terminate on the date following the closing date on which the Company completes a liquidation, merger, amalgamation, capital stock exchange, reorganization, or other similar transaction that results in all of the Company's public stockholders having the right to exchange their shares of Class A common stock for cash, securities, or other property (a "Liquidation Event"), if such Liquidation Event occurs prior to the date that the stock price thresholds referenced in (i) and (ii) are met. As of September 30, 2023, the Company did not meet any earn out thresholds. The Earn-Out Shares are issued and outstanding Class A common shares that cannot be forfeited, and as such meet the criteria for equity classification in accordance with ASC 505, *Equity*.

Reserve for Issuance

The Company has the following shares of Class A common stock reserved for future issuance, on an as-if-converted basis:

	September 30, 2023	March 31, 2023
Outstanding stock options	75,637,943	68,050,752
Outstanding restricted stock units	40,751,261	26,562,566
Remaining shares available for future issuance under Amended and Restated 2021 Incentive Equity Plan	93,024,795	55,922,182
Remaining shares available for future issuance under Employee Stock Purchase Plan	11,839,766	13,349,302
Total shares of common stock reserved	221,253,765	163,884,802

At-the-Market ("ATM") Offering

On February 6, 2023, the Company entered into a Sales Agreement (the "Sales Agreement") with Cowen and Company, LLC ("Cowen" or the "Agent"), pursuant to which the Company may sell through the Agent, as the Company's sales agent, from time to time, at the Company's option, up to $150 million in aggregate principal amount of an indeterminate amount of shares (the "ATM Shares") of the Company's Class A common stock. Subject to the terms of the Sales Agreement, the Agent will use reasonable efforts to sell the ATM Shares from time to time, based upon the Company's instructions (including any price, time, or size limits or other customary parameters or conditions the Company may impose), by methods deemed to be an "at the market offering" as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended, and pursuant to, and only upon the effectiveness of, the Shelf Registration Statement. The Company will pay the Agent a commission of 3.0% of the gross proceeds from the sales of the ATM Shares, if any. The Company has also agreed to provide the Agent with customary indemnification and contribution rights. The offering of the ATM Shares will terminate upon the earliest of (a) the sale of the maximum number or amount of the ATM Shares permitted to be sold under the Sales Agreement and (b) the termination of the Sales Agreement by the parties thereto. While the Company cannot provide any assurances that it will sell any ATM Shares pursuant to the Sales Agreement, the Company expects to use the net proceeds from the sale of securities under the Sales Agreement, if any, for general corporate purposes, including working capital requirements and operating expenses; the Company, however, has not allocated the net proceeds for specific purposes. As of September 30, 2023, the Company had not made any sales under the Sales Agreement.

13. Equity Incentive Plans and Stock-Based Compensation

Incentive Equity Plans

In 2006, 23andMe, Inc. established its 2006 Equity Incentive Plan, as amended (the "2006 Plan"), which provided for the grant of stock options and restricted stock to its employees, directors, officers, and consultants. The 2006 Plan allowed for time-based or performance-based vesting for the awards. The 2006 Plan was amended and restated at various times since its adoption.

On June 10, 2021, the shareholders of VGAC approved the 23andMe Holding Co. 2021 Incentive Equity Plan (the "2021 Plan") and reserved 136,000,000 authorized shares of the Company's Class A common stock for issuance thereunder. In addition, all equity awards of 23andMe, Inc. that were issued under the 2006 Plan were converted into comparable equity awards that are settled or exercisable for shares of the Company's Class A common stock. As a result, each 23andMe, Inc. stock option was converted into an option to purchase shares of the Company's Class A common stock based on an exchange ratio of 2.293698169. As of the effective date of the 2021 Plan, no further stock awards have been or will be granted under the 2006 Plan.

On September 6, 2023 (the "Effective Date"), the Company's stockholders approved the 23andMe Holding Co. Amended and Restated 2021 Incentive Equity Plan (the "A&R Plan"). The terms of the A&R Plan replace the existing terms of the 2021 Plan. The A&R Plan was adopted to, among other things, (i) increase the number of shares authorized for issuance by 75,000,000 shares of Class A common stock of the Company, (ii) increase the percentage of shares that may automatically be added on an annual basis to the number of authorized shares from 3% to 5%, (iii) increase the individual annual compensation limit for non-employee directors from $300,000 to $400,000 and to provide that the limit applies on a fiscal-year basis, (iv) revise what constitutes a change of control of the Company, (v) add additional performance measures, and (vi) implement certain other modifications and clarifications as set forth in the A&R Plan. The maximum aggregate number of shares of Class A common stock that may be issued under the A&R Plan with respect to awards granted on or after the Effective Date is the sum of (i) 75,000,000 shares of Class A common stock, (ii) any shares of Class A common stock that remain available for awards under the 2021 Plan as of the Effective Date, and (iii) any shares of Class A common stock subject to outstanding awards under the 2021 Plan as of the Effective Date that are payable in shares and that expire, are forfeited, or are otherwise terminated without having been exercised, vested, or settled in full, or are paid in cash, as applicable, on or after the Effective Date, subject to adjustment as described in the A&R Plan. As of September 30, 2023, 209,413,999 shares of the Company's Class A common stock remained available for future issuance under the A&R Plan.

Options under the A&R Plan have a contractual life of up to ten years. The exercise price of a stock option shall not be less than 100% of the estimated fair value of the shares on the date of grant, as determined by the Board of Directors. For Incentive Stock Options ("ISO") as defined in the Internal Revenue Code of 1986, as amended (the "Code"), the exercise price of an ISO granted to a 10% stockholder shall not be less than 110% of the estimated fair value of the underlying stock on the date of grant as determined by the Board of Directors. The Company's options generally vest over three to four years. Under the A&R Plan, stock option awards entitle the holder to receive one share of Class A common stock for every option exercised.

Under the A&R Plan, RSUs may be granted to employees, non-employee directors and consultants. The RSUs generally vest ratably over a period ranging from one to four years and are subject to the participant's continuing service to the Company over that period, except for the RSUs issued under the 2022 AIP as discussed below, which vest immediately upon issuance. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

In February 2022, the Compensation Committee of the Company's Board of Directors adopted a RSU conversion and deferral program for non-employee directors. The purpose of the program is to provide non-employee directors with the option to convert all or a portion of their cash compensation into a RSU award under the A&R Plan and the opportunity to defer settlement of all or a portion of their RSU awards. As of September 30, 2023, four non-employee directors had elected to convert all of their cash compensation into RSU awards, and two non-employee directors had elected to defer settlement of their RSU awards under the program.

On June 9, 2022, the Compensation Committee of the Company's Board of Directors adopted an Annual Incentive Plan (the "2022 AIP"), pursuant to which, beginning in fiscal 2023, which began on April 1, 2022, employees and certain service providers of 23andMe, Inc. and its affiliates were eligible to receive annual incentive bonuses in the form of cash or RSUs issued by the Company under the A&R Plan, based upon the Company's achievement of certain pre-established financial, operational, and strategic performance metrics. On June 5, 2023, the fiscal 2023 annual incentive bonuses were paid in the form of RSUs based upon the Company's achievement of certain pre-established financial, operational, and strategic performance metrics and as determined by the Compensation Committee of the Company's Board of Directors. The number of RSUs granted was determined by dividing the dollar amount of the 2022 AIP annual incentive bonuses for fiscal 2023 by the trailing average closing price of the Company's Class A common stock for the 20 days preceding the date of payment, resulting in the grant of 8,961,053 shares underlying fully-vested RSUs.

The Company accounts for the RSUs issued under the 2022 AIP (the "2022 AIP RSUs") as liability awards, and adjusts the liability and corresponding expenses at the end of each quarter until the date of settlement, considering the probability that the performance conditions will be satisfied. The Company recorded stock-based compensation expense of $2.4 million and $4.8 million related to the 2022 AIP RSUs for the three months ended September 30, 2023 and 2022, respectively, and $6.8 million and $9.7 million related to the 2022 AIP RSUs for the six months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and March 31, 2023, the liability of the 2022 AIP RSUs was $8.0 million and $18.9 million, respectively, which was included in other current liabilities on the condensed consolidated balance sheet.

Stock Option Activity

Stock option activity and activity regarding shares available for grant under the A&R Plan are as follows:

	Options Outstanding			
	Outstanding Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	(in thousands, except share, years, and per share data)			
Balance as of March 31, 2023	68,050,752	$ 4.20	6.0	$ 10,621
Granted	13,097,016	$ 1.25		
Exercised	(1,009,279)	$ 0.47		
Canceled/forfeited/expired	(4,500,546)	$ 4.85		
Balance as of September 30, 2023	75,637,943	$ 3.70	6.0	$ 2,086
Vested and exercisable as of September 30, 2023	49,157,358	$ 4.23	4.6	$ 1,661

The weighted average grant date fair value per share of options granted was $0.87 and $2.54 for the six months ended September 30, 2023 and 2022, respectively. The total intrinsic value of vested options exercised for the six months ended September 30, 2023 and 2022 was $1.0 million and $4.1 million, respectively. As of September 30, 2023, unrecognized stock-based compensation expense related to unvested stock options was $82.5 million, which is expected to be recognized over a weighted-average period of 2.6 years. Due to a valuation allowance on deferred tax assets, the Company did not recognize any tax benefit from stock option exercises for the three and six months ended September 30, 2023 and 2022.

The Company estimated the fair value of options granted using the Black-Scholes option-pricing model. The fair value of stock options is being amortized on a straight-line basis over the requisite service period of the awards.

The weighted average Black-Scholes assumptions used to value stock options at the grant dates are as follows:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	Min	Max	Min	Max	Min	Max	Min	Max
Expected term (years)	5.8	6.0	6.0	6.0	5.8	6.0	6.0	6.8
Expected volatility	78%	79%	78%	81%	78%	79%	76%	81%
Risk-free interest rate	4.4%	4.4%	2.9%	3.6%	3.6%	4.4%	2.8%	3.6%
Expected dividend yield	—	—	—	—	—	—	—	—

Restricted Stock Units

The following table summarizes the RSU activity under the equity incentive plans and related information:

	Unvested RSUs	Weighted-Average Grant Date Fair Value Per Share
Balance as of March 31, 2023	26,562,566	$ 4.73
Granted	37,261,482	$ 1.96
Vested	(15,190,229)	$ 2.95
Canceled/forfeited	(7,882,558)	$ 3.54
Balance as of September 30, 2023	40,751,261	$ 3.10

As of September 30, 2023, unrecognized stock-based compensation expense related to outstanding unvested RSUs was $103.1 million, which is expected to be recognized over a weighted-average period of 2.7 years.

Stock Subject to Vesting

In November 2021, in connection with the Lemonaid Acquisition, the Company granted 3,747,027 shares of Class A common stock with an aggregate grant date fair value of $43.9 million to two recipients, each of whom was a former stockholder and officer of Lemonaid Health (each, a "Former Lemonaid Officer") and each of whom, following the closing of the Lemonaid Acquisition, joined the Company's management team. The shares vest over a four-year period in quarterly installments beginning on February 1, 2022, subject to the respective recipient's continued employment with the Company. In connection with the Lemonaid Acquisition, each of these recipients entered into a relinquishment agreement that provides that during the four-year period that commenced on November 1, 2021 (the "Protection Period"), the Company will not (i) terminate the recipient's employment without cause, (ii) materially reduce the recipient's base salary or the benefits to which similarly-situated executive employees of the Company or the Company's subsidiaries are entitled, other than a broad-based reduction to the same extent that applies to such similarly-situated executive employees, or (iii) relocate the recipient's principal place of employment to a location outside of a 50-mile radius of their current principal place of employment. If any such event occurs during the Protection Period or in the event of recipient's death or disability, then the unvested portion(s) of these awards will immediately vest.

The employment of one of the Former Lemonaid Officers terminated as of June 30, 2023, which resulted in $22.0 million of related stock-based compensation expense recognized during the six months ended September 30, 2023 within general and administrative expenses.

The Company recognized total stock-based compensation expense related to these awards of $0.4 million and $2.8 million for the three months ended September 30, 2023 and 2022, respectively, and $25.1 million and $5.5 million for the six months ended September 30, 2023 and 2022, respectively, within general and administrative expenses.

On November 1, 2023, the employment of the other Former Lemonaid Officer terminated. As a result, stock-based compensation expense associated with the relinquishment agreements of $3.1 million will be recognized during the third quarter of fiscal 2024 within general and administrative expenses.

Employee Stock Purchase Plan

On June 10, 2021, the shareholders of VGAC approved the 23andMe Holding Co. Employee Stock Purchase Plan ("ESPP"). A total of 11,420,000 shares of the Company's Class A common stock were initially reserved for issuance under the ESPP. Pursuant to the terms of the ESPP, the number of shares of the Company's Class A common stock reserved for issuance will automatically increase on January 1 of each calendar year, beginning on January 1, 2023, by the lesser of (i) an amount equal to one percent (1.0%) of the total number of shares of Class A and Class B common stock outstanding as of the last day of the immediately preceding December 31st, (ii) 5,000,000 shares, or (iii) a lesser number of shares as determined by the Board of Directors in its discretion. As of September 30, 2023, 4,151,849 shares of the Company's Class A common stock have been issued and 11,839,766 shares remained available for future issuance under the ESPP.

The ESPP provides for concurrent 12-month offerings with successive six-month purchase intervals commencing on March 1 and September 1 of each year and purchase dates occurring on the last day of each such purchase interval (i.e., August 31 and February 28). The ESPP contains a rollover provision whereby if the price of the Company's Class A common stock on the first day of a new offering period is less than the price on the first day of any preceding offering period, all participants in a preceding offering period with a higher first day price will be automatically withdrawn from such preceding offering period and re-enrolled in the new offering period. The rollover feature, when triggered, will be accounted for as a modification to the preceding offering period, resulting in incremental expense to be recognized over the new offering period.

The Company estimated the fair value of ESPP granted using the Black-Scholes option-pricing model. The fair value of ESPP is being amortized on a straight-line basis over the requisite service period, which is the withholding period. The weighted average Black-Scholes assumptions used to value ESPP at the grant dates are as follows:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	Min	Max	Min	Max	Min	Max	Min	Max
Expected term (years)	0.5	1.0	0.5	1.0	0.5	1.0	0.5	1.0
Expected volatility	67%	73%	98%	109%	67%	73%	98%	109%
Risk-free interest rate	5.4%	5.5%	3.3%	3.5%	5.4%	5.5%	3.3%	3.5%
Expected dividend yield	—	—	—	—	—	—	—	—

Stock-Based Compensation

Total stock-based compensation expense, including stock-based compensation expense related to awards classified as liabilities, was included in costs and expenses as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Cost of revenue	$ 1,497	$ 2,413	$ 3,969	$ 5,740
Research and development	10,938	12,003	22,630	24,079
Sales and marketing	2,016	2,003	3,734	4,892
General and administrative [(1)]	9,290	12,548	43,866	24,719
Restructuring and other charges	—	—	641	—
Total stock-based compensation expense	$ 23,741	$ 28,967	$ 74,840	$ 59,430

(1) Includes $22.0 million of stock-based compensation expense related to the termination of a Former Lemonaid Officer during the six months ended September 30, 2023.

14. Net Loss Per Share Attributable to Common Stockholders

The net loss attributable to common stockholders is allocated on a proportionate basis, and the resulting net loss per share is identical for Class A common stock and Class B common stock under the two-class method.

No dividends were declared or paid for the three and six months ended September 30, 2023 and 2022.

The Company’s stock options, RSUs, restricted stock awards subject to vesting, and estimated shares to be issued under the ESPP are considered to be potential common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

Net loss attributable to common stockholders was equivalent to net loss for all periods presented.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders for the periods presented:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023		2022		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
	(in thousands, except share and per share data)				(in thousands, except share and per share data)			
Numerator:								
Net loss attributable to common stockholders	$ (48,699)	$ (26,571)	$ (38,067)	$ (27,999)	$ (115,546)	$ (64,348)	$ (87,069)	$ (68,529)
Denominator:								
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	307,225,596	167,632,670	259,230,808	190,668,729	300,973,789	167,618,220	250,807,903	197,403,805
Net loss per share attributable to common stockholders:								
Net loss per share attributable to common stockholders, basic and diluted	$ (0.16)	$ (0.16)	$ (0.15)	$ (0.15)	$ (0.38)	$ (0.38)	$ (0.35)	$ (0.35)

The potential shares of Class A common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive were as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Outstanding stock options	75,637,943	69,845,695	75,637,943	69,845,695
Restricted stock units	40,725,010	24,961,669	40,725,010	24,961,669
Shares subject to vesting	301,314	3,044,461	301,314	3,044,461
ESPP	5,662,218	2,863,702	5,662,218	2,863,702
Total	122,326,485	100,715,527	122,326,485	100,715,527

There were no potential shares of Class B common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented.

15. Retirement Benefit Plans

The Company has established a 401(k) retirement plan that allows participating employees in the U.S. to contribute as defined by the plan and is subject to limitations under Section 401(k) of the Code. The Company matches the greater of 100% of the first 2% or 100% of the first $2,300 (subject to annual compensation and contribution limits) of employee contributions. The Company recognized matching contributions cost of $0.5 million and $0.6 million for the three months ended September 30, 2023 and 2022, respectively, and $1.4 million and $1.2 million for the six months ended September 30, 2023 and 2022, respectively.

16. Income Taxes

The Company computes the provision for income taxes by applying the estimated annual effective tax rate to year-to-date income from recurring operations and adjusts the provision for discrete tax items recorded in the period. The Company's annual estimated effective tax rate differs from the U.S. federal statutory rate primarily as a result of a valuation allowance against its deferred tax assets.

An immaterial tax provision and a tax benefit of $1.3 million was recognized for the three months ended September 30, 2023 and 2022, respectively, and an immaterial tax provision and a tax benefit of $1.6 million was recognized for the six months ended September 30, 2023 and 2022, respectively. The provision and benefit from income taxes is reflected on the condensed consolidated statements of operations and comprehensive loss for the periods. The Company continues to maintain a full valuation allowance on the remaining net deferred tax assets of the U.S. entities as it is more likely than not that the Company will not realize the deferred tax assets. Utilization of net operating loss carryforwards may be subject to future annual limitations provided by Section 382 of the Code and similar state provisions.

The Company files income tax returns in the U.S. federal jurisdiction, various states, and the U.K. The Company is not currently under examination by income tax authorities in federal, state, or other jurisdictions. All tax returns will remain open for examination by the federal and state authorities for three and four years, respectively, from the date of utilization of any net operating loss or credits.

17. Disposition of Subsidiary

Disposition of Lemonaid Health Limited

On August 1, 2023, the Company completed the sale of Lemonaid Health Limited, its wholly-owned, indirect U.K. subsidiary. Lemonaid Health Limited was not a significant subsidiary, and the disposition of Lemonaid Health Limited did not constitute a strategic shift that would have a major effect on the Company's operations or financial results. As a result, the results of operations for Lemonaid Health Limited were not reported as discontinued operations under the guidance of ASC 205 "*Presentation of Financial Statements*." During the three and six months ended September 30, 2023, the Company recorded $2.1 million and $2.4 million, respectively, of loss on the disposition of Lemonaid Health Limited and transaction-related costs within general and administrative expenses. The Company does not expect to incur any further material expenses in connection with the disposition.

18. Subsequent Events

Cyber Security Incident

On October 10, 2023, the Company reported that certain profile information, which a customer creates and chooses to share with their genetic relatives in the DNA Relatives feature, was accessed from individual 23andMe.com accounts without the account users' authorization (the "incident"). While the Company's investigation is ongoing, it appears an unauthorized third party downloaded a file that included the data points of various users' DNA Relatives profiles, and then created posts on other websites with links containing such information where other third parties could download this information. As of the filing date of this Quarterly Report on Form 10-Q, it is unclear who and how many third parties may download this information from such posts. Based on the Company's investigation as of the filing date of this Quarterly Report on Form 10-Q, the Company does not have any indication at this time that there has been a data security incident within its systems, or that it was the source of the account credentials used in these attacks. As of the filing date of this Quarterly Report on Form 10-Q, the Company believes that the threat actor was able to access certain accounts in instances usernames and passwords that were used on 23andMe.com were the same as those used on other websites that had been previously compromised or otherwise available. The Company's investigation into this matter is ongoing, and it is still discerning the implications of the incident. As

of the filing of this Quarterly Report on Form 10-Q, as a result of this incident, multiple class action claims have been filed against the Company in federal and state court in California, as well as in British Columbia, which the Company is defending. These cases are at an early stage, and the Company cannot predict the outcome. The Company is also assessing its response to notices filed by consumers under the California Consumer Privacy Act and to inquiries from various governmental officials and agencies. The full scope of the costs and related impacts of this incident and the related litigation, including, without limitation, the availability of insurance to offset some of these costs, cannot be estimated at this time.

Amendment to GSK Agreement

On October 27, 2023, the Company entered into an amendment to the GSK Agreement (the "2023 GSK Amendment") to provide GSK with a non-exclusive license to certain new, de-identified, aggregated data of the Company's database (the "New Data"), as well as access to certain Company research services with respect to such New Data. The Company will receive a $20.0 million data access fee in two installments consisting of (i) $5.0 million following the execution of the 2023 GSK Amendment and (ii) the remaining $15.0 million after the date on which GSK receives the New Data from the Company, which is expected to be delivered by December 1, 2023. The New Data license will expire one year after GSK provides the Company with a notice that GSK is ready to use the New Data (notice is anticipated no later than September 30, 2024), unless the parties enter into a separate extension agreement. The 2023 GSK Amendment also enables the Company to opt-out of cost-sharing and other research and development obligations with respect to three programs initiated by GSK and the Company under the original GSK Agreement. The Company will retain rights to receive low to mid-single digit royalties on net sales of products developed in any such opted-out program.

The foregoing summary of the 2023 GSK Amendment is qualified in its entirety by reference to the full text of the 2023 GSK Amendment, which is attached hereto as Exhibit 10.2 and incorporated herein by reference.

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

The following discussion and analysis provide information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended March 31, 2023 ("Fiscal 2023 Form 10-K"), including the audited consolidated financial statements of 23andMe Holding Co. as of March 31, 2023 and 2022 and Management's Discussion and Analysis of Financial Condition and Results of Operations included therein, as well as the accompanying unaudited condensed consolidated financial statements and notes thereto included in this Form 10-Q.

In addition to historical information, this discussion and analysis contains forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those discussed in the Fiscal 2023 Form 10-K and our subsequent reports filed with the SEC, that could cause actual results to differ materially from historical results or anticipated results. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to the "Company," "23andMe," "we," "us," and "our" refer to 23andMe Holding Co., a Delaware corporation formerly known as VG Acquisition Corp. and its consolidated subsidiaries.

Overview

Our mission is to help people access, understand, and benefit from the human genome. To achieve this, we are building the leading direct-to-consumer precision medicine platform that powers our genetics driven therapeutics and research business.

We are dedicated to empowering customers to live healthier lives by providing consumers direct access to their genetic information, and digital access to affordable personalized healthcare through our Lemonaid Health (as defined below) telehealth platform.

We pioneered direct-to-consumer genetic testing, giving consumers unique, personalized information about their genetic health risks, ancestry, and traits. We were the first company to obtain Food and Drug Administration ("FDA") authorization for a direct-to-consumer genetic test, and we are the only company to have FDA authorization, clearance, or an exemption from premarket notification for all of the carrier status, genetic health risk, cancer predisposition, and pharmacogenetics reports that we offer to customers. As of September 30, 2023, we had over 65 health and carrier status reports that were available to customers in the U.S.

Through our Lemonaid Health telehealth platform, we connect patients to licensed healthcare professionals to provide affordable and direct online access to medical care, from consultation through treatment, for a number of common conditions, using evidence-based guidelines and up-to-date clinical protocols. When medications are prescribed by Lemonaid Health's affiliated healthcare professionals, patients can use Lemonaid Health's online pharmacy for fulfillment. Patients also can access telehealth consultations for certain 23andMe genetic reports through Lemonaid Health.

We believe that we can revolutionize research through our premier database of genetic and phenotypic information crowdsourced from our millions of engaged customers. We have built the world's largest crowdsourced platform for genetic research, with over 80% of our customers electing to participate in our research program as of September 30, 2023. We believe that this platform allows us to accelerate research at an unprecedented scale, enabling us to discover insights into the origins of diseases and to speed the discovery and development of novel therapies.

We are developing a broad portfolio of genetically validated therapeutic candidates for a variety of diseases across different therapeutic areas with high unmet medical need. We have a diversified and differentiated portfolio, including one product candidate in clinical development, as well as multiple discovery stage programs. Each of our programs has been validated through our human genetics drug discovery platform. We believe that the combination of a genetically validated discovery platform, to increase the probability of technical success, and a maturing therapeutic portfolio will position us for long-term success in our goal to advance next-generation, targeted medicines for people living with serious and life-threatening diseases.

Our Therapeutics business focuses on the use of genetic insights to validate and develop novel therapies to improve patients' lives. We currently have research programs across several therapeutic areas, including oncology, respiratory, and cardiovascular diseases. In July 2018, we signed an exclusive agreement with an affiliate of GlaxoSmithKline plc ("GSK") to leverage genetic insights to validate, rapidly progress development, and commercialize useful new drugs to market (the "GSK Agreement"). While the exclusive target discovery term of the GSK Agreement, the majority of which was included in the Consumer and Research Services segment, ended on July 23, 2023, the collaboration portion for our jointly-developed programs continues, which is included in the Therapeutics segment. As the exclusive target discovery term of the GSK Agreement concluded in July 2023, we are able to pursue new target discovery collaborations with other parties that leverage our extensive database, maturing capabilities and successful drug discovery track record through our work with GSK. We will continue to collaborate with GSK on a number of ongoing programs per the GSK Agreement. In October 2023, we entered into an amendment to the GSK Agreement (the "2023 GSK Amendment") to provide GSK with a non-exclusive license to certain new, de-identified, aggregated data of the Company's database (the "New Data"), as well as access to certain of our research services with respect to such New Data. See Note 18 — "*Subsequent Events*" to our condensed consolidated financial statements for details. In addition to our collaboration with GSK, we have several proprietary programs.

Our first joint immuno-oncology antibody collaboration program with GSK targeting CD96 (GSK6097608, or GSK'608) entered clinical trials in 2020. We elected to take a royalty option on the program per the terms of the GSK Agreement. GSK will be solely responsible for GSK'608's subsequent development in later-stage clinical trials, including full development costs moving forward, except as previously agreed with GSK.

In addition to our collaboration with GSK, we have several proprietary programs. Our most advanced program, 23ME-00610, is an antibody that blocks CD200R1 to inhibit the suppression of T-cells by tumors to reactivate their immune response. 23ME-00610 is wholly owned by us, and this program entered Phase 1 clinical trials in January 2022 and has started the Phase 2a portion of the study. For any other wholly-owned programs or any programs as to which GSK has exercised its option to opt out and elected to take a royalty option, we have the opportunity to collaborate with, or out-license such programs to, third parties or to develop them independently.

We operate in two reporting segments: (1) Consumer and Research Services and (2) Therapeutics. The Consumer and Research Services segment consists of our PGS and telehealth business, as well as research services that we perform under agreements with third parties, including the GSK Agreement, relating to the use of our genotypic and phenotypic data to identify promising drug targets. The Therapeutics segment consists of revenues from the out-licensing of intellectual property associated with identified drug targets and expenses related to therapeutic product candidates under clinical development, including the continuation of any jointly-developed collaboration programs that were identified during the exclusive target discovery term of the GSK Agreement. During the three and six months ended September 30, 2023 and 2022, all our revenues were derived from our Consumer and Research Services segment. See "*Adjusted EBITDA*" section below.

Key Factors Affecting Results of Operations

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those set forth in Part I, Item 1A., "Risk Factors," of the Fiscal 2023 Form 10-K.

New Customer Acquisition

PGS. Our ability to attract new customers is a key factor for the future growth of our PGS business and our database. Our historical financial performance has largely been driven by the rate of sales of our PGS kits. Revenue from our PGS business, primarily composed of kit sales, represented approximately 79% and 60% of our total revenues for the three months ended September 30, 2023 and 2022, respectively, and approximately 69% and 63% of our total revenues for the six months ended September 30, 2023 and 2022, respectively. In addition, kit sales are a source of subscribers to our subscription service, which represented approximately 9% and 5% of our total revenue during the three months ended September 30, 2023 and 2022, respectively, and approximately 8% and 5% of our total revenues for the six months ended September 30, 2023 and 2022, respectively. We expect PGS revenues to fluctuate in the near-term and to grow long-term, as we continue to evolve our product offerings across kit sales and our subscription service, and introduce new products or features that enhance or add value for customers and members. This will be achieved by increasing awareness of our current and new offerings in existing markets and expanding into new markets.

Purchasing patterns of our kits are largely influenced by product innovation, marketing spend, and varying levels of price discounting on our products. Sales and marketing expenses are typically higher during promotional windows that align with gift-giving portions of the year, with an emphasis on the holiday period, other gift-giving and family-oriented holidays such as Mother's Day and Father's Day, and major Amazon sales events such as Prime Day, which may change from year to year. Over time, we expect the seasonality of our business to continue, with pronounced increases in revenue recognized in the fourth fiscal quarter, following our holiday promotions.

Telehealth. Our ability to attract new patients and members is a key factor for the future growth of our telehealth business. Revenue from our telehealth business represented approximately 18% and 15% of our total revenue during the three months ended September 30, 2023 and 2022, respectively, and approximately 18% and 17% of our total revenues for the six months ended September 30, 2023 and 2022, respectively. There are many participants in the telehealth market, including new entrants and traditional health care systems offering virtual care, and competition continues to intensify.

Engagement of Research Participants

Our ability to conduct research and grow our database of genotypic and phenotypic information depends on our customers' willingness to consent to participate in our research. As of September 30, 2023, over 80% of our customers have consented to participate in research. These customers permit us to use their de-identified data in our research and many of them regularly respond to our research surveys, providing us with phenotypic data in addition to the genetic data in their DNA samples. We analyze this genotypic and phenotypic data and conduct genome-wide association studies and phenome-wide association studies, which enable us to determine whether particular genetic variants affect the likelihood of individuals developing certain diseases.

Our customers can withdraw their consent to participate in research at any time. If a significant number of our customers were to withdraw their consent, or if the percentage of consenting customers were to decline significantly in the future, our ability to conduct research successfully could be diminished, which could adversely affect our business.

Drug Target Productivity of Our Genetics Database

Our genetics database underpins our research programs and enables us to identify drug targets with novel genetic evidence. As of March 31, 2023, we had identified over 50 drug targets. We expect the current productivity of our genetics database to continue based on the increasing amounts of data that we expect to result from increased kit sales and customer engagement. Any significant decline in such productivity would have a negative impact on our ability to identify drug targets and ultimately to develop and commercialize new drugs.

Development of Therapeutic Product Candidates

Our ability to successfully identify and develop therapeutic product candidates will determine the success of our Therapeutics business over time. Developing therapeutic product candidates with novel genetic evidence requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As of March 31, 2023, we had over 50 programs in our pipeline in various stages of research and development that have been selected and are being pursued by us or by GSK through our collaboration.

For the therapeutic product candidate GSK6097608, our first joint immuno-oncology antibody program with GSK, we have elected to take a royalty option, and GSK is solely responsible for continued clinical development. Our wholly-owned immuno-oncology antibody, 23ME-00610, entered Phase 1 clinical trials in January 2022 and has started the Phase 2a portion of the Phase 1/2a study. Additional programs are in research or preclinical stages of development. We have incurred, and will continue to incur, significant research and development costs for preclinical studies and clinical trials. We expect that our research and development expenses will continue to constitute a significant portion of our expenses in future periods.

Collaborations

Substantially all of our research services revenues were generated from the GSK Agreement. In January 2022, GSK elected to exercise its option to extend the exclusive target discovery term of the ongoing collaboration with us for an additional year to July 2023. In October 2022, we received a one-time payment of $50.0 million from GSK in consideration of the exercise of the option pursuant to the GSK Agreement. In addition, we elected to take a royalty option on our joint immuno-oncology antibody collaboration program with GSK targeting CD96 (GSK6097608, or GSK'608). GSK will be solely responsible for GSK'608's subsequent development in later-stage clinical trials, including full development costs moving forward.

The exclusive target discovery term under the GSK Agreement expired in July 2023. Accordingly, our ability to enter into new collaboration agreements will affect our research services revenues. If we are unable to enter into additional collaboration agreements, our future research services revenue may decline.

As discussed above, in October 2023, we entered into the 2023 GSK Amendment. See Note 18 — "*Subsequent Events*" to our condensed consolidated financial statements for details.

Ability to Commercialize Our Therapeutics Products

Our ability to generate revenue from our therapeutic product candidates depends on our and our collaborators' ability to successfully complete clinical trials for our therapeutic product candidates and receive regulatory approval, particularly in the United States, Europe, and other major markets.

We believe that our broad portfolio of therapeutic product candidates with novel genetic evidence and validated targets enhances the likelihood that our research and development efforts will yield successful therapeutic product candidates. Nonetheless, we cannot be certain if any of our therapeutic product candidates will receive regulatory approvals. Even if such approvals are granted, we will thereafter need to establish manufacturing and supply arrangements and engage in extensive marketing efforts and expenses prior to generating any revenue from such products. The ultimate commercial success of our products will depend on their acceptance by patients, the medical community, and third-party payors, their ability to compete effectively with other therapies in the market, and the appropriate pricing and reimbursement of the products by third-party payors.

The competitive environment is also an important factor with the commercial success of our therapeutic product candidates, and our ability to successfully commercialize a therapeutic product candidate will depend on whether there are competing therapeutic product candidates in development or already marketed by other companies.

Expansion into New Categories

We launched our 23andMe+ subscription service in October 2020, and through our acquisition of Lemonaid Health, Inc. ("Lemonaid Health") in November 2021 (the "Lemonaid Acquisition"), we began providing access to telehealth services in November 2021. We expect to expand into new categories and innovative healthcare models with the goal of driving future growth. Those opportunities include product enhancements, such as our proprietary polygenic risk scores, new product offerings aimed at extending our personalized and customer-centric philosophy to primary healthcare, and potential additional acquisitions of other consumer-oriented healthcare businesses. Such expansion would allow us to increase the number of engaged customers who purchase or subscribe for additional products and services.

The success of our subscription service will depend upon our ability to acquire and retain subscribing customers over an extended period. Retention of customers will be based on the perceived value of the premium content and features they receive. If we are unable to provide sufficiently compelling new content and features, subscribers may not renew.

Similarly, the success of our telehealth business is dependent on our ability to attract and retain patients and members. Category expansion allows us to increase the number of patients to whom we can provide products and services. It also allows us to offer access to treatment of additional conditions that may already affect our current patients. Expanding into new categories will require financial investments in additional headcount, marketing and customer acquisition expenses, additional operational capabilities, and may require the purchase of new inventory. If we are unable to generate sufficient demand in new categories, we may not recover the financial investments we make into new categories and revenue may not increase in the future.

Investments in Growth and Innovation

Our research platform is based on a continually growing database of genotypic and phenotypic information. Our database allows us to conduct analyses in a broad-based fashion, by searching for genetic signatures of particular diseases or the likelihood of a particular genetic variant causing disease in a particular individual or group of individuals who share the same trait. Our platform enables us to rapidly and serially conduct studies across an almost unlimited number of conditions at unprecedented statistical power, yielding insights into the causes and potential treatments of a wide variety of diseases.

We believe that our research platform enables us to rapidly identify genetically validated drug targets with improved odds of clinical success. With our state-of-the-art bioinformatics capabilities, we analyze the trillions of data points in our database, optimizing the use of our resources, to genetically validate drug targets, inform patient selection for clinical trials, and increase the probability of success of our programs. We plan to advance, partner or out-license new potential drug candidates through the rapid selection of those with compelling clinical promise.

We expect to continue investing in our business to capitalize on market opportunities and the long-term growth of our Company. We intend to make significant investments in therapeutics research and development efforts and in marketing to acquire new customers and drive brand awareness, and also expect to incur software development costs as we work to enhance our existing products, expand the depth of our subscription service, and design new offerings, including additional primary care offerings. In addition, we expect to incur increased expenses associated with operating as a public company. The expenses we incur may vary significantly by quarter depending, for example, on when significant hiring takes place, and as we focus on building out different aspects of our business. We regularly evaluate our capital allocation approach to make sure our capital is being used for the highest value-creating activities and in the most efficient manner. This may require changes to investment levels, how we operate, or are structured to ensure alignment to business priorities.

Recent Developments

In June 2023, as previously reported, we undertook a reduction in force intended to restructure and strategically align our workforce with our strategy and to reduce operating costs. The reduction in force involved approximately 9% of the then-current workforce. The restructuring charges were primarily related to the Consumer and Research Services segment.

In August 2023, as previously reported, we undertook a reduction in force primarily intended to restructure and strategically align the Therapeutics workforce. The reduction in force involved approximately 11% of the Company’s then-current workforce and 47% of the then-current Therapeutics segment.

On October 10, 2023, we reported that certain profile information, which a customer creates and chooses to share with their genetic relatives in the DNA Relatives feature, was accessed from individual 23andMe.com accounts without the account users’ authorization (the “incident”). While the Company’s investigation is ongoing, it appears an unauthorized third party downloaded a file that included the data points of various users’ DNA Relatives profiles, and then created posts on other websites with links containing such information where other third parties could download this information. As of the filing date of this Quarterly Report on Form 10-Q, it is unclear who and how many third parties may download this information from such posts. Based on our investigation as of the filing date of this Quarterly Report on Form 10-Q, we do not have any indication at this time that there has been a data security incident within our systems, or that we were the source of the account credentials used in these attacks. As of the filing date of this Quarterly Report on Form 10-Q, we believe that the threat actor was able to access certain accounts in instances usernames and passwords that were used on 23andMe.com were the same as those used on other websites that had been previously compromised or otherwise available. Our investigation into this matter is ongoing, and it is still discerning the implications of the incident. As of the filing of this Quarterly Report on Form 10-Q, as a result of this incident, multiple class action claims have been filed against the Company in federal and state court in California, as well as in British Columbia, which the Company is defending. These cases are at an early stage, and the Company cannot predict the outcome. The Company is also assessing its response to notices filed by consumers under the California Consumer Privacy Act and to inquiries from various governmental officials and agencies. The full scope of the costs and related impacts of this incident and related litigation, including, without limitation, the availability of insurance to offset some of these costs, cannot be estimated at this time. See Note 18, “*Subsequent Events - Cyber Security Incident.*”

Basis of Presentation

The unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Form 10-Q include the accounts of 23andMe Holding Co. and its consolidated subsidiaries and variable interest entities and were prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). As 23andMe, Inc. is considered our accounting predecessor, certain historical financial information presented in the condensed consolidated financial statements represents the accounts of 23andMe, Inc. and its wholly owned subsidiary.

As discussed above, we operate in two reporting segments: (1) Consumer and Research Services and (2) Therapeutics. The Consumer and Research Services segment consists of our PGS and telehealth business, as well as research services that we perform under agreements with third parties, including the GSK Agreement, relating to the use of our genotypic and phenotypic data to identify promising drug targets. The Therapeutics segment consists of revenues from the out-licensing of intellectual property associated with identified drug targets and expenses related to therapeutic product candidates under clinical development. Substantially all our revenues are derived from our Consumer and Research Services segment.

Key Business Metrics

We monitor the following key metrics to help us evaluate our business, identify trends, formulate business plans, and make strategic decisions. We believe that the following metrics are useful in evaluating our business:

- ***PGS Customers.*** "Customers" means individuals who have registered a PGS kit and provided their DNA sample. We view Customers as an important metric to assess our financial performance because each Customer has registered a kit and has engaged with us by providing us with their DNA sample. These Customers may be interested in purchasing additional PGS products and services or in becoming subscribers to our 23andMe+ subscription service, especially if they consent to participate in our research. We had approximately 14.6 million and 14.1 million Customers as of September 30, 2023 and March 31, 2023, respectively.

- ***Consenting Customers***. "Consenting Customers" are Customers who have affirmatively opted in to participate in our research program. Consenting Customers are critical to our research programs and to the continuing growth of our database, which we use to identify drug targets and to generate new and interesting additional ancestry and health reports. Moreover, Consenting Customers respond to our research surveys, providing useful phenotypic data about their traits, habits, and lifestyles, which we analyze using de-identified data to determine whether a genetic variant makes an individual more or less likely to develop certain diseases. A Consenting Customer is likely to be more engaged with our brand, which may lead to the purchase of our 23andMe+ subscription service and to participation in further research studies, helping us to advance our research. As of September 30, 2023, over 80% of our Customers were Consenting Customers.

- ***Subscribers.*** This metric represents the number of subscribers who have signed up for our 23andMe+ subscription service, which was launched in October 2020. We believe that 23andMe+, and any other future subscription offerings, will position us for future growth, as the membership model, which is annual for 23andMe+, represents a previously untapped source of recurring revenue. We are continually investing in new reports and features to provide to subscribers as part of the 23andMe+ membership, which we believe will enhance customer lifetime value as customers can make new discoveries about themselves. We believe that this, in turn, will help to scale our customer acquisition costs and create expanding network effects. As of March 31, 2023 and 2022, our 23andMe+ membership base had approximately 640,000 and 425,000 subscribers, respectively.

- ***Adjusted EBITDA.*** Adjusted EBITDA is the measure of segment profitability reported to our CEO, the CODM. See "*—Adjusted EBITDA*" below for a reconciliation of Adjusted EBITDA to net loss.

Components of Results of Operations

Revenue

We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), when we transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Our consolidated revenue is composed primarily of sales of PGS kits to customers and telehealth services, which include online medical visits, pharmacy services, and memberships, as well as revenues from target discovery activities as part of our research collaborations through our Consumer and Research Services segment. Additionally, revenue is generated through our collaboration agreements in our Therapeutics segment primarily as a result of the out-licensing of intellectual property to collaboration partners.

See Note 2, "*Summary of Significant Accounting Policies*," to the consolidated financial statements included in our Fiscal 2023 Form 10-K for a more detailed discussion of our revenue recognition policies.

Cost of Revenue, Gross Profit, and Gross Margin

Cost of revenue for PGS primarily consists of cost of raw materials, lab processing fees, personnel-related expenses, including salaries, benefits, and stock-based compensation, shipping and handling, and allocated overhead. Cost of revenue for telehealth primarily consists of personnel-related expenses as described above that we incur for medical services, prescription drug costs, packaging and shipping, and amortization of intangible assets. Cost of revenue for research services primarily consists of personnel-related expenses as described above, and allocated overhead. We expect cost of revenue to fluctuate from period to period in the foreseeable future in absolute dollars but gradually decrease as a percentage of revenue over the long term.

Our gross profit represents total revenue less our total cost of revenue, and our gross margin is our gross profit expressed as a percentage of our total revenue. Our gross profit and gross margin have been and will continue to be affected by a number of factors, including the volume of PGS kit sales recognized, the prices we charge for our PGS products and research services, the prices we charge for telehealth services (medical visits, pharmacy services, and memberships), the fees we incur for lab processing PGS kits, the costs we incur for medical services and prescription drug costs, the revenues from our collaboration agreements, and the personnel costs to fulfill them. We expect our Consumer and Research Services gross margin to increase over the long term as subscription revenues become a higher percentage of revenue mix, although our gross margin may fluctuate from period to period. Substantially all our research services revenue in the periods presented was derived from the GSK Agreement, the exclusive target discovery term of which expired in July 2023. In October 2023, we entered into an amendment to the GSK Agreement (the "2023 GSK Amendment" to provide GSK with a non-exclusive license to certain new, de-identified, aggregated data of the Company's database (the "New Data"), as well as access to certain of our research services with respect to such New Data. See Note 18 — "*Subsequent Events*" to our condensed consolidated financial statements for details. If we are unable to add new research services agreements, our research services revenue may decline substantially.

Operating Expenses

Our operating expenses primarily consist of research and development, sales and marketing, and general and administrative expenses. Personnel-related expenses, which include salaries, benefits, and stock-based compensation, is the most significant component of research and development and general and administrative expenses. Advertising and brand-related spend and personnel-related expenses represent the primary components of sales and marketing expenses. Operating expenses also include allocated overhead costs. Overhead costs that are not substantially dedicated for use by a specific functional group are allocated based on headcount. Allocated overhead costs include shared costs associated with facilities (including rent and utilities) and related personnel, information technology and related personnel, and depreciation of property and equipment. We regularly evaluate our capital allocation approach to make sure our capital is being used for the highest value-creating activities and in the most efficient manner. This may require changes to investment levels, how we operate, or are structured to ensure alignment to business priorities.

Research and Development Expenses

Our research and development expenses support our efforts to add new services and add new features to our existing services, and to ensure the reliability and scalability of our services across our Consumer and Research Services segment. Research and development expenses also include our efforts to discover and genetically validate new therapeutic product candidates and continue to develop our portfolio of existing therapeutic product candidates, either our own proprietary programs or those in collaboration with partners across our Therapeutics segment. Research and development expenses primarily consist of personnel-related expenses, including salaries, benefits, and stock-based compensation associated with our research and development personnel, collaboration expenses, preclinical and clinical trial costs, laboratory services and supplies costs, third-party data services, and allocated overhead.

We plan to continue to invest in personnel to support our research and development efforts. We intend to make significant investments in therapeutics research and development efforts as we ramp up clinical trials for either our own proprietary or collaboration programs, such as the GSK collaboration. We expect that research and development expenses will increase on an absolute dollar basis in the foreseeable future as we continue to invest in our products, pipeline, and infrastructure for long-term growth. In addition, our research and development expenses may fluctuate as a percentage of revenue from period to period due to the timing and amount of these expenses.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of advertising costs, personnel-related expenses, including salaries, benefits, and stock-based compensation associated with our sales and marketing personnel, amortization and impairment of intangible assets, and outside services.

Advertising and brand costs consist primarily of direct expenses related to television, online and radio advertising, including production and branding, paid search, online display advertising, direct mail, affiliate programs, marketing collateral, market research and public relations. Advertising production costs are expensed the first time the advertising takes place, and all other advertising costs are expensed as incurred. Deferred advertising costs primarily consist of vendor payments made in advance to secure media spots across varying media channels, as well as production costs incurred before the first time the advertising takes place. Deferred advertising costs are expensed on the first date the advertisements occur. In addition, advertising costs include platform fees due to brokers related to our third-party retailers.

We expect our sales and marketing expenses to gradually decrease as a percentage of revenue over the long term, although our sales and marketing expenses may fluctuate as a percentage of revenue from period to period due to promotional strategies that drive the timing and amount of these expenses.

General and Administrative Expenses

General and administrative expenses primarily consist of personnel-related expenses, including salaries, benefits, and stock-based compensation associated with corporate management, including our CEO office, finance, legal, compliance, regulatory, corporate communications, corporate development, and other administrative personnel. In addition, general and administrative expenses include professional fees for external legal, accounting, and other consulting services, as well as credit card processing fees related to PGS kit sales and telehealth services.

We expect general and administrative expenses to increase in the near term as a result of operating as a public company, including expenses associated with compliance with SEC rules and regulations, and related increases in legal, audit, insurance, investor relations, professional services, and other administrative expenses. However, we anticipate general and administrative expenses to stabilize over the long term and gradually decrease as a percentage of revenue, although it may fluctuate as a percentage of total revenue from period to period due to the timing and amount of these expenses.

Restructuring and Other Charges

Restructuring and other charges consists of costs directly associated with employee-related exit or disposal activities. Such costs include employee severance and termination benefits associated with a reduction in force, if applicable for the period.

Other Income (Expense)

Other income (expense) includes interest income, net, and other income (expense), net. Interest income, net primarily consists of interest income earned on our cash deposits and cash equivalents. Other income (expense), net primarily consists of effects of changes in foreign currency exchange rates, and other non-operating income and expenditures.

Provision for Income Taxes

Income tax provision primarily consisted of separate state tax expense generated by one of the variable interest entities. Deferred tax assets are reduced by a valuation allowance to the extent management believes it is not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgments about future taxable income based on assumptions that are consistent with our plans and estimates.

Results of Operations

Comparisons for the Three and Six Months Ended September 30, 2023 and 2022

The following table sets forth our unaudited condensed consolidated statements of operations for the three months ended September 30, 2023 and 2022, respectively, and for the six months ended September 30, 2023 and 2022, respectively, and the dollar and percentage change between the two periods:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Revenue	$ 49,999	$ 75,659	$ (25,660)	(34%)	$ 110,863	$ 140,172	$ (29,309)	(21%)
Cost of revenue [1]	28,270	37,386	(9,116)	(24%)	58,453	76,409	(17,956)	(23%)
Gross profit	21,729	38,273	(16,544)	(43%)	52,410	63,763	(11,353)	(18%)
Operating expenses:								
Research and development [1]	54,588	52,598	1,990	4%	116,917	104,607	12,310	12%
Sales and marketing [1]	18,328	24,835	(6,507)	(26%)	40,986	58,269	(17,283)	(30%)
General and administrative [1]	25,290	28,881	(3,591)	(12%)	76,030	58,524	17,506	30%
Restructuring and other charges [1]	2,654	—	2,654	100%	6,871	—	6,871	100%
Total operating expenses	100,860	106,314	(5,454)	(5%)	240,804	221,400	19,404	9%
Loss from operations	(79,131)	(68,041)	(11,090)	16%	(188,394)	(157,637)	(30,757)	20%
Other income (expense):								
Interest income, net	3,752	1,392	2,360	170%	8,059	1,637	6,422	392%
Other income (expense), net	145	(687)	832	(121%)	477	(1,122)	1,599	(143%)
Loss before income taxes	(75,234)	(67,336)	(7,898)	12%	(179,858)	(157,122)	(22,736)	14%
Provision for (benefit from) income taxes	36	(1,271)	1,307	(103%)	36	(1,525)	1,561	(102%)
Net loss	$ (75,270)	$ (66,065)	$ (9,205)	14%	$ (179,894)	$ (155,597)	$ (24,297)	16%

(1) Includes stock-based compensation expense as follows:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Cost of revenue	$ 1,497	$ 2,413	$ (916)	(38%)	$ 3,969	$ 5,740	$ (1,771)	(31%)
Research and development	10,938	12,003	(1,065)	(9%)	22,630	24,079	(1,449)	(6%)
Sales and marketing	2,016	2,003	13	1%	3,734	4,892	(1,158)	(24%)
General and administrative [(a)]	9,290	12,548	(3,258)	(26%)	43,866	24,719	19,147	77%
Restructuring and other charges	—	—	—	—	641	—	641	100%
Total stock-based compensation expense	$ 23,741	$ 28,967	$ (5,226)	(18%)	$ 74,840	$ 59,430	$ 15,410	26%

(a) Includes $22.0 million of stock-based compensation expense related to the termination of a Former Lemonaid Officer during the six months ended September 30, 2023.

The following table sets forth our condensed consolidated statements of operations data expressed as a percentage of revenue for the three and six months ended September 30, 2023:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenue	100%	100%	100%	100%
Cost of revenue	57%	49%	53%	55%
Gross profit	43%	51%	47%	45%
Operating expenses:				
Research and development	109%	70%	105%	74%
Sales and marketing	37%	33%	37%	41%
General and administrative	51%	38%	69%	42%
Restructuring and other charges	5%	0%	6%	0%
Total operating expenses	202%	141%	217%	157%
Loss from operations	(159%)	(90%)	(170%)	(112%)
Other income (expense):				
Interest income, net	8%	2%	7%	1%
Other expense, net	0%	(1%)	1%	(1%)
Loss before income taxes	(151%)	(89%)	(162%)	(112%)
Provision for (benefit from) income taxes	0%	(2%)	0%	(1%)
Net loss	(151%)	(87%)	(162%)	(111%)

Revenue

Total revenue decreased by $25.7 million, or 34%, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. The decrease in total revenue was due to a $17.8 million decrease in Research Services revenue, primarily attributable to a decrease of $13.8 million in GSK collaboration revenue as the GSK Agreement's exclusive target discovery term concluded in July 2023, providing only one month of GSK collaboration revenue in the quarter, while the prior year period included three months of GSK collaboration revenue. Similarly, revenue under research contracts with third parties decreased by $4.0 million against the prior year quarter, in which we experienced unusually high revenue under research contracts with third parties, as certain non-recurring specified milestones were achieved in the prior year quarter. The decrease in total revenue was also driven by a $7.9 million decrease in Consumer Services revenue, which included a (i) decrease of $6.5 million from PGS kit revenue driven mainly by lower PGS kit sales volume and a (ii) $2.6 million decrease in telehealth services revenue, both of which were primarily driven by reductions in certain marketing campaigns, lower advertising channel spend, and less price discounting during the period, resulting in higher average selling prices on PGS kit sales and greater marketing spend efficiency within telehealth services. The foregoing decreases to Consumer Services revenue were partially offset by a $1.3 million increase in subscription services revenue.

Total revenue decreased by $29.3 million, or 21%, for the six months ended September 30, 2023, as compared to the six months ended September 30, 2022. The decrease in total revenue was due to a $16.4 million decrease in Consumer Services revenue, which included a decrease of (i) $15.2 million in PGS kit revenue driven mainly by lower PGS kit sales volume and a (ii) $4.0 million decrease in telehealth services revenue, both of which were primarily driven by reductions in certain marketing campaigns, lower advertising channel spend and less price discounting during the period, resulting in higher average selling prices on PGS kit sales and greater marketing spend efficiency within telehealth services. The foregoing decreases to Consumer Services revenue were partially offset by a $2.8 million increase in subscription services revenue. The decrease in total revenue was also driven by a $12.9 million decrease in Research Services revenue, primarily attributable to a $11.4 million decrease in GSK collaboration revenue as the GSK Agreement's exclusive target discovery term concluded in July 2023, providing only four months of GSK collaboration revenue in the period, while the prior year included six months of GSK collaboration revenue. Additionally, revenue under research contracts with third parties decreased by $1.5 million, as certain non-recurring specified milestones were achieved in the prior year period.

Cost of Revenue, Gross Profit and Gross Margin

Total cost of revenue decreased by $9.1 million, or 24%, for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022. Cost of revenue for Consumer Services decreased by $7.1 million, driven by a $3.6 million reduction in telehealth services cost of revenue primarily from lower personnel-related expenses and its share of related overhead allocations following the disposition of Lemonaid Health Limited during the three months ended September 30, 2023, as well as lower pharmaceutical supplies costs, shipping and consulting expenses due to lower order volume. Additionally, cost of revenue for Consumer Services decreased by $3.5 million primarily due to lower lab processing, shipping, supplies, software, and depreciation costs related to lower PGS kit sales volume. Cost of revenue for Research Services decreased by $2.0 million primarily due to lower project hours incurred in the GSK collaboration as the GSK Agreement's exclusive target discovery term concluded in July 2023, as discussed above.

Total cost of revenue decreased by $18.0 million, or 23%, for the six months ended September 30, 2023, as compared to the six months ended September 30, 2022. Cost of revenue for Consumer Services decreased by $14.2 million, due to a $10.3 million decrease related to lower PGS kit sales volume, primarily from lower lab processing, shipping, supplies, software, and depreciation costs. Consumer Services cost of revenue also decreased due to a $3.9 million reduction in telehealth services cost of revenue primarily from lower personnel-related expenses and its share of related overhead allocations following the disposition of Lemonaid Health Limited during the six months ended September 30, 2023, as well as lower pharmaceutical supplies costs, shipping and consulting expenses due to lower order volume. Cost of revenue for Research Services decreased by $3.7 million primarily due to lower project hours incurred in the GSK collaboration as the GSK Agreement's exclusive target discovery term concluded in July 2023, as discussed above.

Our gross profit decreased by $16.5 million, or 43%, to $21.7 million for the three months ended September 30, 2023, from $38.3 million for the three months ended September 30, 2022. The decrease in year-over-year gross profit was primarily due to the decrease in Research Services revenue and Consumer Services revenue, as discussed above.

Our gross profit decreased by $11.4 million, or 18%, to $52.4 million for the six months ended September 30, 2023, from $63.8 million for the six months ended September 30, 2022. The decrease in year-over-year gross profit was primarily due to the decrease in Consumer Services and Research Services revenue, as discussed above.

Our gross margin declined year over year from 51% for the three months ended September 30, 2022 to 43% for the three months ended September 30, 2023. The decrease in gross margin was primarily due to the decrease in GSK collaboration revenue, as discussed above. Gross margin has historically been higher for activities associated with research services than PGS kit sales or telehealth services. These gross margin decreases were partially offset by continued growth in our subscription services, increased average selling prices on PGS kit sales, and improved telehealth services gross margin following the June 2023 reduction in force.

Our gross margin improved year over year from 45% for the six months ended September 30, 2022 to 47% for the six months ended September 30, 2023. While we experienced decreases in Consumer Services revenue and Research Services revenue in the current period, the impact of these decreases to gross margin were primarily offset by continued improvement in average selling prices on PGS kit sales, growth in subscription services and the benefit of four months of GSK collaboration revenue at a higher gross margin than in the prior year due to the economic terms of the final year of the exclusive target discovery term under the GSK Agreement.

Research and Development Expenses

The following table sets forth our research and development expenses for the three and six months ended September 30, 2023 and 2022, and the dollar and percentage change between the two periods:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Personnel-related expenses	$ 28,737	$ 30,422	$ (1,685)	(6%)	$ 61,618	$ 61,162	$ 456	1%
Lab-related research services	11,886	7,941	3,945	50%	28,808	15,511	13,297	86%
Facilities, other overhead allocation, and other	12,338	11,761	577	5%	24,088	23,346	742	3%
Depreciation, equipment and supplies	1,627	2,474	(847)	(34%)	2,403	4,588	(2,185)	(48%)
Total research and development expenses	$ 54,588	$ 52,598	$ 1,990	4%	$ 116,917	$ 104,607	$ 12,310	12%

Research and development expenses for the three months ended September 30, 2023 increased to $54.6 million, as compared to $52.6 million for the three months ended September 30, 2022. The $2.0 million, or 4%, increase was primarily attributable to a $3.9 million increase in lab-related research services from advancing our proprietary and collaboration programs, partially offset by a $1.7 million decrease in personnel-related expenses primarily due to the June and August 2023 reductions in force. See Note 9 —"*Restructuring*" to our condensed consolidated financial statements for details.

Research and development expenses for the six months ended September 30, 2023 increased to $116.9 million, as compared to $104.6 million for the six months ended September 30, 2022. The $12.3 million, or 12%, increase was primarily attributable to a $13.3 million increase in lab-related research services from advancing our proprietary and collaboration programs. The foregoing increase was partially offset by a $2.2 million decrease in depreciation, equipment and supplies primarily due to increased capitalization of internal-use software from a greater number of project hours in development during the six months ended September 30, 2023.

For the three months ended September 30, 2023 and 2022, 48% and 54% of total research and development expenses were attributable to the Consumer and Research Services business, respectively, and 52% and 46% were attributable to our Therapeutics business, respectively. For the six months ended September 30, 2023 and 2022, 44% and 54% of total research and development expenses were attributable to the Consumer and Research Services business, respectively, and 56% and 46% were attributable to our Therapeutics business, respectively.

Sales and Marketing Expenses

The following table sets forth our sales and marketing expenses for the three and six months ended September 30, 2023 and 2022, and the dollar and percentage change between the two periods:

	Three Months Ended September 30,				Six Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Advertising and brand	$ 7,748	$ 12,380	$ (4,632)	(37%)	$ 19,689	$ 32,915	$ (13,226)	(40%)
Personnel-related expenses	4,656	5,297	(641)	(12%)	9,358	11,417	(2,059)	(18%)
Depreciation, amortization and impairment	2,638	3,266	(628)	(19%)	5,275	6,581	(1,306)	(20%)
Outside services, equipment and supplies	1,433	1,773	(340)	(19%)	3,157	3,196	(39)	(1%)
Facilities and other overhead allocation	1,853	2,119	(266)	(13%)	3,507	4,160	(653)	(16%)
Total sales and marketing expenses	$ 18,328	$ 24,835	$ (6,507)	(26%)	$ 40,986	$ 58,269	$ (17,283)	(30%)

Sales and marketing expenses for the three months ended September 30, 2023 amounted to $18.3 million, as compared to $24.8 million for the three months ended September 30, 2022, representing a decrease of $6.5 million, or 26%. This decrease was primarily driven by a $4.6 million decrease in advertising and brand-related expenses due to fewer marketing campaigns and lower advertising channel spend during the three months ended September 30, 2023.

Sales and marketing expenses for the six months ended September 30, 2023 amounted to $41.0 million, as compared to $58.3 million for the six months ended September 30, 2022, representing a decrease of $17.3 million, or 30%. The decrease was primarily driven by a $13.2 million decrease in advertising and brand-related expenses due to fewer marketing campaigns and lower advertising channel spend, a $2.1 million decrease in personnel-related expenses primarily due to a reduction in headcount from the disposition of Lemonaid Health Limited and the June 2023 reduction in force, and a $1.3 million decrease in depreciation, amortization and impairment expenses mainly due to the impairment of intangible asset acquired from the Lemonaid Acquisition during fiscal 2023.

General and Administrative Expenses

Total general and administrative expenses decreased by $3.6 million, or 12%, from $28.9 million for the three months ended September 30, 2022 to $25.3 million for the three months ended September 30, 2023. The decrease in general and administrative expenses was primarily due to a $3.0 million decrease in personnel-related expenses, which was primarily driven by the decrease in stock-based compensation expense as a result of the departure of a Former Lemonaid Officer in the first quarter of fiscal 2024. See Note 13 — "*Equity Incentive Plans and Stock-Based Compensation*" to our condensed consolidated financial statements for details.

Total general and administrative expenses increased by $17.5 million, or 30%, from $58.5 million for the six months ended September 30, 2022 to $76.0 million for the six months ended September 30, 2023. The increase in general and administrative expenses was primarily due to a $20.2 million increase in personnel-related expenses, which was primarily driven by the increase in stock compensation expense as a result of the departure of a Former Lemonaid Officer in the first quarter of fiscal 2024. The foregoing increase was partially offset by a $1.0 million decrease in facilities and other overhead allocation expenses.

Restructuring and Other Charges

Restructuring and other charges for the three months ended September 30, 2023 were $2.7 million, which consisted of employee severance and termination benefits related to the August 2023 reduction in force.

Restructuring and other charges for the six months ended September 30, 2023 were $6.9 million, which consisted primarily of employee severance and termination benefits related to the June 2023 and August 2023 reductions in force of $6.3 million, of which $0.6 million was non-cash stock-based compensation expense. See Note 9 — "*Restructuring*" to our condensed consolidated financial statements for details.

There were no restructuring and other charges incurred during the three and six months ended September 30, 2022.

Interest Income, net

Interest income, net increased by $2.4 million from $1.4 million for the three months ended September 30, 2022 to $3.8 million for the three months ended September 30, 2023 primarily due to interest yields earned on cash equivalents held in money market funds.

Interest income, net increased by $6.4 million from $1.6 million for the six months ended September 30, 2022 to $8.0 million for the six months ended September 30, 2023 primarily due to interest yields earned on cash equivalents held in money market funds.

Adjusted EBITDA

We evaluate the performance of each segment based on Adjusted EBITDA, which is a non-GAAP financial measure that we define as net income (loss) before net interest income (expense), net other income (expense), income tax expenses (benefit), depreciation and amortization, impairment charges, stock-based compensation expense, and other items that are considered unusual or not representative of underlying trends of our business, including but not limited to: changes in fair value of warrant liabilities and litigation settlements, gains or losses on dispositions of subsidiaries, and transaction-related costs if applicable for the periods presented. Adjusted EBITDA is a key measure used by our management and our Board of Directors to understand and evaluate our operating performance and trends, to prepare and approve our annual budget, and to develop short- and long-term operating plans. In particular, we believe that the exclusion of the items eliminated in calculating Adjusted EBITDA provides useful measures for period-to-period comparisons of our business. Accordingly, we believe that Adjusted EBITDA provides useful information in understanding and evaluating our operating results in the same manner as our management and our Board of Directors. Adjusted EBITDA should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. Other companies, including companies in our industry, may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of Adjusted EBITDA as a tool for comparison. There are a number of limitations related to the use of these non-GAAP financial measures rather than net loss, which is the most directly comparable financial measure calculated in accordance with GAAP.

Some of the limitations of Adjusted EBITDA include (i) Adjusted EBITDA does not properly reflect capital commitments to be paid in the future, and (ii) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures. In evaluating Adjusted EBITDA, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or non-recurring items. When evaluating our performance, you should consider Adjusted EBITDA alongside other financial performance measures, including our net loss and other GAAP results.

The following tables reconcile net loss to Adjusted EBITDA for the three and six months ended September 30, 2023 and 2022 on a Company-wide basis and for each of our segments:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Segment Revenue: [1]				
Consumer and Research Services	$ 49,999	$ 75,659	$ 110,863	$ 140,172
Total revenue	$ 49,999	$ 75,659	$ 110,863	$ 140,172
Segment Adjusted EBITDA:				
Consumer and Research Services Adjusted EBITDA	$ (6,673)	$ 2,324	$ (12,275)	$ (14,673)
Therapeutics Adjusted EBITDA	(26,224)	(18,663)	(57,363)	(37,128)
Unallocated Corporate [2]	(12,156)	(13,316)	(25,215)	(27,568)
Total Adjusted EBITDA	$ (45,053)	$ (29,655)	$ (94,853)	$ (79,369)
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	$ (75,270)	$ (66,065)	$ (179,894)	$ (155,597)
Adjustments:				
Interest income, net	(3,752)	(1,392)	(8,059)	(1,637)
Other (income) expense, net	(145)	687	(477)	1,122
Provision for (benefit from) income taxes	36	(1,271)	36	(1,525)
Depreciation and amortization	4,474	5,152	8,951	10,256
Amortization of acquired intangible assets	3,638	4,267	7,277	8,582
Stock-based compensation expense	23,741	28,967	74,840	59,430
Loss on disposition of Lemonaid Health Limited and transaction-related costs [3]	2,127	—	2,375	—
Litigation settlement cost	98	—	98	—
Total Adjusted EBITDA	$ (45,053)	$ (29,655)	$ (94,853)	$ (79,369)

(1) There was no Therapeutics revenue for the three and six months ended September 30, 2023 and 2022.

(2) Certain department expenses such as Finance, Legal, Regulatory and Supplier Quality, Corporate Communications, Corporate Development, and CEO Office are not reported as part of the reporting segments as reviewed by the CODM. These amounts are included in Unallocated Corporate.

(3) Refer to Note 17, "*Disposition of Subsidiary*" for additional information.

Consumer and Research Services

Consumer and Research Services Adjusted EBITDA declined by $9.0 million for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to a decrease in total revenue of $25.7 million. The decrease in total revenue was due to a $17.8 million decrease in Research Services revenue, primarily attributable to a $13.8 million decrease in GSK collaboration revenue as the GSK Agreement's exclusive target discovery term concluded in July 2023, providing one month of GSK collaboration revenue in the quarter while the prior year period included a full quarter of GSK collaboration revenue. Similarly, revenue under research contracts with third parties decreased by $4.0 million against a high comparison period as certain non-recurring specified milestones were achieved in the prior year quarter. The decrease in total revenue was also driven by a decrease in Consumer Services revenue of $7.9 million, attributable to a (i) decrease of $6.5 million from PGS kit revenue driven mainly by lower PGS kit sales volume and a (ii) $2.6 million decrease in telehealth services revenue, both of which were primarily due to reductions in certain marketing campaigns, lower advertising channel spend and less price discounting during the three months ended September 30, 2023, resulting in higher average selling prices on kit sales and greater marketing spend efficiency within telehealth services. The foregoing decreases to Consumer Services revenue were partially offset by a $1.3 million increase in subscription services revenue.

Additionally, advertising and brand-related spend decreased by $4.6 million due to reductions in certain marketing campaigns and advertising channel spend between the comparative periods, and cost of revenue decreased by $4.7 million primarily due to lower lab processing, equipment, consulting, shipping and supplies related to lower PGS kit sales volume. Personnel-related expenses also decreased by $4.6 million as a result of lower headcount compared to the same period last year following a reduction in force in the quarter ended June 30, 2023. Other operating expenses also decreased by $3.0 million driven by consulting services, increased capitalization of internal use software, decreased business insurance premiums and credit card fees.

Consumer and Research Services Adjusted EBITDA improved by $2.4 million for the six months ended September 30, 2023, as compared to the six months ended September 30, 2022, primarily due to decreased advertising and brand-related spend by $13.2 million due to reductions in certain marketing campaigns and advertising channel spend between the comparative periods, and a decrease of $10.2 million in cost of revenue-related lab processing, equipment, consulting, shipping and supplies mainly as a result of lower PGS kit sales volume. The improvement was also attributable to $3.3 million lower personnel-related expenses as headcount decreased compared to the same period last year following a reduction in force in the quarter ended June 30, 2023, as well as higher capitalization of internal use software by $2.5 million. Consulting services, business insurance premiums, equipment and supplies and other operating expenses also decreased by $2.4 million.

The foregoing improvements to Consumer and Research Services Adjusted EBITDA were partially offset by a decrease in Consumer Services revenue of $29.3 million. The decrease in total revenue was due to a $16.4 million decrease in Consumer Services revenue, attributable to a (i) decrease of $15.2 million in PGS kit revenue driven mainly by lower PGS kit sales volume and a (ii) $4.0 million decrease in telehealth services revenue, both of which were primarily driven by reductions in certain marketing campaigns, lower advertising channel spend and less price discounting during the period, resulting in higher average selling prices on kit sales and greater marketing spend efficiency within telehealth services. These decreases to Consumer Services revenue were partially offset by a $2.8 million increase in subscription services revenue. The decrease in total revenue was also driven by a $13.0 million decrease in Research Services revenue, primarily attributable to a $11.4 million decrease in GSK collaboration revenue as the GSK Agreement's exclusive target discovery term concluded in July 2023, providing four months of GSK collaboration revenue in the period while the prior year included six months of GSK collaboration revenue. Additionally, revenue under research contracts with third parties decreased by $1.5 million as certain non-recurring specified milestones were achieved in the prior year period.

Therapeutics

Therapeutics' Adjusted EBITDA declined by $7.6 million for the three months ended September 30, 2023, as compared to the three months ended September 30, 2022, primarily due to a $4.5 million increase in lab-related supplies and consultant spend and a $1.7 million increase in personnel-related expenses, primarily related to employee severance and termination benefits related to a reduction in force during the three months ended September 30, 2023. Additionally, Therapeutics' expenses that are allocated to cost of revenue for Research Services decreased by $1.2 million as the GSK Agreement's exclusive target discovery term concluded in July 2023.

Therapeutics' Adjusted EBITDA declined by $20.2 million for the six months ended September 30, 2023, as compared to the six months ended September 30, 2022, primarily due to a $14.4 million increase in lab-related supplies and consultant spend and a $3.0 million increase in personnel-related expenses, primarily related to employee severance and termination benefits related to a reduction in force during the three months ended September 30, 2023. Additionally, Therapeutics' expenses that are allocated to cost of revenue for Research Services decreased by $2.0 million as the GSK Agreement's exclusive target discovery term concluded in July 2023.

Liquidity and Capital Resources

We have financed our operations primarily through sales of equity securities and revenue from sales of PGS, telehealth, and research services. During fiscal 2022, we received gross proceeds of $309.7 million from the Merger and $250.0 million from the PIPE investment consummated in connection with the Merger. Our primary requirements for liquidity and capital are to fund operating needs and finance working capital, capital expenditures, and general corporate purposes.

As of September 30, 2023, our principal source of liquidity was our cash and cash equivalents balance of $256.4 million, which is held for working capital purposes. We have incurred significant operating losses as reflected in our accumulated deficit and negative cash flows from operations. We had an accumulated deficit of $1,686.3 million as of September 30, 2023. Based on our current cash resources and the previously-disclosed reductions in force undertaken in June and August 2023, we believe that our cash as of September 30, 2023 will be sufficient to fund estimated operating expenses and capital expenditure requirements for at least 12 months from the date of the filing of the unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this Form 10-Q.

On February 6, 2023, we entered into a Sales Agreement (the "Sales Agreement") with Cowen and Company, LLC (the "Agent"), pursuant to which we may sell, from time to time, at our option, up to $150 million in aggregate principal amount of an indeterminate amount of shares of our Class A common stock, $0.0001 par value per share (the "ATM Shares"), through the Agent, as the Company's sales agent. Subject to the terms of the Sales Agreement, the Agent will use reasonable efforts to sell the ATM Shares from time to time, based upon the Company's instructions (including any price, time, or size limits or other customary parameters or conditions we may impose), by methods deemed to be an "at the market offering" as defined in Rule 415(a)(4) promulgated under the Securities Act of 1933, as amended and pursuant to, and only upon the effectiveness of, the Shelf Registration Statement. We will pay the Agent a commission of 3.0% of the gross proceeds from the sales of the ATM Shares, if any. We have also agreed to provide the Agent with customary indemnification and contribution rights. The offering of the ATM Shares will terminate upon the earliest of (a) the sale of the maximum number or amount of the ATM Shares permitted to be sold under the Sales Agreement and (b) the termination of the Sales Agreement by the parties thereto. While we cannot provide any assurances that we will sell any ATM Shares pursuant to the Sales Agreement, we expect to use the net proceeds from the sale of securities under the Sales Agreement, if any, for general corporate purposes, including working capital requirements and operating expenses; we, however, have not allocated the net proceeds for specific purposes. As of the date of this Form 10-Q, we had not made any sales under the Sales Agreement.

We expect to continue to incur operating losses and negative cash flows from operations for the foreseeable future due to the investments we intend to continue making in research and development, along with associated general and administrative and sales and marketing expenses to capitalize on market opportunities and drive our long-term growth. Cash from operations could also be affected from our customers and other risks set forth in Part I, Item 1A., "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 filed with the SEC on May 25, 2023. We expect to continue to maintain financing flexibility in the current market conditions. As a result, we may require additional capital resources to execute strategic initiatives to grow our business.

Our future capital requirements will depend on many factors including our revenue growth rate, the timing and extent of spending to support further sales and marketing activities, and research and development efforts. We may continue to enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may, as a result of those arrangements or the general expansion of our business, be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. Our ability to obtain additional financing depends on a number of factors, including, but not limited to, the market price of our Class A common stock, the availability and cost of additional equity capital, our ability to retain the listing of our Class A common stock on The Nasdaq Stock Market, and the general economic and industry conditions affecting the availability and cost of capital. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Future debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be materially and adversely affected.

For the six months ended September 30, 2023, there were no material changes outside of the ordinary course of business in our commitments and contractual obligations disclosed in the Fiscal 2023 Form 10-K. See Note 11, "*Commitments and Contingencies*," to our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional details.

Cash Flows

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

	Six Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (126,474)	$ (145,974)
Net cash used in investing activities	$ (5,468)	$ (4,951)
Net cash provided by financing activities	$ 1,479	$ 7,182

Cash Flows from Operating Activities

Net cash used in operating activities of $126.5 million for the six months ended September 30, 2023 was primarily related to a net loss of $179.9 million, partially offset by non-cash charges for stock-based compensation of $74.8 million, depreciation and amortization of $13.7 million, amortization and impairment of internal-use software of $2.5 million, and loss on the disposition of Lemonaid Health Limited of $2.0 million. The net changes in operating assets and liabilities of $39.2 million were primarily related to a decrease in deferred revenue of $22.2 million as a result of a decrease in research services deferred revenue related to the GSK collaboration, a decrease in operating lease liabilities of $4.2 million primarily due to lease payments, a decrease in accounts payable of $4.0 million primarily due to the timing of payments, a decrease in accrued and other current liabilities of $5.7 million primarily due to timing of vendor invoice receipts, and a decrease in operating right-of-use assets of $3.5 million primarily due to right-of-use assets amortization. These decreases were partially offset by an increase in inventories of $4.7 million primarily driven by a buildup of kit inventory in preparation for the holiday season and an increase in prepaid expenses and other current assets of $2.4 million primarily due to an increase in prepaid insurance.

Net cash used in operating activities of $146.0 million for the six months ended September 30, 2022 was primarily related to a net loss of $155.6 million, partially offset by non-cash charges for stock-based compensation of $59.4 million, depreciation and amortization of $16.7 million and amortization and impairment of internal-use software of $2.1 million. The net changes in operating assets and liabilities of $68.6 million were primarily related to an increase in accounts receivable of $49.5 million mainly attributable to the $50.0 million receivable related to the GSK Agreement, a decrease in accounts payable of $27.0 million primarily due to timing of vendor payments, a decrease in accrued and other current liabilities of $10.4 million due to timing of vendor invoice receipts, a decrease in operating lease liabilities of $4.4 million primarily due to lease payments, and an increase in inventories of $3.0 million due to increased purchases in preparation for holiday season sales. These decreases were partially offset by an increase in deferred revenue of $19.0 million as a result of increased deferred revenue related to the GSK collaboration, which was partially offset by decreases in PGS deferred revenue, a decrease in prepaid expenses and other current assets of $4.9 million primarily due to the receipt of insurance claim payments, and a decrease in operating right-of-use assets of $3.7 million primarily due to right-of-use assets amortization.

Cash Flows from Investing Activities

Net cash used in investing activities was $5.5 million for the six months ended September 30, 2023, which consisted of capitalization of internal-use software costs of $4.8 million and purchases of property and equipment of $0.7 million.

Net cash used in investing activities was $5.0 million for the six months ended September 30, 2022, which consisted of purchases of property and equipment of $3.0 million and capitalization of internal-use software costs of $1.9 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1.5 million for the six months ended September 30, 2023, which consisted of $0.5 million in proceeds from the exercise of stock options and $1.4 million in proceeds from the issuance of Class A common stock under the ESPP, partially offset by $0.1 million in payments for taxes related to net share settlement of equity award and $0.3 million in payments of deferred offering costs.

Net cash provided by financing activities was $7.2 million for the six months ended September 30, 2022, which consisted of $3.9 million in proceeds from the exercise of stock options and $3.2 million in proceeds from the issuance of Class A common stock under the ESPP.

Contractual Obligations and Commitments

Our lease portfolio includes leased offices, dedicated lab facility and storage space, and dedicated data center facility space, with remaining contractual periods ranging from 2.3 years to 7.8 years. Refer to Note 10, "*Leases*," to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q for a summary of our future minimum lease obligations.

In the normal course of business, we enter into non-cancelable purchase commitments with various parties for purchases. Refer to Note 11, "*Commitments and Contingencies*," to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q for a summary of our commitments as of September 30, 2023.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. We believe that the following are the critical accounting policies used in the preparation of our condensed consolidated financial statements, as well as the significant estimates and judgments affecting the application of these policies. This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included in this Form 10-Q.

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in our Fiscal 2023 Form 10-K. These are the policies that we believe are the most critical to aid in fully understanding and evaluating our condensed consolidated financial condition and results of operations.

Revenue Recognition

We generate revenue from our Consumer and Research Services segment, which includes revenue from PGS, telehealth, and research services, and our Therapeutics segment. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration that we expect to receive in exchange for these goods or services.

We sell through multiple channels, including direct-to-consumer via our website and through online retailers. If the customer does not return the Kit, services cannot be completed by us, potentially resulting in unexercised rights ("breakage") revenue. To estimate breakage, we apply the practical expedient available under ASC 606 to assess our customer contracts on a portfolio basis as opposed to individual customer contracts, due to the similarity of customer characteristics, at the sales channel level. We recognize the breakage amounts as revenue, proportionate to the pattern of revenue recognition of the returning kits in these respective sales channel portfolios. We estimate breakage for the portion of Kits not expected to be returned using an analysis of historical data and consider other factors that could influence customer Kit return behavior. We update our breakage rate estimate periodically and, if necessary, adjust the deferred revenue balance accordingly. If actual return patterns vary from the estimate, actual breakage revenue may differ from the amounts recorded. We recognized breakage revenue from unreturned Kits of $4.3 million and $6.0 million for the three months ended September 30, 2023 and 2022, respectively, and $8.9 million and $11.0 million for the six months ended September 30, 2023 and 2022, respectively.

We generate telehealth revenues from patient fees, pharmacy fees, and membership fees.

In providing telehealth services that include professional medical consultations, we maintain relationships with various affiliated PMCs, which are professional entities owned by licensed physicians and that engage licensed healthcare professionals (each, a "Provider" and collectively, the "Providers") to provide consultation services. We account for service revenue as a principal in the arrangement with our patients.

Additionally, with respect to our telehealth services involving the sale of prescription products, we maintain relationships with affiliated pharmacies (collectively, the "Affiliated Pharmacies") to fill prescriptions that are ordered by our patients. We account for prescription product revenue as a principal in the arrangement with our patients.

Business Combinations

We account for our business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. The results of businesses acquired in a business combination are included in our condensed consolidated financial statements from the date of acquisition. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates, and selection of comparable companies. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions, and competition. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the condensed consolidated statements of operations and comprehensive loss.

When we issue stock-based or cash awards to an acquired company's stockholders, we evaluate whether the awards are consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the acquired company's stockholders beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair values attributed to underlying net tangible assets and identifiable intangible assets. We test goodwill each fiscal year on January 1st for impairment at the Consumer and Research Services reporting unit level. Goodwill is also tested for impairment whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Performance of the qualitative impairment assessment requires judgment in identifying and considering the significance of relevant events and circumstances, including external factors such as macroeconomic and industry conditions and the legal and regulatory environment, as well as entity-specific factors, such as actual and planned financial performance or sustained market declines, that could impact the fair value of our Consumer and Research Services reporting unit. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then no additional assessment is deemed necessary. Otherwise, we will proceed to perform the quantitative impairment test in which the fair value of the reporting unit is compared with its carrying amount, and an impairment charge will be recorded for the amount by which the carrying amount exceeds the reporting unit's fair value, if any.

Our annual assessment for goodwill impairment was performed as of January 1, 2023 and 2022 for fiscal 2023 and fiscal 2022, respectively. The assessment indicated that it was more likely than not that the fair value of the Consumer and Research Services reporting unit exceeded its carrying amount for both fiscal 2023 and fiscal 2022. Therefore, no goodwill impairment charges were recorded as a result of our fiscal 2023 and fiscal 2022 impairment analyses. In the period following January 1, 2023 there has been a decline in the Company's market capitalization, based on the Company's publicly quoted share price. As of September 30, 2023, we have not identified events or circumstances that are more likely than not to reduce the fair value of the Consumer and Research Services reporting unit below its carrying value. However, if the decline in our share price is sustained, it would require further testing of our goodwill and may result in an impairment of our goodwill.

There have been no material changes to our critical accounting policies and estimates as compared to those described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Fiscal 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations primarily within the United States and we are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not believe that inflation has had a material effect on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial conditions.

Interest Rate Risk

As of September 30, 2023, we had $256.4 million in cash and cash equivalents. Our cash equivalents are comprised primarily of money market accounts held at banks. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income and cash flows. A hypothetical 10% change in interest rates during the three and six months ended September 30, 2023 and 2022 would not have had a material impact on our historical condensed consolidated financial statements.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Currently, substantially all our revenue and expenses are denominated in U.S. dollars. Revenue and expenses are remeasured each day at the exchange rate in effect on the day the transaction occurred. Our results of operations and cash flows in the future may be adversely affected due to an expansion of non-U.S. dollar denominated contracts and changes in foreign exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our historical condensed consolidated financial statements for the three and six months ended September 30, 2023 and 2022. To date, we have not engaged in any hedging strategies. As our international activities grow, we will continue to reassess our approach to manage the risk relating to fluctuations in currency rates.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance of achieving the desired control objectives. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of September 30, 2023, as required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective at the reasonable assurance level as of such date and that the condensed consolidated financial statements included in this Form 10-Q present fairly, in all material respects, the Company's financial position, results of operations, and cash flows for the periods disclosed in accordance with GAAP.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 11, "*Commitments and Contingencies*," of the Condensed Consolidated Financial Statements of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors set forth in Part I, Item 1A., "Risk Factors," of the Fiscal 2023 Form 10-K.

We have experienced a criminal cyberattack and could in the future experience other security breaches, disruption to our business, or reputational harm.

We have been subject to, and may in the future be subject to, cyberattacks and threats to our business from bad actors. Cyberattacks have increased in frequency and potential harm over time, and the methods used to gain unauthorized access constantly evolve, making it increasingly difficult to anticipate, prevent, and/or detect incidents successfully in every instance. They are perpetrated by a variety of groups and persons, including state-sponsored parties, malicious actors, employees, contractors, or other unrelated third parties. Some of these persons reside in jurisdictions where law enforcement measures to address such attacks are ineffective or unavailable.

As previously disclosed, in October 2023, we reported that certain user profile information, which a user creates and chooses to share with their genetic relatives in the DNA Relatives feature, was accessed from individual 23andMe.com accounts without the account users' authorization (the "incident"). While our investigation is ongoing, it appears an unauthorized third party downloaded a file that included the data points of various users' DNA Relatives profiles, and then created posts on other websites with links containing such information where other third parties could download this information. As of the filing date of this Quarterly Report on Form 10-Q, it is unclear who and how many third parties may have downloaded this information from such posts. Based on our investigation as of the filing date of this Quarterly Report on Form 10-Q, we do not have any indication that there has been a data security incident within our systems, or that we were the source of the account credentials used in these attacks.

As of the filing date of this Quarterly Report on Form 10-Q, as a result of this incident, multiple class action claims have been filed against us in federal and state court in California, as well as in British Columbia, which we are defending. These cases are at an early stage, and we cannot predict the outcome. We are also assessing our response to notices filed by consumers under the California Consumer Privacy Act and to inquiries from various governmental officials and agencies.

We have incurred, and expect to continue to incur, certain expenses in connection with the incident and the related litigation, including, without limitation, expenses to investigate, respond to, and remediate the incident. The full scope of the costs and related impacts of the incident, including the extent to which these costs will be offset by our cybersecurity insurance, has not yet been determined. Such costs and impacts may have a material adverse effect on our business, reputation, financial condition, cash flows, and operating results.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2023.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q (unless otherwise indicated, the file number with respect to each filed document is 001-39587):

Exhibit Index

10.1+	23andMe Holding Co. Amended and Restated 2021 Incentive Equity Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 (File No. 333-274534), filed with the SEC on September 15, 2023).
10.2*	Third Amendment to Collaboration Agreement, dated as of October 27, 2023, by and between 23andMe, Inc. and GlaxoSmithKline Intellectual Property (No. 3) Limited.
10.3*+	Offer Letter, dated February 20, 2020, by and between 23andMe, Inc. and William Richards.
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1**	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350
32.2**	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)

* Filed herewith

** Furnished herewith

\+ Indicates management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

23ANDME HOLDING CO.

Date: November 8, 2023

By: /s/ Anne Wojcicki

Name: Anne Wojcicki
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 8, 2023

By: /s/ Joseph Selsavage

Name: Joseph Selsavage
Interim Chief Financial and Accounting Officer
(Principal Financial and Accounting Officer)

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AND REPLACED WITH "[***]". SUCH IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF DISCLOSED.

THIRD AMENDMENT TO COLLABORATION AGREEMENT

This THIRD AMENDMENT TO COLLABORATION AGREEMENT (this "**Third Amendment**"), dated as of October 27, 2023 (the "**Third Amendment Effective Date**"), by and between GlaxoSmithKline Intellectual Property (No.3) Limited, a company registered in England and Wales (registered number 11480952) with a registered office at 980 Great West Road, Brentford, Middlesex TW8 9GS, United Kingdom ("**GSK**"), and 23andMe, Inc., a company formed under the laws of Delaware whose principal place of business is at 223 N Mathilda Ave., Sunnyvale, CA 94086 ("**23andMe**"), hereby amends the Collaboration Agreement by and between GSK and 23andMe, dated July 24, 2018 (as amended by that certain First Amendment to Collaboration Agreement dated April 8, 2019 and that certain Second Amendment to Collaboration Agreement dated January 13, 2021) (the "**Agreement**"). GSK and 23andMe may be individually referred to as a "**Party**," and collectively referred to as the "**Parties**."

BACKGROUND

A. Pursuant to the Agreement, the Parties agreed to engage in Target Discovery Activities during the Discovery Term;

B. On January 12, 2022, GSK extended the Discovery Term in accordance with Section 10.2 of the Agreement by one (1) additional twelve (12)-month period such that it would expire on July 23, 2023;

C. Prior to the Third Amendment Effective Date, (i) 23andMe has provided GSK with [***] Data, [***] Data and certain other data [***] pursuant to the Agreement and (ii) GSK has provided 23andMe with certain data (including GSK Additional Databases and other GSK Specified Confidential Information) pursuant to the Agreement ((i) and (ii), collectively, the "**Existing Data**"), in each case, from which the Parties have generated Derived Data (including Derived Data [***]);

D. GSK desires to obtain, and 23andMe is willing to provide, New Data and certain services associated therewith on the terms and conditions set forth herein; and

E. In connection with the foregoing, the Parties desire to amend the Agreement in accordance with Section 21.13 of the Agreement to (i) memorialize that the Discovery Term expired on July 23, 2023, (ii) confirm each Party's rights with respect to the Existing Data and any and all Derived Data generated therefrom, as well as with respect to all Joint Discovery Plan IP, (iii) memorialize the Parties' agreement regarding the allocation of rights and responsibilities with respect to certain existing Collaboration Targets, (iv) enable 23andMe to (A) provide GSK with New Data, (B) grant GSK a non-exclusive license with respect to such New Data and (C) provide GSK with certain services with respect to such New Data, and (v)

memorialize GSK's rights following expiration of such license to New Data, in each case, upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Third Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. Definitions; Interpretation. For purposes of this Third Amendment, the following terms shall have the following meanings (it being understood that, to the extent any term is defined in both this Third Amendment and the Agreement, such term will have the meaning set forth in this Third Amendment when used with respect to matters addressed in this Third Amendment and will have the meaning set forth in the Agreement when used with respect to matters addressed only in the Agreement). Capitalized terms used but not defined in this Third Amendment shall have the meanings set forth in the Agreement. The terms and conditions of this Third Amendment shall be construed as set forth in Section 21.18 of the Agreement.

(a) "**23andMe**" has the meaning set forth in the Preamble.

(b) "**Agreement**" has the meaning set forth in the Preamble.

(c) "**Basic Services**" means the services required to facilitate GSK's use of the New Data, as set forth in Annexure A attached hereto.

(d) "**Combination Product**" means, with respect to any GSK Product or MB Product, a preparation that contains a GSK Product or MB Product component, as applicable, and at least one other active component, and is sold and invoiced as one (1) product (with an aggregate price).

(e) "**Companion Diagnostic**" means a product designed for use in a diagnostic biomarker assay tailored or optimized for use with a prophylactic or therapeutic product, for predicting or monitoring the suitability of such prophylactic or therapeutic product for use in human patients or defined subpopulations thereof. A Companion Diagnostic shall be intended for use (i) as a means to select or monitor the patient population for the conduct of Clinical Studies of such prophylactic or therapeutic product, (ii) to predict predisposition to treatment in clinical use with such prophylactic or therapeutic product, or (iii) to predict or monitor potential safety considerations in clinical use with such prophylactic or therapeutic product. Use of a Companion Diagnostic to guide use of the prophylactic or therapeutic product will be contingent on appropriate Regulatory Approvals for such uses as deemed necessary by the FDA or other similar Regulatory Authority with appropriate jurisdiction.

(f) "**Data Access Fee**" has the meaning set forth in Section 8(a).

(g) "**Data Access Notice**" has the meaning set forth in Section 4(a)(ii).

(h) "**Data Download Period**" has the meaning set forth in Section 4(a)(iii).

(i) "**Data Patent Application**" has the meaning set forth in Section 8(d).

(j) "**Data Release Date**" means the date on which GSK receives New Data from 23andMe pursuant to Section 4(a)(i).

(k) "**Data Use Date**" means the date on which the Data Use Notice is provided pursuant to Section 4(a)(iii) or Section 4(a)(iv), as applicable.

(l) "**Data Use Notice**" has the meaning set forth in Section 4(a)(iii).

(m) "**Directed To**" means, with respect to a product and a Target, that such product binds to or is intended to bind to, and inhibits, blocks, antagonizes, agonizes, activates, disrupts or modulates such Target or the biological property or function of such Target.

(n) "**Early Research Phase Collaboration Targets**" has the meaning set forth in Section 3(c)(i).

(o) "**Existing Data**" has the meaning set forth in the Background.

(p) "**Exploit**" or "**Exploitation**" means to use, reproduce, modify, display, perform, distribute, create derivative works of, license or sublicense (in each case in accordance with the terms of the Agreement or this Third Amendment, as applicable), and otherwise exploit, including in connection with using, developing, making, having made, offering for sale, selling, importing, exporting, commercializing and otherwise exploiting any products.

(q) "**First Commercial Sale**" means, with respect to a given product in a country, the first commercial sale [***].

(r) "**FTE**" means the number of hours worked by one (1) duly qualified employee of a Party working full time for one (1) Calendar Year (consisting of at least [***] hours per year) carrying out Basic Services under this Third Amendment. Overtime (*e.g.*, time-and-a-half or double-time), work on weekends, holidays and the like would not be counted with any multiplier toward the number of hours that are used to calculate the FTE contribution. FTEs billable by a Party for one (1) individual during a given Calendar Quarter will be expressed as the fraction of that individual's time which has been coded to the Basic Services for that period as captured in the Party's effort tracking system for such Calendar Quarter. The aggregate number of billable FTEs for a given Calendar Quarter are the FTEs which have been captured for that period in either Party's effort tracking system. [***]. Each Party shall track FTEs of its personnel in a manner designed to ensure proper reporting and auditing of such information in accordance with this Third Amendment. For clarity, the calculation of FTE shall exclude [***].

(s) "**FTE Rate**" means, commencing on the Third Amendment Effective Date, a rate of [***].

(t) [***].

(u) [***].

(v) [***].

(w) "**GSK**" has the meaning set forth in the Preamble.

(x) "**GSK In-License Payments**" has the meaning set forth in Section 3(c)(ii)(B).

(y) "**GSK Product**" means any product that is Covered by a Valid Claim of any Patent that has issued from any Data Patent Application where such Patent contains any [***] Data or [***] Data provided by 23andMe under this Third Amendment.

(z) "**GSK Product Royalty Term**" means, with respect to any GSK Product, on a country-by-country basis, the period commencing upon [***] and ending upon [***].

(aa) [***].

(bb) "**IND**" means an Investigational New Drug Application (including any amendments thereto) filed with the FDA pursuant to 21 C.F.R. Part 312 before the commencement of Clinical Studies of any product, or any equivalent filing with any relevant Regulatory Authority in any jurisdiction.

(cc) "**Joint Discovery Plan IP**" means Discovery Plan IP that is jointly owned by the Parties pursuant to Section 14.2(b) of the Agreement.

(dd) "**Lead Discovery Collaboration Targets**" has the meaning set forth in Section 3(c)(i).

(ee) "**Major Markets**" means the [***].

(ff) "**MB Event**" means, with respect any product [***].

(gg) "**MB Product**" has the meaning set forth in Section 8(c)(i).

(hh) "**Net Sales**" means, with respect to any product, [***].

(ii) "**New Data**" means (i) any and all [***] Data and [***] Data for the phenotypes set forth on Parts A and B of Annexure B attached hereto; (ii) the full [***] summary statistics and full summary statistics ([***]) for all phenotypes set forth on Parts A and B of Annexure B attached hereto, in each case, on all available data covered by clause (i); and (iii) any and all supplemental items that are set forth on Annexure C attached hereto, [***] as of the Data Release Date consistent with Annexure D. [***].

(jj) "**New Data License**" has the meaning set forth in Section 5(a).

(kk) "**New Data License Term**" has the meaning set forth in Section 10.

(ll) "**Out-of-Pocket Costs**" means, with respect to any Basic Service, [***].

(mm) "**Parties**" has the meaning set forth in the Preamble.

(nn) "**Party**" has the meaning set forth in the Preamble.

(oo) "**Portfolio Validation Activities**" means, with respect to any Specified Target, the use of the New Data by GSK or any of its Affiliates or sublicensees to (i) assess genetic and phenotypic associations for the purposes of validation of such Specified Target, or (ii) identify additional indications or population subsets associated with such Specified Target. Portfolio Validation Activities may include any Additional Validation Activities set forth on Schedule 1.299 of the Agreement.

(pp) "**Proceeding**" means any claim, action, cause of action or suit, litigation, controversy, assessment, arbitration, investigation, hearing, charge, complaint, demand, notice or proceeding of, to, from, by or before any governmental authority.

(qq) "**Prohibited Uses**" has the meaning set forth in Section 5(a).

(rr) "**Regulatory Approval**" means all approvals, licenses, registrations or authorizations of any Regulatory Authority, necessary for the manufacturing, use, storage, import, export, transport, marketing and sale of a prophylactic or therapeutic product in a regulatory jurisdiction in the Territory.

(ss) [***].

(tt) [***].

(uu) [***].

(vv) "**Specified Opt-Out Targets**" has the meaning set forth in Section 3(c)(i).

(ww) "**Specified Target**" means any Target (i) that, as of the Data Use Date, has entered into the portfolio of GSK or any of its Affiliates by [***] and (ii) [***].

(ww) "**Third Amendment**" has the meaning set forth in the Preamble.

(xx) "**Third Amendment Effective Date**" has the meaning set forth in the Preamble.

2. Discovery Term. For the avoidance of doubt and notwithstanding anything in the Agreement or this Third Amendment to the contrary, the Parties hereby acknowledge and agree that (i) the Discovery Term expired as of July 23, 2023, (ii) the Parties will be deemed to have completed their performance of the Target Discovery Plan, (iii) any and all [***] Data generated in connection with activities performed under the Target Discovery Plan constitutes Joint Discovery Plan IP, (iv) all Derived Data generated by either Party during the Discovery Term (including Derived Data [***]) will be deemed to have been generated

in accordance with the Agreement, and (v) the Parties shall comply with the terms and conditions set forth in Section 16.3(a) of the Agreement.

3. Existing Data; Derived Data Generated from Existing Data; Specified Opt-Out Targets.

(a) *Existing Data*. For the avoidance of doubt, the Parties hereby acknowledge and agree that nothing in this Third Amendment is or shall be construed to limit, modify or expand in any manner any rights of either Party or any of its Affiliates with respect to any Background IP (which, for the avoidance of doubt, for 23andMe includes [***]) or Existing Data (other than any Existing Data to the extent constituting Derived Data or Joint Discovery Plan IP, which are addressed in Section 3(b) below). Each Party has, and shall continue to have, the right to Exploit any and all such Existing Data in accordance with the Agreement.

(b) *Derived Data and Joint Discovery Plan IP*. For the avoidance of doubt and notwithstanding anything in the Agreement or this Third Amendment to the contrary but subject to the paragraph starting with a proviso immediately following clause (b)(iii), the Parties hereby acknowledge and agree that, with respect to any and all Derived Data (including [***]) first generated during the Discovery Term and any and all Joint Discovery Plan IP:

(i) each Party [***];

(ii) [***]; and

(iii) each Party and its Affiliates are, and shall be, entitled [***];

provided that, [***], are subject in all respects to (1) the exclusive licenses granted by such Party to the other Party pursuant to Article 11 of the Agreement; and (2) the obligations set forth in Section 2.6(d) and Article 10 of the Agreement, as well as the Parties' confidentiality obligations under Article 17 of the Agreement and Part A of the Data Access Plan [***]. For the avoidance of doubt, (x) in no event shall the Parties' respective financial obligations with respect to any Derived Data or Joint Discovery Plan IP as set forth in Article 10 of the Agreement be altered in any manner by this Third Amendment and (y) subject to the Parties' confidentiality obligations under Article 17 of the Agreement and Part A of the Data Access Plan [***] and provided that [***].

(c) *Specified Opt-Out Targets*.

(i) The Parties hereby acknowledge and agree that, as of the Third Amendment Effective Date, (A) the Targets set forth in Part A of Annexure E attached hereto (the "**Lead Discovery Collaboration Targets**") constitute Collaboration Targets which have been progressed into Collaboration Programs but for which 23andMe desires to cease funding its share of the Research Costs for activities performed during the Early Research Phase for such Lead Discovery Collaboration Targets; (B) with respect to each Target set forth in Part C of Annexure E attached hereto (collectively, the "**Early Research Phase Collaboration Targets**" and, together with the Lead

Discovery Collaboration Targets, the "**Specified Opt-Out Targets**"), all activities under the Early Collaboration Program Plan for each such Early Research Phase Collaboration Target have been completed, no Development Candidates have been identified for any such Early Research Phase Collaboration Target and only GSK desires to continue research and development activities with respect to each such Early Research Phase Collaboration Target; and (C) 23andMe has no further obligations under the Agreement or this Third Amendment to fund or perform any activities with respect to any such Specified Opt-Out Targets from and after the Third Amendment Effective Date.

(ii) Notwithstanding anything to the contrary in the Agreement, from and after the Third Amendment Effective Date, any and all Specified Opt-Out Targets shall constitute Unilateral Targets of GSK, and all terms and conditions in the Agreement relating to GSK Unilateral Targets shall apply to the Specified Opt-Out Targets; provided that:

(A) in addition to the license granted by 23andMe to GSK pursuant to Section 11.4(a) of the Agreement, with respect to each Specified Opt-Out Target, 23andMe hereby grants to GSK (1) a worldwide, exclusive license, sublicensable through multiple tiers, under 23andMe's interest in the Collaboration Program IP (including the Data Analytics Technology contained therein) applicable to each such Specified Opt-Out Target, and (2) a worldwide, non-exclusive license, sublicensable through multiple tiers, under the 23andMe Background IP applicable to each such Specified Opt-Out Target, in each case of (1) and (2), to research, develop, make, have made, use, sell, offer for sale, import and export each such Specified Opt-Out Target and compounds and products that are Directed To each such Specified Opt-Out Target, in each case, in the Field in the Territory, including to make improvements to such compounds and products; and

(B) if, during the Term, GSK determines, in its reasonable judgment, that it is necessary or reasonably useful to obtain rights under any Third Party Patent Rights in order to Develop, Manufacture or Commercialize any Unilateral Product developed in the Unilateral Program [***] pursuant to the Agreement, GSK shall have the sole right, but not the obligation, to obtain such a license under such Third Party Patent Rights, including in connection with any Proceeding, and, if a license to any such Third Party Patent Rights is obtained by GSK or any of its Affiliates with respect to such Unilateral Product, including in connection with any Proceeding, GSK (or such Affiliate) shall be responsible for all payments that become due under such license ("**GSK In-License Payments**"); provided that, subject to Section 10.11 of the Agreement (which shall apply to this Third Amendment, *mutatis mutandis*), GSK shall be entitled to deduct from the royalties payable by GSK with respect to such Unilateral Product

under Section 10.7 of the Agreement an amount equal to [***] of any GSK In-License Payments which are payable to the applicable Third Party [***].

(iii) The Parties hereby acknowledge and agree that nothing in this Third Amendment is or shall be construed to alter in any manner any rights or obligations of either Party or any of its Affiliates under the Agreement with respect to any Collaboration Target set forth in Part B of Annexure E attached hereto.

(iv) The Parties agree that neither Party shall (A) publish or publicly disclose the specific Target identity of any Unilateral Program or Sole Development Program of the other Party (*i.e.*, disclosing that such other Party is pursuing the specific Target and not merely the name of a gene), or (B) publish or publicly disclose in any Target-specific study the specific Target identity linked to the genetic traits or diseases that are the subject of the other Party's Unilateral Program or Sole Development Program as known at the time of the exercise of the Opt-Out Option, Commercialization Exit Option or Development Exit Option (as applicable), unless and until: (1) such other Party has given express written consent, (2) such other Party or a Third Party has published or publicly disclosed such Target identity or genetic link, or (3) the applicable Unilateral Program or Sole Development Program is terminated. For the avoidance of doubt, the Parties acknowledge and agree that (x) a Third Party with access to the 23andMe Database may independently discover the applicable Target and genetic link and list 23andMe as a co-author for contribution of data in any publication thereof and (y) neither Party is restricted from publishing or publicly disclosing research results from phenotype-focused studies that are not specific to any Target subject to any Unilateral Program or Sole Development Program of the other Party. This Section 3(c)(iv) does not limit the Parties' confidentiality obligations under Article 17 of the Agreement.

4. New Data Release.

(a) *Release of New Data*.

(i) 23andMe shall provide New Data to a mutually agreed server destination accessible and verifiable by GSK by December 1, 2023. 23andMe shall, at its sole cost and expense, (A) use commercially reasonable efforts to, by the Data Release Date, [***] and (B) include all genotype and phenotype data collected from all such new 23andMe Customers in the New Data released to GSK pursuant to this Section 4(a)(i) and as set forth on Parts A and B of Annexure B.

(ii) GSK shall promptly provide 23andMe with written notice when GSK initiates the download of the New Data from the 23andMe designated server

location, and such notice shall specifically state the date on which such download was initiated (such notice, the "**Data Access Notice**").

(iii) GSK shall have [***] from the download initiation date specified in the Data Access Notice ("**Data Download Period**") (which period shall in no event extend beyond September 30, 2024, subject to Section 4(a)(iv) below) in which to download, decrypt, and conduct quality control on any and all New Data in order to be able to use such New Data in GSK's systems and databases in accordance with this Third Amendment. During such [***] period, 23andMe shall cooperate with GSK and use good faith efforts to assist GSK in downloading, decrypting and conducting reasonable quality control on all such New Data. At the conclusion of such [***] Data Download Period (or earlier, if the New Data is deemed usable prior to such conclusion), once the New Data has been deemed to be usable by GSK, GSK shall provide written notice to 23andMe to inform 23andMe that the New Data is ready for use (such notice, the "**Data Use Notice**"). For clarity, if GSK does not provide to 23andMe a Data Use Notice pursuant to either this Section 4(a)(iii) prior to the expiration of the Data Download Period or Section 4(a)(iv), then the Data Use Date shall be deemed to be the day following the last day of the Data Download Period.

(iv) If, despite the reasonable efforts of the Parties, the New Data provided to GSK pursuant to Section 4(a)(i) is not ready for use by GSK or any of its Affiliates by the expiration of the Data Download Period as a result of technical complications with data access, transfer or data quality or integrity (other than as a result of a failure of GSK's systems or database readiness), then GSK shall inform 23andMe in writing, including a reasonable explanation of such issue, and the Parties shall reasonably work together in good faith to resolve such matter [***]. The Parties acknowledge and agree that New Data will be provided in the same or substantially the same format and delivery method as the Existing Data provided by 23andMe during the Target Discovery Term. A non-limiting example of a data manifest is attached hereto as Annexure F for illustration purposes only.

(b) *Delivery*. The Parties acknowledge and agree that the Data Access Plan shall not apply to any New Data provided to GSK pursuant to Section 4(a) (except for the definitions of [***] Data, [***] Data, and [***] Data). Any and all New Data provided to GSK pursuant to Section 4(a) shall be made available by 23andMe to GSK in accordance with the terms and conditions set forth on Annexure G attached hereto and all such New Data shall be deemed the Confidential Information of 23andMe.

5. New Data License.

(a) Subject to the terms and conditions of this Third Amendment, and solely during the New Data License Term, 23andMe hereby grants GSK a non-exclusive, worldwide, non-sublicensable (except as set forth in Section 6), non-transferable (except as set

forth in Section 21.6 of the Agreement), royalty-free, fully paid-up license (subject to Section 8 below) to Exploit the New Data and any 23andMe Data Mining Technologies embodied therein for (i) research, development and commercialization of any therapeutic, prophylactic, vaccine, diagnostic and/or Companion Diagnostic products, and (ii) use in Target discovery, Target validation (including Portfolio Validation Activities), portfolio prioritization, and/or evaluations of business or licensing opportunities (the "**New Data License**"); provided that, the New Data License specifically excludes any Prohibited Uses. In furtherance of the New Data License, GSK may [***]. As used in this Third Amendment, "**Prohibited Uses**" means [***].

(b) No Implied Rights. GSK acknowledges that the rights and licenses granted under Section 5(a) and Section 12 of this Third Amendment are limited to the scope expressly granted, and all rights to Intellectual Property Rights, including rights to Data, owned or Controlled by 23andMe other than those licensed to GSK or to which GSK is granted rights hereunder are expressly reserved to 23andMe. Without limiting the foregoing, (i) it is understood that 23andMe retains all of its rights to New Data for all purposes not expressly licensed, including granting licenses to New Data (or its future iterations) with the same or similar scope to Third Parties, and (ii) GSK shall not use, publish or otherwise Exploit the New Data for any purpose except as expressly licensed in this Third Amendment.

6. Sublicensing Rights. GSK shall have the right to grant sublicenses of the New Data License solely to (a) any of its Affiliates (and for so long as they remain an Affiliate and with rights to grant such sublicenses through multiple tiers); (b) to any Third Party subcontractor performing fee-for-service activities on behalf of GSK or any of its Affiliates, in each case (a) and (b), without 23andMe's consent; and/or (c) any Third Parties (other than Third Party subcontractors described in clause (b)) with the prior written consent of 23andMe; provided that any and all such sublicenses shall be in writing (where such sublicensee is a Third Party) and, in all cases, subject and subordinate to, and consistent in all respects with, the terms and conditions of this Third Amendment to the extent applicable to sublicensees, and GSK shall be responsible for ensuring compliance by any such sublicensee with such terms and conditions.

7. Basic Services. Within the first [***] of each Calendar Quarter during the New Data License Term, GSK shall provide 23andMe with written notice setting forth the Basic Services and top-level support GSK anticipates requiring for the subsequent Calendar Quarter and 23andMe shall promptly respond within [***] if the requested Basic Services would require payment by GSK of additional FTE costs or Out-of-Pocket Costs pursuant to this Section 7 or if 23andMe does not have the resources (in excess of [***] allocated for such Calendar Quarter) required for the requested Basic Services, in which case the Parties shall discuss in good faith a mutually-agreed service scope. During the New Data License Term, upon GSK's request, 23andMe shall provide the Basic Services to GSK with [***]. Any and all Out-of-Pocket Costs shall be borne by [***]; *provided* that, [***]; provided further that (a) a good faith estimate of such [***] Out-of-Pocket Costs and any good faith material updates thereof shall be [***]; (b) to the extent [***], GSK shall be obligated to pay, in accordance with Section 10.17 of the Agreement, the amount set forth

in the invoice issued in accordance with Schedule 10.17(a) of the Agreement [***] ; and (c) [***]. In the event GSK desires additional hours of Basic Services above the hour limits of such [***], GSK shall notify 23andMe in writing and such request for additional hours of Basic Services shall be subject to 23andMe's approval ([***]) and payment by GSK of [***]. 23andMe shall use commercially reasonable efforts to perform each Basic Service in a timely, professional and workmanlike manner and in compliance with the terms and conditions of this Third Amendment. The personnel of 23andMe providing any Basic Services to GSK under this Third Amendment shall be competent, qualified individuals who possess the training, education, experience and skill reasonably necessary to perform such Basic Services. If GSK requires or desires services from 23andMe other than Basic Services, including any services set forth on Annexure H, GSK shall notify 23andMe and the parties shall negotiate in good faith, for a period not to exceed [***] following such request, the scope of such additional services that GSK desires to be provided and the terms and conditions related thereto, all of which, if mutually agreed, shall be set forth in a separate agreement.

8. Financial Terms.

(a) *Data Access Fee*. GSK shall pay to 23andMe a one-time payment of Twenty Million United States Dollars ($20,000,000) (the "**Data Access Fee**") as follows: (i) Five Million United States Dollars ($5,000,000) within [***] after the Third Amendment Effective Date and GSK's receipt of an invoice issued in accordance with Schedule 10.17(a) of the Agreement and (ii) Fifteen Million United States Dollars ($15,000,000) within [***] after the Data Release Date and GSK's receipt of an invoice issued in accordance with Schedule 10.17(a) of the Agreement; provided that [***].

(b) *Renewal Fee*. If, in accordance with Section 10, the Parties enter into an agreement to renew the New Data License, then [***].

(c) *Material Benefit*.

(i) In the event that GSK performs any Portfolio Validation Activities with respect to any Specified Target and, in connection with such Portfolio Validation Activities, (A) GSK learns [***], and (B) an MB Event occurs with respect to a product (1) that is Directed To such Specified Target and (2) for which such MB Event arises from such Portfolio Validation Activities (each, an "**MB Product**"), then commencing as of [***], GSK shall, for a period of [***], pay to 23andMe a royalty on annual Net Sales of such MB Product in such country in such indication during a Calendar Year at the applicable royalty rates set forth below (it being understood, for the avoidance of doubt, [***]:

Annual Net Sales of each MB Product in the Territory	**Royalty Rate**

For the portion of Net Sales in a given Calendar Year equal to or less than [***]	[***]
For the portion of Net Sales in a given Calendar Year greater than [***] and equal to or less than [***]	[***]
For the portion of Net Sales in a given Calendar Year greater than [***]	[***]

(ii) Notwithstanding anything in the Agreement or in this Third Amendment to the contrary, [***], GSK shall provide 23andMe with a report summarizing any potential MB Events that have been identified based on GSK's Portfolio Validation Activities under this Third Amendment, and the foregoing shall [***].

(d) *Patent Applications*. In the event that GSK (or its Affiliate or other designee) discloses any [***] Data or [***] Data provided by 23andMe under this Third Amendment [***] in the specification of any patent application owned or co-owned by GSK or any of its Affiliates [***] (such patent application, the "**Data Patent Application**"), GSK shall, as promptly as reasonably practicable following [***], notify 23andMe of such use and pay to 23andMe the following amounts:

(i) a one-time payment of Five Hundred Thousand United States Dollars ($500,000) upon the first achievement by GSK or any of its Affiliates, its licensee [***] of the First Commercial Sale in a Major Market of any GSK Product (it being understood that (A) GSK shall provide notice of such first achievement of such First Commercial Sale to 23andMe [***] following achievement thereof and make such commercial milestone payment to 23andMe following GSK's receipt of an invoice in accordance with Section 10.17 of the Agreement and (B) GSK shall only be obligated to pay such commercial milestone payment to 23andMe one (1) time for the first GSK Product for which a First Commercial Sale occurs in a Major Market regardless of the number of additional GSK Products sold in any Major Market thereafter and regardless of the number of countries in which GSK commercializes any GSK Product); and

(ii) on a country-by-country basis, during the GSK Product Royalty Term for each GSK Product in a given country in the Territory, royalties on annual Net Sales for each such GSK Product in the Field in the Territory during a Calendar Year at the royalty rates set forth below:

Annual Net Sales of each GSK Product in the Territory	Royalty Rate
For the portion of Net Sales in a given Calendar Year equal to or less than [***]	[***]
For the portion of Net Sales in a given Calendar Year greater than [***]	[***]

(e) *Material Benefit and Patent Application Interpretation Provisions*. 23andMe acknowledges and agrees that (i) in the event any product constitutes both an MB Product and a GSK Product, the [***], and (ii) in the event that any additional MB Event occurs with respect to such product or such product is Covered by a Valid Claim of an additional Patent that has issued from any Data Patent Application, [***]. For the avoidance of doubt and notwithstanding anything to the contrary herein, in the event that any rights with respect to any MB Product or GSK Product are acquired by any Third Party, 23andMe agrees to accept payments due under Section 8(c) or Section 8(d) directly from such Third Party in lieu of GSK.

(f) *No Other Fees*. Except as expressly contemplated by this Third Amendment, no other fees shall be due or payable by GSK to 23andMe in consideration for the release of any New Data to GSK, the New Data License or any other rights granted to GSK or any of its Affiliates under this Third Amendment.

(g) *Taxes; Payment Terms*. Except as provided in Section 8(a) above, Section 10.9, Section 10.12, Section 10.15 (solely with respect to auditing the Net Sales calculations under Sections 8(c) and 8(d)), Section 10.16, Section 10.17, Section 10.19 and Section 10.20 (last sentence) of the Agreement shall apply to this Third Amendment, *mutatis mutandis*.

9. 23andMe Affiliates. For the avoidance of doubt, in the event that 23andMe (or any of its successors or assigns) grants to any of its Affiliates any license or other rights to Exploit the New Data, any such license or other rights shall be subject to GSK's rights under this Third Amendment.

10. Term; New Data License Term. The term of the New Data License shall commence on the Third Amendment Effective Date and shall continue in full force and effect until the date that is the first (1st) anniversary of the Data Use Date (the "**New Data License Term**"); provided, however, that GSK shall not exercise any rights granted under the New Data License with respect to any New Data delivered hereunder unless and until GSK has provided the Data Use Notice to 23andMe. In the event GSK desires to renew the New Data License, GSK shall notify 23andMe in writing at least [***] in advance of the expiration of the New Data License Term and [***], the Parties shall begin wind-down activities with respect to the New Data License, including preparation and initiation of a plan and process for deleting the New Data by GSK and wind-down of ongoing Basic Services by 23andMe.

11. [***]

12. Effect of Expiration. The following terms set forth in this Section 12 apply solely to the New Data and New Data License and are expressly excluded from applying to the use or retention of, or rights with respect to, Existing Data, Derived Data or Joint Discovery Plan IP as set forth in Section 3 of this Third Amendment.

(a) Upon the expiration of the New Data License Term, the New Data License shall automatically terminate and GSK shall delete any and all New Data provided to it hereunder, including deleting such New Data from any combinations or compilations with other data, and any and all copies thereof [***]. GSK will provide 23andMe with a written certification that such New Data has been destroyed using destruction methods that meet or exceed current industry standards signed by GSK's Head of Research and Development (or equivalent role).

(b) Notwithstanding the foregoing or anything else to the contrary, upon the expiration of the New Data License Term, GSK and its Affiliates may [***]:

(i) [***]

(A) [***]

(B) [***]

(C) [***]

(ii) [***]

(A) [***]

(B) [***]

(iii) [***]

13. Survival. Section 16.9(a) and Section 16.9(b) of the Agreement are hereby amended to provide that Section 1, Section 2, Section 3, Section 4(b) (solely with respect to confidentiality of New Data), Section 8(c) through Section 8(g) (solely with respect to any payments that have accrued as of the date of expiration or termination of the Agreement as amended), Section 12, Section 13, Section 14, Section 15, Section 17, Section 18 and Section 20 of this Third Amendment shall survive expiration or termination of the Agreement.

14. Notices. GSK's notice information set forth in Section 21.9 of the Agreement is hereby amended and restated in its entirety as follows:

If to GSK:

GlaxoSmithKline Intellectual Property (No.3) Limited
Attn: Company Secretary
980 Great West Road,

Brentford,
Middlesex,
TW8 9GS
United Kingdom

15. Invoicing Information. Section 1(a) of Schedule 10.17(a) of the Agreement is hereby amended and restated in its entirety as follows:

> A copy of all invoices in PDF format should be sent via email to Alliance Management (email: sean.a.ross@gsk.com) copying the Deal Accounting and Alliances Finance department (email: rd.daaf@gsk.com).

16. Press Releases. In accordance with Section 17.5 of the Agreement, the Parties have agreed upon the content of a press release which shall be issued by 23andMe in the form attached hereto as Annexure I, the release of which shall occur promptly following execution of this Third Amendment (and in any event no later than [***] after the Third Amendment Effective Date).

17. Governing Law; Dispute Resolution. This Third Amendment and any dispute arising from the performance or breach hereof shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to conflicts of laws principles. For the avoidance of doubt, Sections 21.1(a)-(f) of the Agreement shall apply to this Third Amendment, *mutatis mutandis*.

18. Effect of Third Amendment; Conflicts; Full Force and Effect. Except as expressly amended in this Third Amendment, the Agreement shall remain in full force and effect in accordance with its terms. Subject to Section 1, in the event of any express conflict between the Agreement and this Third Amendment, the terms and conditions of this Third Amendment shall control to the extent of such conflict. From and after the Third Amendment Effective Date, each reference in the Agreement to "this Agreement," "hereunder," "hereof," "hereto," "herein," and words of like import referring to the Agreement shall mean and be a reference to the Agreement as amended, as applicable, by this Third Amendment.

19. Miscellaneous. Section 11.11, Section 21.9, Section 21.11, Section 21.12, Section 21.15 and Section 21.21 of the Agreement shall apply to this Third Amendment, *mutatis mutandis*.

20. Counterparts. This Third Amendment may be signed in counterparts, each and every one of which shall be deemed an original, notwithstanding variations in format or file designation which may result from the electronic transmission, storage and printing of copies of this Third Amendment from separate computers or printers. Facsimile signatures and signatures transmitted via PDF or other electronic form shall be treated as original signatures.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be executed by their duly authorized representatives as of the Third Amendment Effective Date.

GLAXOSMITHKLINE INTELLECTUAL PROPERTY (NO.3) LIMITED	**23ANDME, INC.**
By: /s/ Jill Anderson	By: /s/ Joe Selsavage
Name: Jill Anderson	Name: Joe Selsavage
Title: Director	Title: Interim Chief Financial Officer
Date Signed: October 27, 2023	Date Signed: October 27, 2023

ANNEXURE A TO THIRD AMENDMENT

BASIC SERVICES

[***]
Annexure A

Annexure A

ANNEXURE B TO THIRD AMENDMENT

NEW DATA – PHENOTYPES

[***]

ANNEXURE C TO THIRD AMENDMENT

NEW DATA – SUPPLEMENTAL ITEMS

[***]

Annexure C

ANNEXURE D TO THIRD AMENDMENT

NEW DATA DESCRIPTION

[***]

Annexure D

ANNEXURE E TO THIRD AMENDMENT

EXISTING COLLABORATION TARGETS

[***]
Annexure E

ANNEXURE F TO THIRD AMENDMENT

SAMPLE DATA MANIFEST

[***]

Annexure G

ANNEXURE G TO THIRD AMENDMENT

TECHNICAL REQUIREMENTS FOR NEW DATA

[***]

ANNEXURE H TO THIRD AMENDMENT

ADDITIONAL SERVICES

[***]

Annexure I

ANNEXURE I TO THIRD AMENDMENT

PRESS RELEASE

23andMe Announces Collaboration Extension with a New Data Licensing Agreement with GSK

Following their five year discovery collaboration, 23andMe and GSK have extended their collaboration by entering into a new non-exclusive data licensing agreement, enabling GSK to utilize the 23andMe database for novel drug target discovery and other research

SOUTH SAN FRANCISCO, Calif. – October XX, 2023 – 23andMe Holding Co. (Nasdaq: ME) ("23andMe") today announced a new, non-exclusive data license with GSK plc (LSE/NYSE: GSK) which extends their collaboration and enables GSK to conduct drug target discovery and other research using the 23andMe database, the world's largest recontactable resource of genetic and phenotypic information from consented participants. Under an amendment to their Collaboration Agreement, 23andMe will receive a $20 million upfront payment for a one year, non-exclusive data license. The license will also include access to certain services such as further analyses of the 23andMe data not provided in the core data release.

"We've had an incredibly successful collaboration with GSK over the past five years, and we are excited to continue our work together," said Anne Wojcicki, CEO and Co-Founder, 23andMe. "With approximately 50 programs developed over the last five years, we are thrilled to work with GSK in discovering genetically validated targets. The continued relationship with GSK demonstrates the power of the 23andMe research platform to consistently produce novel insights for therapeutic development, rooted in human genetics."

Under terms of the new data license, 23andMe will provide GSK with access to de-identified, summary data from global genome- and phenome-wide analysis of the 23andMe database, for a 12-month period, and offer its research services for analyses of the data over that same period. Any new drug discovery programs that GSK chooses to initiate during the agreement will be owned and advanced solely by GSK. 23andMe may be eligible for downstream royalties under certain uses of the database by GSK. As part of the amendment, 23andMe is taking the royalty option on three programs previously initiated by the two companies, which GSK will independently advance, with 23andMe retaining certain rights to downstream royalties. 23andMe and GSK both retain royalties on a number of active programs developed under the initial collaboration.

"The 23andMe research database is constantly growing, which increases its power for therapeutic research over time," said Adam Auton, Vice President, Human Genetics at 23andMe. "We've also made significant strides to increase the power of our database by improving our imputation technology, utilizing whole genome sequencing data to dramatically increase the number of genetic variants that we're able to interrogate. In addition, we continue to expand our capabilities in deep phenotyping, artificial intelligence and machine learning, rare disease research, and

developing recontactable cohorts in specific disease areas, all with the objective of more efficiently identifying drug targets that will hopefully be developed into new medicines."

About 23andMe
23andMe is a genetics-led consumer healthcare and biopharmaceutical company empowering a healthier future. For more information, please visit www.23andMe.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding the future performance of 23andMe's businesses in consumer genetics and therapeutics and the growth and potential of its proprietary research platform. All statements, other than statements of historical fact, included or incorporated in this press release, including statements regarding 23andMe's products, strategy, financial position, funding for continued operations, cash reserves, projected costs, plans, potential future collaborations, therapeutics development, database growth, product development and launches, the successful commercialization and market acceptance of new products and objectives of management, are forward-looking statements. The words "believes," "anticipates," "estimates," "plans," "expects," "intends," "may," "could," "should," "potential," "likely," "projects," "predicts," "continue," "will," "schedule," and "would" or, in each case, their negative or other variations or comparable terminology, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are predictions based on 23andMe's current expectations and projections about future events and various assumptions. 23andMe cannot guarantee that it will actually achieve the plans, intentions, or expectations disclosed in its forward-looking statements and you should not place undue reliance on 23andMe's forward-looking statements. These forward-looking statements involve a number of risks, uncertainties (many of which are beyond the control of 23andMe), or other assumptions that may cause actual results or performance to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's filings with the Securities and Exchange Commission, including under Item 1A, "Risk Factors" in the Company's most recent Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, and as revised and updated by our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The statements made herein are made as of the date of this press release and, except as may be required by law, 23andMe undertakes no obligation to update them, whether as a result of new information, developments, or otherwise.

Contacts:
Investor Relations Contact: investors@23andMe.com
Media Contact: press@23andMe.com

Exhibit 10.3

February 20, 2020

Dear William:

23andMe, Inc. (the "***Company***") is pleased to offer to you employment on the following terms:

1. **Position**. Your initial title will be Director, Target and Drug Discovery, and you will initially report to Astrid Ruefli-Brasse, Vice President, Drug Discovery. This is a full-time exempt position. By signing this offer letter agreement, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company.

2. **Cash Compensation**. Subject to adjustment pursuant to the Company's employment compensation policies as in effect and revised from time to time, you will be paid base salary at an annualized rate of $325,000, payable in accordance with the Company's standard payroll schedule, which is currently semi-monthly.

3. **Employee Benefits**. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefit plans. The Company reserves the right to modify, change, or discontinue all or part of these benefits at any time at its sole discretion.

4. **Stock Option**. The Company will recommend to the Company's Board of Directors (the "***Board***") that you be granted an option to purchase up to 50,000 shares of the Company's Common Stock. The grant of any option is subject to the Board's approval and the Company's promise to recommend such approval is not a promise of compensation and is not intended to create any obligation on the part of the Company. If approved, the exercise price per share will be equal to the price determined by the Board per share on the date the option is granted. The option will be subject to the terms and conditions applicable to options granted under the Company's 2006 Equity Incentive Plan (as amended) (the "***Plan***"), as described in the Plan and the applicable Stock Option Agreement used under the Plan. You will vest and become exercisable in twenty-five percent (25%) of the option shares after twelve (12) months of continuous service, and you will vest and become exercisable in 1/48th of the option shares over the next thirty-six (36) months of continuous service, as described in the applicable Stock Option Agreement.

5. **Invention Assignment and Confidentiality Agreement**. To protect the interests of the Company, like all Company employees, you will be required to sign the Company's standard Employee Invention Assignment and Confidentiality Agreement as a condition of your employment with the Company. A copy of this agreement is attached as **Exhibit A**. Please note this agreement contains many very important provisions, including (without limitation) those that require the assignment of inventions, disclosure of inventions, obligations of confidentiality, non-competition, non-solicitation, and rights to use your name and likeness, etc. Please review the agreement carefully.

6. **Third-Party Confidential Information.** The Company also wants to protect the confidential information of third parties. Thus, please do not bring or disclose to the Company or use in the performance of your duties for the Company any confidential or proprietary information of a prior employer or any other third party, whether or not created or developed by you.

7. **At-Will Employment**. Employment with the Company is for no specific period of time. You understand that your employment with the Company will be "at-will," which means that either you or the Company may terminate your employment at any time and for any reason, with or without prior notice and with or without cause. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at-will" nature of your employment

may only be changed in an express written agreement signed by you and the CEO of the Company.

8. **Proof of Authorization to Work in the United States**. Please note that because of employer regulations adopted in the Immigration Reform and Control Act of 1986, your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States. Attached as **Exhibit B** is the I-9 document that you will be required to complete on your first day of employment. Please refer to this document and bring the correct identification with you. Failure to provide proper identification may delay placement on payroll and ultimately result in mandatory termination. This offer is contingent on your securing valid immigration status and work authorization before your expected start date and maintaining your valid immigration status and work authorization throughout your employment. You agree that you will cooperate with the Company to complete all paperwork and forms necessary to obtain such status.

9. **Representations**. You represent and warrant that the credentials and information you provided to the Company related to your qualifications and ability to perform this position are true and correct.

10. **Company Policies.** You agree to abide by all applicable Company policies disclosed to you from time to time during the term of your employment.

11. **Tax Matters and Tax Advice.** All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or the Board related to tax liabilities arising from your compensation, including any option granted to you.

12. **Interpretation, Amendment and Enforcement**. This offer letter agreement and Exhibit A constitute the complete agreement between you and the Company, contain all of the terms of your employment with the Company and supersede any prior or contemporaneous agreements, representations or understandings (whether written, oral or implied) between you and the Company. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or of any issues arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the "**Disputes**") will be governed by this letter agreement and California law, excluding, however, laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in Santa Clara County, California in connection with any Dispute or any claim related to any Dispute.

13. **Outside Activities.** While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the written consent of the Company. In addition, while you render services to the company, you will not assist any person or entity in competing with the Company, in preparing to compete with the Company or in hiring any employees or consultants of the Company.

14. **Acceptance**. If you decide to accept our offer of employment, and we hope that you will, please sign and date this offer letter agreement in the space indicated and return it to me. This offer letter agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together will constitute one and the same agreement. Execution of a facsimile, electronic or pdf copy will have the same force and effect as execution of an original, and a facsimile, pdf or electronic signature will be deemed an original and valid signature. You will also be required to complete and sign the Company's standard employment application form. This offer may be withdrawn at any time prior to our receipt of your written acceptance and is contingent upon satisfactory completion of routine reference and backgrounds checks, your written acceptance by February 25, 2020, and your starting work with the Company on March 9, 2020. Please also complete and return the attached Employee Invention Assignment and Confidentiality Agreement and return with this letter agreement.

We look forward to the opportunity to welcome you to the Company.

Very truly yours,

/s/ Fred Kohler

Fred Kohler VP, People

I have read and understood this offer letter agreement and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ William Richards

Signature of William Richards

Date Signed: February 20, 2020

Start Date: March 9, 2020

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, Anne Wojcicki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 23andMe Holding Co. for the quarter ended September 30, 2023;

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:

   i. 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;

   ii. 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;

   iii. 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

   iv. 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):

   i. 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

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

Date: November 8, 2023

By: /s/ Anne Wojcicki
Anne Wojcicki
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, Joseph Selsavage, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of 23andMe Holding Co. for the quarter ended September 30, 2023;

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:

   i. 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;

   ii. 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;

   iii. 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

   iv. 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):

   i. 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

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

Date: November 8, 2023

By: /s/ Joseph Selsavage
Name: Joseph Selsavage
Interim Chief Financial and Accounting Officer
(Principal Financial and Accounting 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 23andMe Holding Co. (the "Company") on Form 10-Q for the quarter ended 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, to the best of my knowledge:

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 8, 2023

By: /s/ Anne Wojcicki
Anne Wojcicki
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 23andMe Holding Co. (the "Company") on Form 10-Q for the quarter ended 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, to the best of my knowledge:

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 8, 2023

By: /s/ Joseph Selsavage
Name: Joseph Selsavage
Interim Chief Financial and Accounting Officer
(Principal Financial and Accounting Officer)