UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2024

OR

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

FOR THE TRANSITION PERIOD FROM__________ TO__________

Commission File Number 001-39587

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)

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 Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of September 29, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $0.30 billion (based on the last reported sale price of the Registrant's Class A common stock of $0.98 per share on September 29, 2023 on the Nasdaq Global Select Market), excluding only shares of Class A common stock held by executive officers and directors of the Registrant as of such date. The Registrant has no non-voting stock outstanding.

As of May 16, 2024, there were 323,542,807 shares of Class A common stock, $0.0001 par value per share, and 166,714,362 shares of Class B common stock, $0.0001 par value per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be delivered to stockholders in connection with the 2024 annual meeting of stockholders are incorporated by reference in response to Part III of this Annual Report on Form 10-K to the extent stated herein. The 2024 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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

This Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (this “Form 10-K”), 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-K 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 under Part I, Item 1A, “*Risk Factors*” of this Form 10-K and our subsequent reports filed with the Securities and Exchange Commission (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. These risks described under Part I, Item 1A, “*Risk Factors*” may not be exhaustive.

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-K. 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-K, those results or developments may not be indicative of results or developments in subsequent periods.

You should read this Form 10-K and the documents that we reference in this Form 10-K and have filed with the SEC as exhibits to this Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

EXPLANATORY NOTE

As previously disclosed, VG Acquisition Corp. ("VGAC" and, after the Domestication as described below, "23andMe Holding Co."), a Cayman Islands exempted company, entered into that certain Agreement and Plan of Merger, dated February 4, 2021, as amended on February 13, 2021 and March 25, 2021 (the "Merger Agreement"), by and among VGAC, Chrome Merger Sub, Inc., a Delaware corporation and wholly owned direct subsidiary of VGAC (the "Merger Sub"), and 23andMe, Inc., a Delaware corporation.

On June 16, 2021 (the "Closing Date"), as contemplated by the Merger Agreement, VGAC filed a notice of deregistration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which VGAC was domesticated and continued as a Delaware corporation, changing its name to 23andMe Holding Co. (the "Domestication"). As a result of and upon the effective time of the Domestication, among other things, each of the then issued and outstanding Class A and Class B ordinary shares of VGAC automatically converted, on a one-for-one basis, into shares of our Class A common stock, par value $0.0001 per share (the "Class A common stock"). On the Closing Date, VGAC consummated the merger transaction contemplated by the Merger Agreement, whereby the Merger Sub merged with and into 23andMe, Inc., the separate corporate existence of the Merger Sub ceasing and 23andMe, Inc. being the surviving corporation and a wholly owned subsidiary of VGAC, now known as 23andMe Holding Co. (the "Merger"). Prior to the Merger, VGAC's units, public shares, and public warrants were listed on the New York Stock Exchange ("NYSE") under the symbols "VGAC.U," "VGAC," and "VGAC WS," respectively. On June 17, 2021, the Company's Class A common stock and public warrants began trading on The Nasdaq Global Select Market ("Nasdaq"), under the symbols "ME" and "MEUSW," respectively. On December 28, 2021, the Company announced the completion of its redemption (the "Redemption") of all of its outstanding warrants. In connection with the Redemption, the public warrants stopped trading on the Nasdaq and were delisted.

PART I

Item 1. Business

Overview

Our mission is to help people access, understand, and benefit from the human genome. To achieve this, we pioneered direct-to-consumer genetic testing and built the world's largest crowdsourced platform for genetic research. Our data engine powers our leading direct-to-consumer precision health platform and our genetics driven Research and Therapeutics businesses.

We are dedicated to empowering customers to optimize their health by providing direct access to their genetic information, personalized reports, actionable insights and digital access to affordable healthcare professionals through our telehealth platform, Lemonaid Health (as defined below).

Through direct-to-consumer genetic testing, we give 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 March 31, 2024, we had over 65 health and carrier status reports that were available to customers in the U.S.

Through our Lemonaid Health telehealth platform, our ultimate goal is to provide customers access to personalized care based on their unique genetic profile and lifestyle. We currently 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 have built the world's largest crowdsourced platform for genetic research. The aim of our Research business is to revolutionize research and become the market's preferred genetic-based research partner by monetizing access to our growing data engine of genetic and phenotypic information provided by our millions of engaged customers. We believe 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 also developing a diversified and differentiated portfolio of genetically validated therapeutic candidates for a variety of diseases across different therapeutic areas with high unmet medical need. We have programs in clinical development, as well as multiple discovery stage programs. Each of our programs has been identified through our human genetics drug discovery platform. We believe that the combination of a discovery platform that increases the probability of technical success through genetic evidence in humans, and a maturing therapeutic portfolio, positions us for long-term success in our goal to advance next-generation, targeted medicines for people living with serious and life-threatening diseases.

Operating Segments

We operate in two reporting segments: (1) Consumer and Research Services, and (2) Therapeutics.

Consumer and Research Services

Our Consumer and Research Services business comprises our Personal Genome Service® ("PGS"), our telehealth business, and research services.

PGS

Our PGS services provide customers with a broad suite of genetic reports, including information on customers' genetic ancestral origins, personal genetic health risks, chances of passing on certain rare carrier conditions to their children, and how genetics can impact their response to medications. We believe that by providing customers with direct access to their genetic disease risks and likelihoods, we will empower them to make better-informed decisions about their health and seek opportunities to take preventive action against disease.

In the U.S., Canada, and the United Kingdom (the "U.K."), we offer two PGS services, and also offer a premium membership service called 23andMe+ Premium. The Ancestry Service is our base service and provides customers information about their genetic ancestral origins and how genetics may influence over 30 traits, such as physical features, sense perceptions, reactions to external stimuli and other traits. The service also includes a tool that enables customers who opt in to connect with genetic relatives who are also customers of the Company. Our Health + Ancestry Service builds upon our Ancestry Service to also provide reports relating to a customer's health predispositions (including certain cancers and other genetic health risks such as late-onset Alzheimer's disease), carrier status (including for cystic fibrosis, sickle cell anemia and hereditary hearing loss), and wellness (including for deep sleep, lactose intolerance and genetic weight). Ancestry Service customers can upgrade to the Health + Ancestry Service for a fee. Additionally, in the U.S., we offer a third PGS service, Health Service, which is FSA-eligible and comes with health predisposition, carrier status, and wellness reports.

Our 23andMe+ Premium membership service offers customers the Health + Ancestry Service plus pharmacogenetic reports, over 40 personalized genetic health predisposition reports or "polygenic risk score reports," and advanced ancestry and health features. The polygenic risk score reports included in 23andMe+ Premium were developed by our scientists based upon data and insights gathered from customers who participate in 23andMe Research, and cover conditions such as migraine, coronary artery disease, depression, and lupus.

In addition to our genotype-array based services (Ancestry, Health+ Ancestry, and 23andMe+ Premium, we also offer a comprehensive ongoing early detection Total Health membership service that combines membership and telehealth offerings with the addition of next generation sequencing, covering 200x more hereditary disease-causing variants than our personal genome service reports (50,000+ variants in Total Health exome sequencing compared to 250 in Carrier Status and Genetic Health Risk reports). Total Health also includes blood testing and access to genetics-based clinical care.

Our PGS services provide customers with an engaging experience, including access to updates on their genetic health and ancestry reports, new product features and the ability to connect with genetic relatives. Our Ancestry Service, Health + Ancestry Service, and 23andMe+ Premium are available for purchase on our website, 23andMe.com, and mobile app and, in the U.S., the U.K., and Canada, through Amazon and Walmart.com. Our Total Health membership is available for purchase on our U.S. website, and in the U.S. our Health Service is available for purchase through Amazon, Walmart.com, and fsastore.com. Substantially all of our revenues are derived from the Consumer & Research Services segment, with revenue from PGS representing approximately 76%, 68%, and 75% of our total revenues for the fiscal years ended March 31, 2024, 2023 and 2022, respectively.

Customers have the option to participate in our research programs and over 80% of our customers have chosen to do so. Our research participants consent to allow us to use their genotypic data as well as phenotypic data they provide to us concerning their health, physical characteristics, family origins, lifestyle, and other habits. We analyze these data using our machine learning and other analytic techniques in order to discover new biological insights. Our analyses may highlight new connections between human populations, identify genetic and non-genetic factors that predict disease risk or drug response, or reveal the biological pathways underlying disease. These insights may then be used to develop new features for customers to enhance their health, wellness, and medical care, (including care accessed through our Lemonaid telehealth platform), and to support genetically-informed drug target discovery and validation.

Telehealth

Our Lemonaid telehealth platform, which we acquired in connection with the Lemonaid Acquisition (as defined below) in November 2021, provides us with telehealth capabilities and enhances our ability to deliver healthcare and wellness offerings to patients. Through our Lemonaid telehealth platform, patients can access one of our affiliated licensed healthcare professionals for medical consultation and treatment for a number of common conditions, and telehealth consultations for certain 23andMe genetic reports. If a prescription is warranted, the patient can access our pharmacy services for delivery. Our pharmacy offers non-controlled medications for treatment of acute and chronic conditions. We make telehealth services available in the U.S.

Affiliated Professional Medical Corporations. Because many states limit the ownership of medical practices to licensed professionals and prohibit corporate ownership of medical practices, we offer medical services through affiliated professional medical corporations ("PMCs") that are owned by a licensed medical provider in the applicable jurisdiction. All of the physicians and nurse practitioners who provide medical services to our patients are employees of the PMCs. Lemonaid, our wholly owned subsidiary, has a management services agreement ("MSA") with each PMC pursuant to which Lemonaid provides business, administrative and non-clinical services to the PMC in exchange for a fixed fee. These services include IT, billing, insurance, tax, accounting and other administrative services, and do not include any clinical, diagnostic or treatment decisions, which are made solely by licensed practitioners based on evidence-based guidelines and clinical protocols. The MSAs are exclusive arrangements, and the PMCs were established specifically to provide medical services through our telehealth platform.

Affiliated Pharmacy. Our patients may choose to fill prescriptions provided to them by our affiliated healthcare professionals by using our pharmacy services. We facilitate the delivery of pharmacy services by our affiliated mail order pharmacy, offering patients delivery throughout the U.S. Our pharmacy services are provided on a self-pay basis and are not covered by third-party payors. We also provide a small number of compounded medications that are fulfilled by a third-party service provider that is not affiliated with us. We manage our affiliated pharmacy under MSAs pursuant to which we provide all administrative services as well as licensed pharmacists, support staff and infrastructure. Our MSAs with our affiliated pharmacy are exclusive arrangements, and the affiliated pharmacy was established specifically to provide prescription medications when patients choose to use our platform to fill prescriptions written by our affiliated healthcare professionals.

Research Services

Through our Research Services, we use our vast database of genetic and phenotypic information provided by consenting customers to discover insights into the genetic origins of disease and to identify and validate targets for drug development. These services are performed under agreements with universities, research institutions, and pharmaceutical companies. From July 2018 to July 2023, we were party to an exclusive collaboration agreement with an affiliate of GlaxoSmithKline (“GSK”) (the “original GSK Agreement”) to leverage genetic insights to validate, rapidly progress development, and commercialize useful new drugs. As of July 2023, we are able to pursue new target discovery collaborations with other parties that leverage our extensive database, research capabilities and successful drug discovery track record. In October 2023, we entered into an amendment to the original GSK Agreement (the “2023 GSK Amendment”) to provide GSK with a non-exclusive license to certain new, de-identified, aggregated data from our database (the “New Data”), as well as access to certain of our research services with respect to such New Data. See Note 6, “*Collaborations*” to our consolidated financial statements included elsewhere in this Form 10-K for details.

In addition, we offer services to pharmaceutical and biotech companies that leverage our engaged research participants. Specifically, we support recruitment of clinical trials with genetically defined recruitment criteria, as well as promoting awareness of diseases with a significant genetic risk factor through the creation of sponsored health reports, cascade testing, and confirmatory testing.

Therapeutics

Our Therapeutics business focuses on the use of genetic insights to identify potential targets and to develop novel therapies to improve patients’ lives. We currently have research and development programs across several therapeutic areas, including oncology, immunological and inflammatory diseases, and other disease areas. The Therapeutics segment consists of revenues from the out-licensing of intellectual property associated with identified drug targets and expenses related to the discovery and development of therapeutic product candidates.

As of March 31, 2024, two of our internal programs had entered the clinic for testing in human patients. 23ME-00610 is a high-affinity humanized monoclonal antibody that is designed to interfere with the ability of CD200R1 to interact with CD200 found on cancer cells, thus releasing tumor-induced immune suppression for the treatment of cancer. In April 2024 we completed enrollment of the Phase 2a portion of the Phase 1/2a clinical trial (clinicaltrials.gov number NCT05199272) in adult patients with locally advanced or metastatic clear cell renal cell carcinoma, ovarian cancer, neuroendocrine tumors, small cell lung cancer, and tumors with high tumor mutation burden and/or microsatellite instability.

23ME-01473 is an immuno-oncology antibody program that was initiated as a collaboration program with GSK under the terms of the original GSK Agreement. 23ME-01473 targets the ULBP6 proteins in the NKG2D pathway. On March 20, 2024, we announced that the first patient has been dosed in a Phase 1 clinical trial evaluating the safety and tolerability in people with locally advanced or metastatic solid malignancies that have progressed after standard therapy. 23andMe is solely responsible for the continued development of this program.

23andMe had previously collaborated with GSK on an immuno-oncology program targeting CD96, GSK6097608, led by GSK. In January 2022, 23andMe announced that it was pursuing a development option to receive a royalty on this program if a successful therapy were to be developed and commercialized by GSK under the original GSK Agreement. GSK is solely responsible for the continued development of this program.

Business Strategy

- **Building the most trusted brand in the industry.** Our customers and our patients are our partners. We seek to empower them with knowledge that will help them, and ultimately will help everyone, to live happier, healthier and longer lives. They choose how to use the genetic and health information we provide to them. We respect their choices, and we work every day to earn and keep their trust.
- **Revolutionizing healthcare.** Traditional healthcare is impersonal, difficult, and frustrating for consumers, and focuses on treatment of disease. We believe that our customer-centric, personalized model has the power to radically shift traditional healthcare to a new focus on individualized care. We believe that our trusted brand, millions of engaged customers, and unique database of genetic information, combined with our telehealth platform for delivering affordable personalized care efficiently to patients, will provide us with the opportunity to create a new and innovative healthcare model that will drive future growth.
- **Scaling research.** Our research platform is based on a continually growing database of genotypic and phenotypic information. Our database allows us to conduct broad analyses across hundreds of diseases, identifying the genetic pathways underlying disease and developing predictors of future disease risk. Our platform enables us to rapidly conduct studies across a vast number of conditions in parallel at unprecedented statistical power, yielding insights into the causes and potential treatments of a wide variety of diseases.
- **Efficiently develop novel therapeutics.** We believe that our research platform enables us to rapidly identify 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 identify drug targets, inform patient selection for clinical trials and increase the probability of success of our programs. We are in the process of advancing new drugs through the development process leveraging our fully operational biopharma capabilities by rapidly selecting those with compelling clinical promise.
- **Maximizing our collaborations.** Since inception, we have worked with researchers in academia and in biopharma to demonstrate the quality and power of our database and advance discoveries, resulting in more than 200 published papers. Our collaboration with GSK further validates our drug discovery approach and we are excited about the portfolio of programs, across multiple disease areas, that we have built together. With the exclusive target discovery period ended in July 2023 under the original GSK Agreement, we are able to pursue new target discovery collaborations with other parties which will leverage our extensive database, maturing capabilities and successful drug discovery track record.
- **Dreaming Big.** We have a founder-led, inclusive, entrepreneurially inspired and scientifically rigorous approach to all we do. Our customer-first, patient-focused and data-driven people are dedicated to our mission of helping people access, understand and benefit from the human genome. Their commitment to our vision and our mission differentiates us from other companies in the healthcare industry.

Acquisitions

VGAC Business Combination

On June 16, 2021, we consummated the Merger contemplated by the Merger Agreement. In connection with the Merger, VGAC completed the Domestication, whereby it changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to 23andMe Holding Co. On the closing date, the Merger Sub merged with and into 23andMe, Inc., with 23andMe, Inc. being the surviving corporation and a wholly owned subsidiary of the Company (together with the Merger and the Domestication, the “Business Combination”).

Lemonaid Acquisition

We completed our acquisition of Lemonaid Health, Inc. (“Lemonaid” or “Lemonaid Health”) on November 1, 2021 (the “Lemonaid Acquisition”). Lemonaid, an on-demand platform for accessing medical care and pharmacy services online, offers telemedicine, lab, and pharmacy services to patients in all 50 states, the District of Columbia, and the U.K. We believe that the addition of Lemonaid’s telehealth services to our consumer business will enable us to bring better healthcare to individuals in an affordable and accessible way and offer access to personalized healthcare, based on a patient’s wellness, choices, and genetics.

Market Opportunity

Consumer - PGS

We believe that our ability to analyze genetic information and inform on ancestry, traits and personalized reports on genetic variations that are known to be associated with important health conditions empowers our customers. Armed with this personalized information through our Ancestry, Health + Ancestry Service and our Total Health membership, our customers have the ability to make informed, proactive decisions about their health and their lives. As of March 31, 2024 and 2023, respectively, we had approximately 15.1 million and 14.1 million PGS customers.

We expect to continue to develop and provide our customers with new reports, including reports on cancer risks, autoimmune conditions, mental health, and pharmacogenetics. Additionally, we believe that direct-to-consumer genetic health testing is gaining wider acceptance by physicians in the U.S., and that we will be able to drive further acceptance through our telehealth platform.

We expect to continue to invest in expanding our PGS offerings and marketing our PGS to customers. As we attract more customers, we expect that we will benefit from the network effect created by an increasing cohort of customers who recommend our PGS to their families and friends, and who reap health benefits by using their genetic information to help them and their medical providers make better decisions about their care and lifestyle choices.

23andMe+ Premium

The 23andMe+ Premium service is an annual membership that provides customers with exclusive reports and features not available in the basic Health + Ancestry Service. This membership is an add-on to our Health + Ancestry Service. 23andMe+ Premium provides customers with additional health reports, including multiple FDA-authorized pharmacogenetics reports, as well as personalized risk score reports based on 23andMe research. These new risk scores can help customers understand certain genetic health predispositions, such as atrial fibrillation, coronary artery disease, high LDL cholesterol, hypertension and migraine, and provide them with information on preventing and managing these conditions. The 23andMe+ Premium membership also provides customers with advanced ancestry-related features, such as enhanced tools and filters for finding genetic relatives and Historical Matches. In 2023, we added more value to the 23andMe+ Premium membership with the introduction of 23andMe Health Action Plan and 23andMe Health Tracks. These personalized action plans are part of our broader effort to help our customers take action based on their genetic insights and other data. Over time, we plan to continue to add more dynamic recommendation content and intuitive ways to track phenotypic inputs, with the ultimate goal of helping customers improve their health span. We are continually investing in new reports and features to provide to members and expect to add new reports based on genetic insights from our research. We believe the 23andMe+ Premium membership will enhance customer engagement as members receive new content with discoveries about themselves throughout the membership period and meaningful and customized information to help them lead healthier lives. As of March 31, 2024 and 2023, our 23andMe+ membership base had approximately 562,000 and 640,000 members, respectively.

Consumer – Total Health

In November 2023, we launched 23andMe+ Total Health (“Total Health”), our most comprehensive membership providing access to third-party independent clinicians practicing genetics informed care with a focus on early risk detection and preventative actions. Our Total Health service combines membership and telehealth offerings with the addition of next generation sequencing covering 200x more hereditary disease-causing variants than our personal genome service reports (50,000+ hereditary disease-causing variants in Total Health exome sequencing compared to 250 health-related variants in our genotyping Carrier Status and Genetic Health Risk reports). Total Health also includes blood testing and access to genetics-based clinical care.

Consumer – Telehealth

Telehealth enables consumers to access healthcare conveniently, from their homes, and to obtain fast and affordable consultation, diagnosis and treatment without the difficulties of scheduling and traveling to physical appointments. By accessing medical consultation and treatment through our telehealth platform, patients are able to take ownership of their health. Support and demand for telehealth services have been increasing due to deregulation and broad societal shifts. We believe that we have the innovative, patient-first care model, the technical platform, the nationwide provider network, and the extensive pharmacy capabilities to be a leading provider of healthcare. Patients can interact with our affiliated healthcare professionals through either synchronous or asynchronous consultations, depending on the patient's need and applicable regulatory requirements. Patients also can consult with one of our affiliated healthcare professionals about certain 23andMe genetic reports and as part of our Total Health membership. We plan to offer patients additional opportunities to integrate genetic information into their healthcare, which we believe will enhance the ability of medical providers to offer diagnoses and treatment tailored to patients' individual needs.

Therapeutics

We believe that our research platform will transform the process of drug development. Genetic data significantly improve our understanding of diseases, their pathways and mechanisms, leading to the design and development of medicines more likely to succeed in clinical development. Use of genetic data in selecting drug targets increases both the probability of success in a particular indication and of avoidance of unwanted safety risks. The scale of our database provides us with a unique opportunity to pursue genetically targeted drug discovery by enabling us to:

- Query data that enable us to identify a statistically meaningful number of individuals who report having a particular disease, which we then use to determine whether the presence or absence of a particular genetic variant increases or decreases the likelihood of developing a disease;
- Conduct discovery at scale based on a substantial number of novel associations from a diverse range of people;
- Improve target selection with the aim of discovering more effective and safer medicines;
- Support identification of patient subgroups that are more likely to respond to targeted treatments; and
- More quickly identify and recruit patients for clinical studies from our re-contactable database.

Competition

Consumer (PGS and Telehealth)

We believe that our time, resources and history with the FDA is unmatched within the industry. We are the only direct-to-consumer genetic testing company that has gone through the rigorous analytical and clinical validation resulting in eight FDA authorizations and clearances to date. We face competition from other companies attempting to capitalize on the same, or similar, opportunities as we are, including from existing diagnostic, laboratory services and other companies entering the personal genetics market with new offerings such as direct access and/or consumer self-pay tests and genetic interpretation services and including services that may not currently comply with FDA regulations. Some of our current and potential competitors have longer operating histories and greater financial, technical, marketing and other resources than we do. These factors may allow our competitors to respond more quickly or efficiently than we can to new or emerging technologies. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing and regulatory policies, which may allow them to build larger customer bases than we have. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services. This could attract customers away from our services and reduce our market share. We believe that our ability to compete successfully will depend on the following factors:

- the size of our customer base;
- the timing and market acceptance of products and services, including the developments and enhancements to those products and services, offered by us or our competitors;
- customer service and support efforts;
- selling and marketing efforts;
- ease of use, performance, price and reliability of solutions developed either by us or our competitors; and
- our brand strength relative to our competitors.

Similarly, the markets for healthcare are intensely competitive, subject to rapid change, and significantly affected by new product and technological introductions and other market activities of industry participants. The number of companies entering the telehealth market with offerings similar to ours continues to increase. We compete directly not only with these new entrants and other established telehealth providers but also traditional healthcare providers and pharmacies. Our current competitors include traditional healthcare providers that have expanded or are expanding into the telehealth market, incumbent telehealth providers, as well as new entrants into our market that are focused on direct-to-consumer healthcare. Our competitors include enterprise-focused companies that may enter the direct-to-consumer healthcare industry, as well as direct-to-consumer healthcare providers. Many of our current and potential competitors may have greater name and brand recognition, longer operating histories, significantly greater resources than we do, and may be able to offer products and services similar to those offered on our platform at more attractive prices than we can.

Therapeutics

Our therapeutics business faces substantial competition from larger, more established pharmaceutical and biotechnology companies with marketed products that have been accepted by the medical community, patients, and third-party payors, as well as smaller companies in our industry that have successfully identified and developed drugs. Our ability to compete in this industry may be affected by the previous adoption of such products by the medical community, patients, and third-party payors.

We recognize that other companies, including larger pharmaceutical and biotechnology companies, may be developing or have plans to develop drugs that may compete with ours. Many of our competitors have substantially greater financial, technical, and human resources than we have. Our competitors may discover, develop or commercialize products or other novel technologies that are more effective, safer or less costly than any that we are developing. Our competitors may also obtain FDA or other regulatory approval for their drugs more rapidly than we may obtain approval for any drug that we develop.

We anticipate that the competition with our drugs will be based on a number of factors, including product efficacy, safety, availability, and price. The timing of market introduction of any successful drug and competitive drugs will also affect competition among products. We expect the relative speed with which we can develop drugs, complete the clinical trials and approval processes, and supply commercial quantities of such drugs to the market to be important competitive factors. Our competitive position will also depend upon our ability to attract and retain qualified personnel, to obtain patent protection or otherwise develop proprietary products or processes, protect our intellectual property, and to secure sufficient capital resources for the period between target identification and commercial sales of the resulting drug.

In the future we could potentially face increasing competition from companies utilizing artificial intelligence, or AI, and other computational approaches for consumer product development, research, and drug discovery and development.

Research Services

Our Research Services business faces substantial competition from public biobanks, other public datasets, academic institutions, and biotechnology and pharmaceutical companies with large genetic databases. Our ability to successfully monetize our Research Services may be affected by this competition.

In the future we could potentially face increasing competition from academic institutions and companies utilizing artificial intelligence, or AI, including large language models (LLM) and other computational approaches for developing models that compete with our Research Services. As we consider the future usage of AI in our business, we will carefully monitor emerging technologies, the market and potential competitors.

Seasonality

Historically, our PGS business has been seasonal, with our kit sales being dependent on seasonal holiday demand, variability in our advertising expenditures by season, and the timing of larger promotional events such as the Amazon Prime Day, which can vary each year. We generate a significant amount of our PGS revenue during the fourth quarter of our fiscal year, due to seasonal holiday demand and our increased advertising expenditures during the holiday period, which occurs during the third quarter of our fiscal year. Kit orders are recognized as revenue when the customer sends in their kit to the laboratory to be processed and genetic reports are delivered to the customer, which typically for seasonal holiday purchases tends to occur in our fourth fiscal quarter. For more information on the potential impacts of seasonality, see "*Risk Factors*" in Part I, Item 1A of this Form 10-K.

Manufacture/Supply

For our PGS, we do not have in-house manufacturing capabilities and do not plan to develop such capacity in the foreseeable future. We do have a quality system that is in compliance with 21 C.F.R. Part 820 and ISO 13485 for the regulated activities that are performed by us. We rely on third-party suppliers, which we have qualified in accordance with our quality system to provide materials (such as our saliva collection kits, bead chips, reagents or other materials and equipment used in our laboratory operations) and services. Currently, we rely on a sole supplier to manufacture our saliva collection kits. If we were to change the design of certain materials which we rely on, such as our bead chip or our saliva collection kit, we may be required to seek additional authorization or clearance from the FDA. Should we seek to utilize additional laboratories, prior to utilizing their services for our U.S. customers, the laboratories would need to obtain appropriate Clinical Laboratory Improvement Amendments of 1988 ("CLIA") certification and state licensure (if required) including the validation of our testing services in accordance with FDA and CLIA regulations and expectations.

For our telehealth services, we operate an affiliated mail order pharmacy licensed in all 50 U.S. states and the District of Columbia. We rely on multiple third-party suppliers for our pharmaceuticals and there is a risk that we may experience supply chain issues that will impact our ability to fulfill prescriptions, which would have a material impact on our business.

For Therapeutics, we do not have capability nor do we plan to develop current good manufacturing practices ("cGMP") capacity for, the manufacture, or supply of clinical therapeutics for our clinical trials nor for commercialization. We oversee the development of, and rely on third-party suppliers to provide, cGMP material for our planned clinical studies and will continue to work with contract manufacturers to improve process requirements to enable continued progress through clinical development to commercial medicines. Certain U.S. lawmakers have encouraged sanctions and introduced legislation that could affect WuXi AppTec (Hong Kong) Limited, our current supplier of 23ME-00610 and 23ME-01473, WuXi Biologics (Hong Kong) Limited ("WuXi Biologics") and companies that do business with WuXi Biologics. We have taken several measures to strengthen our supply chain in the event that WuXi Biologics is impacted.

Intellectual Property

Since inception, we have considered our intellectual property ("IP") as a critical part of our mission. We make every effort to protect our IP, and as of March 31, 2024, have built an extensive patent estate owned by 23andMe, as summarized below:

Consumer (PGS) Patent Estate

Our PGS patent estate consists of 127 granted U.S. patents, which include 106 utility and 21 design patents that cover technologies that include graphical user interfaces, aspects of algorithms for processing genetic data, computer implemented inventions, bioinformatics, and genotyping.

Included in these are patents that relate to the following PGS services: (i) 15 design and 67 utility patents relate to our Ancestry Service, (ii) 17 design and 67 utility patents relate to our Health + Ancestry Service, and (iii) 19 utility patents relate to our 23andMe+ Premium service. The PGS patent estate also includes 45 pending patent applications, which include one design application, 31 U.S. utility applications, two Patent Cooperation Treaty ("PCT") applications, five Canadian patent applications, and six European patent applications. Included in these are applications that relate to the following PGS services: (i) one design and 23 U.S. utility applications, six European patent applications, five Canadian patent applications, and one PCT application relate to our Ancestry Service, (ii) one design, 23 U.S. utility applications, six European patent applications, five Canadian patent applications, and one PCT application relate to our Health + Ancestry Service, and (iii) six U.S. utility applications, one European patent application, and one Canadian patent application relate to our 23andMe+ Premium service.

Our PGS patent portfolio has expected expiration dates ranging from about 2027 to about 2044.

Therapeutics Patent Estate

Our therapeutics patent estate consists of four granted U.S. patents, one granted Nigerian patent and one South African patent that cover key areas of our past and current therapeutic development candidates. The therapeutics patent estate also includes 54 pending U.S. utility and foreign utility patent applications, which include nine U.S. utility applications and 45 foreign utility patent applications, covering key areas of our past and current therapeutic development candidates. These applications include those in the following jurisdictions: the PCT, Argentina, Taiwan, Australia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Eurasia, Europe, Hong Kong, India, Indonesia, Israel, Iran, Japan, South Korea, Malaysia, Mexico, New Zealand, Nigeria, Peru, Philippines, Singapore, Thailand, Ukraine, Vietnam and South Africa. The subject matter of the therapeutics patent portfolio relates to our immuno-oncology and inflammatory disease and other therapeutic areas. Our therapeutics patent portfolio has expected expiration dates ranging from about 2039 to about 2044.

Please note that we cannot be sure that patents will be granted with respect to any patent applications we have filed or may file in the future, and we cannot be sure that any patents that have been granted or may be granted to us in the future will not be challenged, invalidated, or circumvented or that such patents will be commercially useful in protecting our technology.

We also appropriately guard our company trade secrets and know-how to maintain our business advantage and seek to identify and obtain third-party licenses where useful. In circumstances where we rely on trade secrets or proprietary know-how to protect our technology, we seek to protect such IP, in part, by entering into confidentiality agreements with those who have access to our confidential information, including our employees, contractors, consultants, collaborators, partners and advisors. We also internally designate levels of sensitive information with certain groups within the Company. We also seek to preserve the integrity and confidentiality of our trade secrets or proprietary know-how by maintaining physical security of our premises and physical and electronic security of our information technology systems. Although we have confidence in these individuals, organizations, and systems, agreements or security measures may be breached, and we may not have adequate remedies for any such breaches. In addition, our trade secrets or proprietary know-how may otherwise become known or may be independently discovered by competitors. To the extent that our employees, contractors, consultants, collaborators, and advisors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. For this and more comprehensive risks related to our proprietary technology, inventions, improvements and product candidates, please see the section titled "*Risk Factors — Risks related to our intellectual property*" in Part I, Item 1A of this Form 10-K.

Government Regulation

Consumer (PGS) Business

Our genetic health risk, carrier status, and pharmacogenetic reports are subject to regulatory oversight by the FDA under provisions of the Federal Food, Drug, and Cosmetic Act ("FDCA") and regulations thereunder, including regulations governing the development, marketing, labeling, promotion, manufacturing, distribution, and export of diagnostic products. The third-party laboratories that we contract with to perform the laboratory portions of our service are subject to oversight by the Centers for Medicare and Medicaid Services ("CMS") pursuant to CLIA, as well as agencies in various states, including New York. We are subject to many other federal, state and foreign laws, including anti-fraud and abuse, anti-kickback and patient privacy. Failure to comply with applicable requirements can lead to sanctions, including withdrawal of products from the market, recalls, refusal to authorize government contracts, product seizures, exclusion from participation in federal and state healthcare programs, civil money penalties, injunctions, and criminal prosecution.

Regulation of In Vitro ("IVD") Diagnostics and Medical Devices

IVDs are regulated by the FDA in the U.S. as medical devices in accordance with the FDCA and its implementing regulations. The FDCA and its implementing regulations govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of our medical devices.

Since 2014, there have been ongoing discussions and advocacy between stakeholders, including the clinical laboratory industry, the FDA, and Congress, about potential FDA regulation of laboratory-developed tests (LDTs), which are assays developed and performed in-house by clinical laboratories. Historically, the FDA has taken the position that it has jurisdiction over LDTs, but with limited exceptions, it has not enforced (i.e., has afforded enforcement discretion with respect to) the requirements of the Federal Food Drug and Cosmetic Act (FDCA) on LDTs.

On September 29, 2023, the FDA released a proposed rule that makes clear its jurisdiction over LDTs and that it would begin enforcing the requirements of the FDCA on a phased basis, which was formally published in the Federal Register on October 3, 2023. Specifically, the proposed rule seeks to make explicit that in vitro diagnostic products (IVDs) manufactured by clinical laboratories are devices under the FDCA. In conjunction with this proposed rule, the FDA is proposing a policy by which the FDA would phase out its general enforcement discretion approach for LDTs over a period of four years after the publication of a final rule so that LDTs manufactured by a clinical laboratory would, over the transition period, be fully subject to the FDCA and its regulations. The proposed rule would not grandfather existing tests. Comments to the proposed rule have challenged whether the FDA has the legal authority under the FDCA to regulate LDTs.

Medical devices must undergo premarket review prior to commercialization unless the device is exempt from such review or was in commercial distribution prior to May 28, 1976 (referred to as a "pre-amendment" device).

- For devices that require premarket notification, a 510(k) submission is the regulatory process that requires the applicant to demonstrate that the device to be marketed is at least as safe and effective as, that is, substantially equivalent to, a legally marketed predicate device. The applicant must submit information that supports its determination that its subject device is substantially equivalent to a legally marketed predicate device. The 510(k) premarket notification pathway generally takes from three to nine months from the date the application is accepted for review but in limited situations can take longer.

- For devices that require approval of a premarket application ("PMA"), the PMA process requires the applicant to provide clinical and laboratory data that establishes that the medical device is safe and effective. The FDA will approve the device for commercial distribution if it determines that the data and information in the PMA application constitute valid scientific evidence and that there is reasonable assurance that the device is safe and effective for its intended use(s). PMA applications generally require extensive data, including technical, preclinical, clinical and manufacturing data, to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. As part of its review of the PMA, the FDA will conduct a pre-approval inspection of the manufacturing facility or facilities to ensure compliance with the Quality System Regulation (21 CFR Part 820) ("QSR"), which requires manufacturers to implement a quality system that has processes and procedures concerning design and manufacturing. If the FDA evaluations of both the PMA application and the manufacturing facilities are favorable, the FDA will either issue an approval letter or an approvable letter, which usually contains a number of conditions that must be met in order to secure the final approval of the PMA. If the FDA's evaluation of the PMA or manufacturing facilities is not favorable, the FDA will deny the approval of the PMA or issue a not approvable letter. A not approvable letter will outline the deficiencies in the application and, where practical, will identify what is necessary to make the PMA approvable. Once granted, PMA approval may be withdrawn by the FDA if compliance with post-approval requirements, conditions of approval or other regulatory standards is not maintained, or problems are identified following initial marketing. The average review time for a PMA application is one to two years, but can take longer.
- Novel device technologies, including novel device changes, that have not been previously classified by the FDA and for which there is no suitable predicate device are considered Class III "by default" under the FDCA and would thus require a PMA. However, if the application of general and/or special controls can provide a reasonable assurance of safety and effectiveness, novel device technologies that are Class III "by default" may be eligible for authorization by the FDA via the De Novo pathway. To obtain marketing authorization via the De Novo pathway, the applicant must show that the subject device is low to moderate risk (or why through the application of special controls the subject device is low to moderate risk), such that it can be reclassified as Class I or Class II. The De Novo request pathway usually requires more testing data than a 510(k), and often requires clinical data. The average review time for a De Novo request is nine to 12 months but it can take longer.

Should a company need clinical data to support a premarket application, the FDA regulates clinical investigations through its Investigational Device Exemption ("IDE") regulations 21 C.F.R. Part 812. Clinical investigations of devices that are of a significant risk require pre-approval from the FDA. Investigations of devices that are of a non-significant risk do not require FDA pre-approval; however, an Institutional Review Board ("IRB") must agree that the study is of a non-significant risk. In addition, certain clinical investigations are exempted from IDE regulations including investigations of IVDs so long as certain criteria are met. The IDE regulations place specific requirements on sponsors and investigators of clinical studies including reporting to the FDA certain adverse events and record-keeping to demonstrate compliance with the regulations. The FDA can conduct periodic, unannounced inspections of sponsors and investigators to evaluate compliance with the IDE regulations. Failure to comply with the IDE regulations can subject the sponsor and investigator to administrative enforcement proceedings, civil penalties, and/or criminal penalties.

We utilized the De Novo and 510(k) pathways to seek authorization from the FDA for those aspects of the PGS products that are medical devices. Specifically, the FDA granted our first De Novo authorization to market our PGS product for Over-the-Counter Carrier testing for Bloom Syndrome in February 2015. Since 2015, we received three additional FDA De Novo Authorizations for Over-the-Counter Genetic Health Risks, BRCA1/BRCA2 Selected Variants and Pharmacogenetic Metabolism Information as well as two FDA 510(k) Clearances for MUTYH and Pharmacogenetic Drug Response Information. The regulations governing our authorizations and clearances place substantial restrictions on how our PGS service is marketed and sold, specifically, requirements on pre-purchase information we must provide to consumers and special controls we must comply with due to the over-the-counter nature of our PGS service. We may develop new diagnostic products and services that are regulated by the FDA as medical devices, or make changes to our medical devices that trigger a premarket submission which may require clinical data. The regulatory review and approval process for medical devices can be costly, timely, and uncertain. This process may involve, among other things, successfully completing additional clinical trials and submitting a premarket 510(k) submission, De Novo submission, or filing a premarket approval application with the FDA. If premarket review is required by the FDA, there can be no assurance that our tests will be cleared, authorized, or approved on a timely basis, if at all. In addition, there can be no assurance that the claims we propose to the FDA for clearance, authorization, or approval will be cleared, authorized, or approved by the FDA.

We consider our Wellness reports and Polygenic Risk Score ("PRS") reports to be either non-medical devices under the FDCA or to be low risk medical devices subject to FDA enforcement discretion from compliance with the requirements of the FDCA in accordance with the FDA's General Wellness: Policy for Low Risk Devices (issued July 29, 2016 and revised September 27, 2019). It is possible in the future that the FDA may disagree and conclude that some or all of our Wellness reports or Polygenic Risk Score reports are medical devices and not subject to enforcement discretion. As a result, we could be subject to enforcement action and penalties. We consider our COVID-19 Severity Calculator to be a medical device that is subject to FDA enforcement discretion in accordance with the FDA's Policy for Device Software Functions and Mobile Medical Applications (last issued September 28, 2022). Using a risk-based approach, the FDA's policy established a group of software that meets the definition of a medical device but is subject to enforcement discretion from compliance with the requirements of the FDCA. It's possible that the FDA may disagree that our COVID-19 Severity Calculator is subject to enforcement discretion and could thus subject us to an enforcement action and penalties. If this were to occur, we would likely have to utilize the premarket pathways described above.

Before and after a medical device is commercially released, we have ongoing responsibilities under FDA regulations which can increase the cost of conducting our business. The FDA reviews design and manufacturing practices, labeling and record-keeping, and manufacturers' required reports of adverse experiences and other information to identify potential problems with marketed medical devices through periodic inspections. Specifically, these inspections evaluate our compliance with its QSR, among other FDA requirements. The QSR includes requirements related to the methods used in, and the facilities and controls used for, designing, manufacturing, packaging, labeling, storing, installing, and servicing of medical devices intended for human use. Our manufacturing operations, and those of our third-party finished device manufacturers, are required to comply with the QSR. QSR compliance is required for medical devices that are FDA approved and cleared, and generally required for medical devices exempt from FDA premarket notification. The FDA conducts announced and unannounced periodic and on-going inspections of medical device manufacturers to determine compliance with the QSR. If in connection with these inspections the FDA believes the manufacturer has failed to comply with applicable regulations and/or procedures, it may issue inspectional observations on a Form FDA-483 ("Form 483") that would necessitate prompt corrective action. If the FDA determines that our response to the Form 483 is not adequate (e.g., the corrective action plan and/or objective evidence is insufficient), the FDA may issue a public or non-public warning letter (which would similarly necessitate prompt corrective action) and/or proceed directly to other forms of enforcement action, including the imposition of operating restrictions, a ceasing of operations at one or more facilities, enjoining and restraining certain violations of applicable law pertaining to products, seizure of products, and assessing civil or criminal penalties against our officers, employees or us. The FDA could also require the entry of a consent decree of permanent injunction with us. The FDA may also recommend prosecution to the U.S. Department of Justice ("DOJ"). Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products and could have a material adverse effect on our business, financial condition and results of operations.

Corruption

In situations involving healthcare providers or researchers employed by foreign state-funded institutions or national healthcare agencies, violation of the local anti-kickback or other anti-bribery laws may also constitute a violation of the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA prohibits any U.S. individual, business entity or employee of a U.S. business entity from offering or providing, directly or through a third party, including the distributors we rely on in certain markets, anything of value to a foreign government official with corrupt intent to influence an award or continuation of business or to gain an unfair advantage, whether or not such conduct violates local laws. In addition, it is illegal for a company that reports to the SEC to have false or inaccurate books or records or to fail to maintain a system of internal accounting controls. We are also required to maintain accurate information and control over sales and distributors' activities that may fall within the purview of the FCPA, its books and records provisions and its anti-bribery provisions.

Laboratory Certification, Accreditation and Licensing

We and our third-party laboratories are also subject to U.S. and state laws and regulations regarding the operation of clinical laboratories. Virtually all clinical laboratories operating in the U.S. must be certified by the federal government (generally delegated to the states to implement) or by a federally approved accreditation agency. Federal CLIA requirements regulated by the CMS and laws of certain states, including those of California, New York, Maryland, Pennsylvania, Rhode Island and Florida, impose certification requirements for clinical laboratories, and establish standards for quality assurance and quality control, among other things. State laws may require that laboratory personnel meet certain qualifications, specify certain quality controls, or require maintenance of certain records. CLIA provides that a state may adopt different or more stringent regulations than federal law and permits states to apply for exemption from CLIA if the state's laboratory laws are equivalent to, or more stringent than, CLIA. For example, the State of New York's clinical laboratory regulations, which have received an exemption from CLIA, contain provisions that are in certain respects more stringent than federal law. Therefore, as long as New York maintains a licensure program that is CLIA-exempt, we will need to comply with New York's clinical laboratory regulations in order to offer our clinical laboratory products and services in New York. Standards for testing under CLIA are based on the complexity of the tests performed by the laboratory, with tests classified as "high complexity," "moderate complexity," or "waived." Laboratories performing high-complexity testing are required to meet more stringent requirements than moderate-complexity laboratories. Laboratories performing only waived tests, which are tests determined by the FDA to have a low potential for error and requiring little oversight, may apply for a certificate of waiver exempting them from most CLIA requirements.

We have current certificates to perform clinical laboratory testing to offer our PGS in all 50 states. Clinical laboratories are subject to inspection by regulators and to sanctions for failing to comply with applicable requirements. The sanctions for failure to comply with CLIA requirements include suspension, revocation or limitation of a laboratory's CLIA certificate, which is necessary to conduct business; cancellation or suspension of the laboratory's approval to receive Medicare and/or Medicaid reimbursement; as well as significant fines and/or criminal penalties. States also have licensure requirements and may impose additional sanctions on us. The loss or suspension of a CLIA certification, state license, imposition of a fine or other penalties, or future changes in CLIA and state law/regulations (or interpretation of the law or regulations) could have a material adverse effect on us.

Regulation of Consumer Products

The Federal Trade Commission ("FTC") and U.S. Consumer Product Safety Commission ("CPSC") also have jurisdiction over products offered by PGS (especially those aspects of our products that are not regulated by the FDA). The FTC requires that advertising claims be truthful, non-deceptive, fair, and adequately supported. The CPSC protects the American public from products that may present safety hazards, with labeling requirements, as well as reporting and remedial actions required if certain hazards or events are identified. Failure to comply with FTC and/or CPSC laws and implementing regulations or discovery of product hazards or noncompliance could subject us to enforcement proceedings, including mandatory recalls and penalties that could have a material adverse effect on us.

International

When marketing our PGS health reports outside of the U.S., we are subject to foreign regulatory requirements governing human clinical testing, export of biological or tissue samples, marketing approval for our products and performance and reporting of tests on a local basis. These requirements vary by jurisdiction, differ from those in the U.S. and may require us to perform additional preclinical or clinical testing. Marketing in Europe subjects us to European Union ("EU") medical device oversight. Accordingly, we and certain of our contract manufacturers would be subject to ongoing compliance with various International Organization for Standardization ("ISO") standards and ongoing regulatory oversight and review. These include routine inspections by EU Notified Bodies, which are entities accredited by an EU Member State to assess whether a product to be placed on the market meets certain preordained standards, of our manufacturing facilities and our records for compliance with requirements such as ISO 13485 and ISO 27001, which establish extensive requirements for quality assurance and control as well as manufacturing and change control procedures. Additionally, the EU adopted the IVD Regulation ("IVDR") which increases the regulatory requirements applicable to IVDs in the EU and would require that we classify and obtain pre-approval for our PGS software, which would be subject to the IVDR as of May 26, 2026 (for Class C IVDs). At this time, our health reports are not considered IVDs and therefore not subject to pre-approval. If we are not able to obtain and maintain regulatory compliance, we may not be permitted to market our PGS health service and/or may be subject to enforcement by EU Competent Authorities, bodies with authority to act on behalf of the government of the applicable EU Member State to ensure that the requirements of the directive or regulation are met.

As of January 1, 2021, due to the U.K. leaving the EU, the United Kingdom Medicines and Healthcare products Regulatory Agency ("MHRA") began implementation of new requirements for medical devices, including our health reports, marketed in Great Britain. The new regulations required that on or before January 1, 2022, we designate a U.K. Responsible Person and register our PGS software which is self-certified IVD. The U.K. will continue to allow marketing of our health reports pursuant to our existing CE mark while they develop and implement their own regulations.

In situations involving healthcare providers employed by state-funded institutions or national healthcare agencies, violation of the local anti-kickback law may also constitute a violation of the FCPA. The FCPA prohibits any U.S. individual, business entity or employee of a U.S. business entity from offering or providing, directly or through a third party, including the distributors we rely on in certain markets, anything of value to a foreign government official with corrupt intent to influence an award or continuation of business or to gain an unfair advantage, whether or not such conduct violates local laws. In addition, it is illegal for a company that reports to the SEC to have false or inaccurate books or records or to fail to maintain a system of internal accounting controls. We are also required to maintain accurate information and control over sales and distributors' activities that may fall within the purview of the FCPA, its books and records provisions and its anti-bribery provisions.

Consumer (Telehealth) Business

The practice of medicine is subject to various federal, state, and local certification and licensing laws, regulations, approvals and standards, relating to, among other things, the qualifications of the provider, the practice of medicine (including specific requirements relating to online or telephone consultations and the provision of remote care), the continuity and adequacy of medical care, the maintenance of medical records, the supervision of personnel, and the prerequisites for the prescription of medication and ordering of tests. Because the practice of telehealth is relatively new and rapidly developing, regulation of telehealth is evolving and the application, interpretation and enforcement of these laws, regulations and standards can be uncertain or uneven. As a result, we must continually monitor legislative, regulatory, and judicial developments regarding the practice of medicine and telehealth in order to support our PMCs.

Physicians, mid-level providers (e.g., physician assistants, nurse practitioners), and behavioral health providers who provide professional clinical services via telehealth must, in most instances, hold a valid license to provide the applicable professional services in the state in which the patient is located. We have established systems to assist the PMCs in ensuring that their providers are appropriately licensed under applicable state law and that their provision of telehealth to our customers occurs in each instance in compliance with applicable rules governing telehealth.

In certain jurisdictions, the corporate practice of medicine doctrine generally prohibits non-physicians from practicing medicine, including by employing physicians to provide clinical services, directing the clinical practice of physicians, or holding an ownership interest in an entity that employs physicians. Other practices, such as professionals splitting their professional fees with non-professional persons or entities, is also prohibited in some jurisdictions. These laws are intended to prevent unlicensed persons from interfering with or unduly influencing a physician's professional judgment. State laws and enforcement activities related to the corporate practice of medicine and fee-splitting vary dramatically. In some states, even activities not directly related to the delivery of clinical services may be considered an element of the practice of medicine. For example, in some states the corporate practice of medicine restrictions may be implicated by non-clinical activities such as scheduling, contracting, setting rates, and the hiring and management of non-clinical personnel.

Because of the restrictions on the corporate practice of medicine doctrine and fee-splitting in various jurisdictions, we do not employ the healthcare providers who provide clinical services on our telehealth platform. Instead, the PMCs provide services on the platform, and we contract with but do not own the PMCs. We provide administrative, non-clinical services to the PMCs and bill them a fixed amount for those services, based on what we believe to be the fair market value of the services, pursuant to our contracts. The PMCs and their providers maintain exclusive authority regarding the provision of healthcare services (including consultations that may lead to the writing of prescriptions) and remain responsible for retaining and compensating their providers, credentialing decisions regarding their providers, maintaining professional standards, maintaining clinical documentation within medical records, establishing their own fee schedule, and submitting accurate information to us so that we can bill customers. Despite our care in structuring arrangements with the PMCs, it is possible that a regulatory authority or another party, including providers affiliated with PMCs, could assert that we (or other organizations with similar business models) are engaged in the corporate practice of medicine or that the contractual arrangements with PMCs violate a state's fee-splitting prohibition. Failure to comply with these state laws could lead to materially adverse consequences for the Company.

Regulation of Pharmacy Services

Our pharmacy services are subject to laws of various state and federal agencies. Our affiliated pharmacies face regulation on a number of issues that vary from state-to-state, including pharmacist-to-technician supervision ratios, practice of pharmacy, quality, sufficiency of facilities and equipment, prescription requirements, patient-friendly medication labeling, controlled substances, scheduled listed chemical, and listed chemical regulation, and ensuring a patient's freedom of choice in selecting their pharmacy, among a number of other requirements. On the federal level, pharmacies must comply with the FDA's requirements under the Drug Supply Chain Security Act which are intended to preserve the integrity of the U.S. drug supply chain. The Drug Supply Chain Security Act requires pharmacies and others in the U.S. drug supply chain to comply with requirements for product tracking and tracing, information and pedigree exchange, reporting, investigations, and product quarantine and disposition. Further federal regulations apply to those pharmacies that dispense controlled substances scheduled listed chemicals, and listed chemicals under the Controlled Substance Act, which is implemented by the Drug Enforcement Administration. Furthermore, each pharmacist and technician must also obtain appropriate professional licensure and are subject to upholding state professional standards of conduct and patient privacy laws.

Privacy and Security Regulation

We are engaged in ongoing privacy compliance and oversight efforts, including in connection with the requirements of numerous local, state, federal and international laws, rules, and regulations relating to the privacy and security of directly or indirectly identifiable personal information (collectively, "Data Protection Laws"). Such Data Protection Laws regulate the collection, storage, sharing, use, disclosure, processing, transferring, and protection of personal information, including genetic information, and evolve frequently in scope and enforcement. There can also be uncertainty, differing interpretations, and potentially contradictory requirements across the privacy and security legal and regulatory landscape. In the U.S., some of the notable Data Protection Laws we are subject to include the California Consumer Privacy Act, as amended by the California Privacy Rights Act (collectively, the "CCPA"), the California Genetic Information Privacy Act ("GIPA"), California Confidentiality of Medical Information Act ("CMIA"), Section 5 of the Federal Trade Commission Act ("FTC Act"), the Telephone Consumer Protection Act of 1991 ("TCPA") and, in the event of a data breach, various data breach laws across the 50 states and territories. We also are subject to at least 10 (and growing) state genetics privacy laws. Outside of the U.S., numerous countries have their own Data Protection Laws, including, but not limited to, the Canadian Personal Information Protection and Electronic Documents Act ("PIPEDA") and the EU General Data Protection Regulation ("GDPR"), now also enacted in the U.K. ("UK GDPR"). 23andMe also expects additional Data Protection Laws to be proposed and enacted in the future, particularly in the U.S., and current Data Protection Laws to evolve frequently through new legislation and amendments to existing legislation and changes in enforcement approach. The effects of such changes may be inconsistent from one jurisdiction to another, and potentially far-reaching and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. These new or modified Data Protection Laws, and other changes in laws or regulations relating to privacy, data protection and information security, particularly any new or modified laws or regulations that require enhanced protection of certain types of data or new obligations or restrictions with regard to data retention, transfer or disclosure and the use of data for research purposes, could greatly increase the cost of providing our offerings, require significant changes to our operations or even prevent us from providing certain offerings in jurisdictions in which we currently operate and in which we may operate in the future.

Data Protection Laws are enforced by the FTC, government authorities and agencies, including state attorneys general and national or state data protection authorities. Data Protection Laws require us to publish statements or notices to our customers that describe how we handle personal information and provide details of the choices that customers have about the way we handle their personal information and of their rights. If such information that we publish is considered untrue or inaccurate, we may be subject to claims of unfair or deceptive trade practices under Section 5 of the FTC Act or similar laws, which could lead to significant liabilities and consequences.

In the U.S., the CCPA creates additional obligations relating to consumer data, with enforcement of certain new provisions added by the California Privacy Rights Act beginning on July 1, 2023. The CCPA provides for fines of up to $7,500 for intentional violations and a private right of action with respect to data breaches. Interpretation and enforcement of CCPA, including its current and forthcoming regulatory guidance, remain uncertain. Other states have enacted similar comprehensive privacy laws, which vary from the CCPA in certain aspects. For example, new consumer health privacy laws in Colorado, Virginia, Connecticut and Utah become effective in 2023, and a new consumer health privacy law in Washington, including a private right of action, became effective in 2024. The CMIA, among other state medical privacy laws, imposes additional requirements with respect to medical information, and provides for fines of between $2,500 and $250,000 per violation and a private right of action in the event medical information has been used or disclosed in violation of the CMIA.

Internationally, we are subject to, among other Data Protection Laws, the GDPR, UK GDPR, and PIPEDA which regulate collection, storage, sharing, use, disclosure, and protection of personal information, and impose stringent requirements with significant penalties and litigation risks for noncompliance. Like the U.S., international Data Protection Laws include national, state or provincial, and local laws, meaning compliance costs increase with every state, province, or locale we ship to. Failure to comply with the GDPR (and the UK GDPR) may result in fines of up to €20 million/£17.5 million or up to 4% of the annual global revenue of the infringer, whichever is greater. It may also lead to civil litigation, with the risks of damages or injunctive relief, or regulatory orders adversely impacting the ways in which our business can use personal information. While Canada's PIPEDA does not have as stringent requirements and fines as the GDPR at this time, Canadian legislators are actively working on reforms to PIPEDA to align it with the GDPR. We anticipate that any reforms to PIPEDA will further increase our compliance costs and liabilities.

Where applicable, we rely on data transfer mechanisms to be able to transfer data between countries freely. We previously relied on the Privacy Shield certification for the purposes of transferring personal information out of the EU. In light of the invalidation of Privacy Shield in July 2020, we continue to rely on standard contractual clauses to transfer EU/UK personal information outside of the EU/UK, or where applicable derogations are provided for by law. These clauses have been being revised, and the process and the implementation of new requirements related to the clauses, such as conducting additional risk assessments and implementing additional safeguards, will increase our costs. On March 25, 2022, the EU and U.S. announced that they had reached an agreement in principle on a new Trans-Atlantic Data Privacy Framework (the "Framework"), which will be translated into legal documents to be adopted in the EU and U.S. to provide a renewed basis for transatlantic data transfers. However, if a new Framework is not adopted and we are unable to continue to rely on the standard contractual clauses or rely upon other alternative means of data transfers from the EU/UK to the U.S. (such as consent), we will likely be unable to offer a number of services in the EU/UK, which would materially and adversely affect our business. Additionally, in the U.S. and internationally, businesses are required to provide notice to affected customers whose personal information has been disclosed as a result of a data breach. Many countries and/or states require businesses to maintain safeguards and take certain actions in response to a data breach and may be required to also notify applicable regulatory authorities. Recently, some states, such as California, have explicitly added genetic information to their breach notification laws, which presents additional liabilities and costs to our business. Some U.S. states go beyond data breach notification and general security safeguards by requiring businesses to maintain specific security safeguards; for example, Massachusetts establishes minimum standards to be met in connection with the safeguarding of personal information contained in both paper and electronic records including maintaining security policies and procedures, security training for employees, regular audits. While many Data Protection Laws rely on regulatory enforcement for non-compliance with security safeguards or data breaches, there may be an increase in legislation like CCPA providing a private right of action for consumers in the event of a data breach. Civil litigation and security compliance present liabilities and costs with respect to maintaining and continually refining security safeguards and incident response processes.

We anticipate changes with Data Protection Laws as countries and states continue to propose comprehensive privacy laws and regulations addressing consumer data protection rights, transparency and cybersecurity. In certain states, these laws are directed specifically to genetic information or genetic testing companies, or more specifically direct-to-consumer genetic testing companies. Data Protection Laws specific to genetic information have recently been enacted in 10 or more states, including California, Utah, Florida, and Arizona. Many other states are considering similar laws regulating genetic information, some of which include private rights of action for consumers. Such private rights of action present liabilities and costs to our business with respect to implementing and maintaining compliance with such laws, and potentially responding to civil litigation. We have incurred, and expect to continue to incur, significant expenses in an effort to comply with privacy, data protection and information security standards and protocols imposed by Data Protection Laws. With substantial uncertainty over the interpretation and application of these and other laws and regulations (such as CCPA, CMIA, and genetic privacy laws), we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so.

Regulation of our Therapeutics Products and Programs

Government authorities in the U.S. at the federal, state and local level and in other countries regulate, among other things, the research, development, manufacture, testing, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of drug and biological products. Generally, before a new drug or, biologic can be marketed, considerable data demonstrating its quality, safety and efficacy must be obtained, organized into a format specific for each regulatory authority, submitted for review and approved, authorized, or cleared by the applicable regulatory authority. The process of obtaining regulatory approvals and the subsequent compliance with appropriate regional, federal, state, territorial and local statutes and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process or following approval may subject an applicant to administrative actions or judicial sanctions. These actions and sanctions could include, among other actions, a regulatory agency's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, untitled or warning letters, voluntary or mandatory product recalls or market withdrawals, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of or debarment from government contracts, FDA debarment, exclusion from federal healthcare programs, restitution, disgorgement and civil or criminal fines or penalties. Any agency or judicial enforcement action could have a material adverse effect on our business, the market acceptance of our products and our reputation. Our drugs must be approved by the FDA through either a New Drug Application ("NDA"), or a Biologics License Application ("BLA"), process before they may be legally marketed in the U.S., and by similar processes for other regulatory regions. Moreover, the regulatory requirements governing our business are also evolving and will likely continue to evolve. By example, the FDA has issued a growing number of guidance documents that provide its interpretation of regulatory requirements, including, with respect to pharmacogenomic data and information.

Preclinical Studies and Submission of an IND

Before testing any drug, biological, or gene therapy candidate in humans, the drug must undergo rigorous preclinical testing. Preclinical studies include laboratory evaluation of product chemistry and formulation, toxicity, stability, and purity, among other attributes. They also include in vitro and animal studies to assess safety and, in some cases, to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal and state regulations and requirements, including Good Laboratory Practice ("GLP") regulations and requirements relating to animal testing. The sponsor submits the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, to the FDA or other regulatory or oversight committee as part of an IND or Clinical Trial Application ("CTA"). In the U.S., an IND is a request for authorization from the FDA to administer an investigational drug to humans, and must become effective before human clinical trials may begin. An IND will automatically become effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions and places the study on clinical hold. In that case, the IND sponsor and the FDA must resolve any outstanding FDA concerns or questions before clinical trials can proceed. Clinical holds may also be imposed by the FDA during the conduct of trials due to safety or compliance concerns. Some long-term preclinical testing, such as animal tests of reproductive adverse effects and carcinogenicity, may continue after the IND is submitted.

Human Clinical Trials

The clinical stage of development involves the administration of the investigational product to healthy volunteers or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with good clinical practice ("GCP") requirements, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria and the parameters to be used to monitor subject safety and assess efficacy. A protocol for each clinical trial and subsequent protocol amendments must be filed with the FDA as part of the IND. Sponsors will also be required to provide the FDA with diversity action plans. Furthermore, each clinical trial must be reviewed and approved by an IRB/ethics committee for each institution at which the clinical trial will be conducted to ensure that the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative as well as other subject communications and must monitor the clinical trial until completed. Special clinical trial ethical considerations also must be taken into account if a study involves children. In the case of certain gene therapy studies, an Institutional Biosafety Committee ("IBC") at the local level may also review and maintain oversight over the particular study, in addition to the IRB.

There also are requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. Information about certain clinical trials, including clinical trial results, must be submitted within specific timeframes for publication on the www.clinicaltrials.gov website or other comparable public trial registries. Sponsors of investigational products for the diagnosis, monitoring, or treatment of one or more serious disease or conditions must also have a publicly available policy on evaluating and responding to requests for expanded access. Investigators must further provide certain information to clinical trial sponsors to allow the sponsors to make financial disclosures to the FDA.

A sponsor who wishes to conduct a clinical trial outside of the U.S. may, but need not, obtain FDA authorization to conduct the clinical trial under an IND. If a foreign clinical trial is not conducted under an IND, the sponsor may submit data from the clinical trial to the FDA in support of an NDA or BLA. The FDA will accept a well-designed and well-conducted foreign clinical study not conducted under an IND if the study was conducted in accordance with GCP requirements, and the FDA is able to validate the data through an onsite inspection if deemed necessary. The data from the foreign clinical study must also be deemed by the FDA to be meaningful to the U.S. population.

Clinical trials generally are conducted in three sequential phases, known as Phase 1, Phase 2 and Phase 3, which may overlap, be divided, or be combined.

- Phase 1 clinical trials generally involve a small number of healthy volunteers or disease-affected patients who are initially exposed to a single dose and then multiple doses of the drug. The primary purpose of these clinical trials is to assess the metabolism, pharmacologic action, dosage tolerance, structure-activity relationships, mechanism of action, absorption, excretion, pharmacokinetics side effect tolerability, and safety of the drug. These trials also sometimes seek to gain an early indication of a product candidate's effectiveness.
- Phase 2 clinical trials involve studies in a limited disease-affected patient population to evaluate proof of concept and/or determine the dose required to produce the desired benefits. At the same time, safety and further PK and PD information is collected, possible adverse effects and safety risks are identified, and a preliminary evaluation of efficacy is conducted.

- Phase 3 clinical trials are adequate and well-controlled studies that involve a large number of patients at multiple sites and are designed to provide the data necessary to demonstrate the effectiveness of the product for its intended use, its safety in use and to establish the overall benefit/risk relationship of the product and provide an adequate basis for product labeling.

Additional kinds of data may also help support a BLA or NDA, such as patient experience data and real-world evidence. Real world evidence may also be used to assist in clinical trial design or support an NDA for already approved products. For genetically targeted populations and variant protein targeted products intended to address an unmet medical need in one or more patient subgroups with a serious or life threatening rare disease or condition, the FDA may allow a sponsor to rely upon data and information previously developed by the sponsor or for which the sponsor has a right of reference, that was submitted previously to support an approved application for a product that incorporates or utilizes the same or similar genetically targeted technology or a product that is the same or utilizes the same variant protein targeted drug as the product that is the subject of the application. More recently, a program was established whereby a platform technology that is incorporated within or utilized by an approved drug or biologic product may be designated as a platform technology, provided that certain conditions are met, in which case development and approval of subsequent products using such technology may be expedited.

The FDA may require an applicant to conduct additional clinical trials after NDA or BLA approval to further evaluate the safety and effectiveness of the product. These post-approval trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication and are commonly intended to generate additional safety data regarding use of the product in a clinical setting. In certain instances, the FDA may mandate the performance of Phase 4 clinical trials as a condition of approval of an NDA or BLA.

Progress reports detailing the results of the clinical trials, among other information, must be submitted at least annually to the relevant health authorities and IRBs. The sponsor must also notify relevant health authorities and the IRBs of adverse events or other significant safety information within specified timeframes. Certain reports may also be required to be submitted to the IBC. Changes to the enrollment of clinical trials, for example halting enrollment for a clinical safety signal, or completing expected clinical trial accrual may be reported on a clinical trial registration site such as clinicaltrials.gov and may provide publicly available information about the status of an ongoing clinical trial.

Phase 1, Phase 2, Phase 3, and other types of clinical trials may not be completed successfully within any specified period, if at all. The health authority or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB or ethics committee can suspend or terminate approval of a clinical trial at institutions under its jurisdiction if the clinical trial is not being conducted in accordance with their requirements or if the drug or biologic has been associated with unexpected serious harm to patients. IBCs can also require that research activities be ceased if applicable requirements are not being met. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group may monitor the continued safety of the study, provide recommendations on study continuation, and/or provide authorization for whether a trial may move forward at designated check points based on access to certain data from the trial.

The manufacture of investigational drugs and biologics for the conduct of human clinical trials is subject to cGMP requirements. Investigational drugs and biologics and active ingredients and therapeutic substances imported into the U.S. are also subject to regulation by the FDA. Further, the export of investigational products outside the U.S. is subject to regulatory requirements of the receiving country as well as U.S. export requirements.

Concurrent with clinical trials, companies usually complete additional preclinical studies and also must develop additional information about the chemistry and physical characteristics of the drug or biologic as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product and, among other things, companies must develop methods for testing the identity, strength, quality and purity of the final product. Additionally, appropriate packaging must be selected and tested, and stability studies must be conducted to demonstrate that the drugs do not undergo unacceptable deterioration over their shelf life.

FDA Review Process

Following completion of the clinical trials, data are analyzed to assess whether the investigational drug is safe and effective for the proposed indicated use or uses. The results of preclinical studies and clinical trials are then submitted to the FDA as part of an NDA or BLA, along with proposed labeling, chemistry and manufacturing information to ensure product quality and other relevant data. The NDA or BLA is a request for approval to market the drug or biologic for one or more specified indications and must contain proof of safety and efficacy for a drug or safety, purity and potency for a biologic. The application may include both negative and ambiguous results of preclinical studies and clinical trials, as well as positive findings. Data may come from company-sponsored clinical trials intended to test the safety and efficacy of a drug's use or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational drug to the satisfaction of the FDA. FDA approval of an NDA or BLA must be obtained before a drug or biologic may be marketed in the U.S.

Under the Prescription Drug User Fee Act ("PDUFA"), as amended, each NDA or BLA subject to certain exceptions, must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. The FDA reviews all submitted NDAs and BLAs before it accepts them for filing and may request additional information rather than accepting the NDA or BLA for filing. The FDA must make a decision on accepting an NDA or BLA for filing within 60 days of receipt, and such decision could include a refusal to file by the FDA. If additional information is requested by the FDA, the application must be resubmitted with the requested information and is subject to further review before being accepted for filing. Once accepted, the FDA begins an in-depth substantive review of the submission. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA or BLA. Under the goals and policies agreed to by the FDA under PDUFA, the FDA targets ten months, from the filing date, in which to complete its initial review of a new molecular entity NDA or original BLA and respond to the applicant, and six months from the filing date of a new molecular entity NDA or original BLA designated for priority review, which are products that, if approved, would present significant improvements in the safety or effectiveness of the treatment or diagnosis of a serious condition. The FDA does not always meet its PDUFA goal dates for standard and priority NDAs or BLAs, and the review process is often extended by FDA requests for or a sponsor's submission of additional information or clarification. The FDA also may audit data from or conduct remote regulatory assessments of clinical trials and clinical trial sites to ensure compliance with GCP requirements. The FDA will also inspect or conduct remote regulatory assessments of the facilities that manufacture the product candidate and will not approve a marketing application unless the agency confirms the manufacturer's compliance with GMP requirements. Additionally, the FDA may refer applications for novel products or products which present difficult questions of safety or efficacy to an advisory committee, a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions, if any. For product candidates for which no active ingredient has previously been approved, such a referral is mandatory unless the FDA issues an action letter summarizing the reasons why it did not require an advisory committee review.

The FDA is not bound by recommendations of an advisory committee, but it considers such recommendations when making decisions on approval. The FDA likely will reanalyze the clinical trial data, which could result in extensive discussions between the FDA and the applicant during the review process. After the FDA evaluates an NDA or BLA, it will issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug or biologic with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application will not be approved in its present form. If a Complete Response Letter is issued, the applicant may either resubmit the NDA or BLA, addressing all of the deficiencies identified in the letter, or withdraw the application or request an opportunity for a hearing. Even if such data and information are submitted, the FDA may decide that the NDA or BLA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data. Even if approval is granted, the FDA may limit the approved product's indications for use, require labeling with significant warnings, limitations, or contraindications, or place other conditions on the approval that restricts the ability to market the product. For instance, the FDA may require post-approval testing or surveillance, or impose other restrictions on the product, including distribution restrictions or risk evaluation and mitigation strategies. The FDA may also not approve label statements that are necessary for successful commercialization and marketing.

European Medicines Agency (EMA) Review Process

In the European Economic Area ("EEA"), which is comprised of the 27 Member States of the European Union (including Norway and excluding Croatia), Iceland and Liechtenstein, drugs can only be commercialized after obtaining a marketing authorization ("MA"). Before granting the MA, the EMA or the competent authorities of the Member States of the EEA make an assessment of the risk-benefit balance of the product on the basis of scientific criteria concerning its quality, safety and efficacy. There are two types of marketing authorizations:

- The Community MA is issued by the European Commission through the Centralized Procedure, based on the opinion of the Committee for Medicinal Products for Human Use ("CHMP") of the EMA, and is valid throughout the entire territory of the EEA. The Centralized Procedure is mandatory for certain types of products, such as biotechnology medicinal products, orphan medicinal products, advanced-therapy medicines such as gene-therapy, somatic cell-therapy or tissue-engineered medicines and medicinal products containing a new active substance indicated for the treatment of HIV, AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune and other immune dysfunctions and viral diseases. The Centralized Procedure is optional for products containing a new active substance not yet authorized in the EEA, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the European Union.

- National MAs, which are issued by the competent authorities of the Member States of the EEA and only cover their respective territory, are available for products not falling within the mandatory scope of the Centralized Procedure. Where a product has already been authorized for marketing in a Member State of the EEA, this National MA can be recognized in another Member State through the Mutual Recognition Procedure. If the product has not received a National MA in any Member State at the time of application, it can be approved simultaneously in various Member States through the Decentralized Procedure. Under the Decentralized Procedure an identical dossier is submitted to the competent authorities of each of the Member States in which the MA is sought, one of which is selected by the applicant as the Reference Member State, or RMS. The competent authority of the RMS prepares a draft assessment report, a draft summary of the product characteristics ("SPC") and a draft of the labeling and package leaflet, which are sent to the other Member States (referred to as the Member States Concerned) for their approval. If the Member States Concerned raise no objections, based on a potential serious risk to public health, to the assessment, SPC, labeling, or packaging proposed by the RMS, the product is subsequently granted a national MA in all the Member States (i.e., in the RMS and the Member States Concerned).

Orphan Drug Designation and Exclusivity

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biological product intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the U.S., or more than 200,000 individuals in the U.S. and for which there is no reasonable expectation that the cost of developing and making the product available in the U.S. for this type of disease or condition will be recovered from sales of the product. Orphan drug designation must be requested before submitting an NDA or BLA. If there is another product approved by the FDA for the same orphan indication, which the FDA deems to be the same as the investigational product, the sponsor of the investigational product must also present a plausible hypothesis of clinical superiority for the FDA to grant an orphan drug designation. This hypothesis must be demonstrated to obtain orphan drug exclusivity. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process. If a product that has orphan drug designation subsequently receives the first FDA approval for the disease or condition for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication for seven years from the date of such approval, except in limited circumstances, such as a showing of clinical superiority to the product with orphan exclusivity by means of greater effectiveness, greater safety or providing a major contribution to patient care, or in instances of drug supply issues. Competitors, however, may receive approval of either a different product for the same indication or the same product for a different indication. In such cases, the second in time product could be used off-label in the orphan indication. Orphan drug exclusivity also could block the approval of one of our products for seven years if a competitor obtains approval before we do for the same product, as defined by the FDA, for the same indication we are seeking approval, or if our product is determined to be contained within the scope of the competitor's product for the same indication or disease. If we pursue marketing approval for an indication broader than any orphan drug designation we have received, we may not be entitled to orphan drug exclusivity.

Notably, the scope of orphan drug exclusivity may be an evolving area. A 2021 judicial decision, *Catalyst Pharms., Inc. v. Becerra,* challenged and reversed an FDA decision on the scope of orphan product exclusivity for the drug, Firdapse. Under this decision, orphan drug exclusivity for Firdapse blocked approval of another company's application for the same drug for the entire disease or condition for which orphan drug designation was granted, not just the disease or condition for which approval was received. In a January 2023 Federal Register notice, however, the FDA stated that it intends to continue to apply its regulations tying the scope of orphan-drug exclusivity to the uses or indications for which a drug is approved. The exact scope of orphan drug exclusivity will likely be an evolving area.

Whether a gene therapy product qualifies for orphan designation is also an evolving area. The FDA issued a final guidance document on how the agency will determine gene therapy product "sameness." Pursuant to the guidance, "sameness" will depend on the product's transgene expression, viral vectors groups and variants, and other product features that may have a therapeutic effect. Generally, minor differences between gene therapy products will not result in a finding that two products are different. Any FDA sameness determinations could impact our ability to receive approval and obtain or maintain orphan exclusivity.

In the European Union, the EMA's Committee for Orphan Medicinal Products grants orphan drug designation to promote the development of products that are intended for the diagnosis or treatment of life-threatening or chronically debilitating conditions affecting not more than five in 10,000 persons in the European Union community (or where it is unlikely that the development of the medicine would generate sufficient return to justify the investment) and for which no satisfactory method of diagnosis or treatment has been authorized (or, if a method exists, the product would be a significant benefit to those affected). In the EU, orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity is granted following drug approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity. Orphan drug designation must be requested before submitting an application for marketing approval. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process.

Expedited Development and Review Programs

A sponsor may seek to develop and obtain approval of its drugs under programs designed to accelerate the development, FDA review and approval of new drugs and biologics that meet certain criteria. For example, the FDA has a fast track program that is intended to expedite review of or facilitate development of new drugs and biologics that are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the condition. Fast track designation applies to both the product and the specific indication for which it is being studied. If fast track designation is obtained, sponsors may be eligible for more frequent development meetings and correspondence with the FDA. For a fast track-designated product, the FDA may consider sections of the NDA or BLA for review on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the application, the FDA agrees to accept sections of the application and determines that the schedule is acceptable and the sponsor pays any required user fees upon submission of the first section of the application. The sponsor can request the FDA to designate the product for fast track status any time before receiving NDA or BLA approval, but ideally no later than the pre-NDA or pre-BLA meeting. A product submitted to the FDA for marketing, including under a fast track program, may be eligible for other types of FDA programs intended to expedite development or review, such as priority review and accelerated approval. The FDA's goal for reviewing a fast-track application only begins once the final section of the marketing application has been submitted. If data emerging during the clinical trial process no longer supports the fast-track designation, the FDA may withdraw it.

Priority review means that, for a new molecular entity or original BLA, the FDA sets a target date for FDA action on the marketing application at six months after accepting the application for filing as opposed to ten months. A drug is eligible for priority review if it is designed to treat a serious or life-threatening disease condition and, if approved, would provide a significant improvement in safety and effectiveness compared to available therapies. If criteria are not met for priority review, the application for a new molecular entity or original BLA is subject to the standard FDA review period of ten months after the FDA accepts the application for filing. Priority review designation does not change the scientific/medical standard for approval or the quality of evidence necessary to support approval.

A product may also be eligible for accelerated approval if it is designed to treat a serious or life-threatening disease or condition and demonstrates an effect on either a surrogate endpoint that is reasonably likely to predict clinical benefit or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the disease or condition and the availability or lack of alternative treatments. The product must also provide a meaningful therapeutic benefit to patients over existing treatments. As a condition of approval, the FDA requires that a sponsor of a drug or biologic receiving accelerated approval perform adequate and well-controlled post-approval confirmatory clinical trials. By the date of approval of an accelerated approval product, the FDA must specify the conditions for the required post approval studies, including enrollment targets, the study protocol, milestones, and target completion dates. The FDA may also require that the confirmatory Phase 4 studies be commenced prior to the FDA granting a product accelerated approval. Progress reports on these studies must be submitted to the FDA every 180 days after approval. In addition, the FDA requires as a condition for accelerated approval pre-review of promotional materials, which could adversely impact the timing of the commercial launch of the product. The FDA may withdraw approval of a drug or indication approved under accelerated approval using a statutorily defined streamlined process if, for example, the confirmatory trial fails to verify the predicted clinical benefit of the product. Failure to conduct the required Phase 4 confirmatory studies or to conduct such studies with due diligence, as well as failure to submit the required update reports can subject a sponsor to penalties. In recent years, the accelerated approval pathway has come under significant FDA and public scrutiny. Accordingly, the FDA may become reluctant in granting accelerated approval or, if granted, may withdraw approval if clinical benefit is not confirmed.

Additionally, a drug or biologic may be eligible for designation as a breakthrough therapy if the product is intended, alone or in combination with one or more other drugs or biologics, to treat a serious or life-threatening condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over currently approved drugs on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. If the FDA designates a breakthrough therapy, it may take actions appropriate to expedite the development and review of the application, which may include holding meetings with the sponsor and the review team throughout the development of the therapy; providing timely advice to, and interactive communication with, the sponsor regarding the development of the drug to help the sponsor design a development program to gather the nonclinical and clinical data necessary for approval as efficient as practicable; involving senior managers and experienced review staff, as appropriate, in a collaborative, cross-disciplinary review; assigning a cross-disciplinary project lead for the FDA review team to facilitate an efficient review of the development program and to serve as a scientific liaison between the review team and the sponsor; and considering alternative clinical trial designs when scientifically appropriate, which may result in smaller trials or more efficient trials that require less time to complete and may minimize the number of patients exposed to a potentially less efficacious treatment. The FDA may revoke breakthrough therapy designation if the Agency determines that the product no longer qualifies for this status, for example, if subsequent data does not confirm the clinical efficacy, or if another product addresses the previously serious condition.

Another expedited pathway is the Regenerative Medicine Advanced Therapy (“RMAT”) designation. Qualifying products must be a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or a combination of such products, and not a product solely regulated as a human cell and tissue product. The product must be intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition, and preliminary clinical evidence must indicate that the product has the potential to address an unmet need for such disease or condition. Advantages of the RMAT designation include all the benefits of the Fast Track and breakthrough therapy designation programs, including early interactions with the FDA. These early interactions may be used to discuss potential surrogate or intermediate endpoints to support accelerated approval.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or the time period for FDA review or approval may not be shortened. Furthermore, fast track designation, priority review, accelerated approval and breakthrough therapy designation do not change the standards for full approval.

Pediatric Information and Pediatric Exclusivity

In the U.S., under the Pediatric Research Equity Act (“PREA”), certain NDAs and BLAs and certain supplements to an NDA or BLA must contain data to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of pediatric data or full or partial waivers. PREA does not apply to products that have been granted orphan designation. However, PREA does apply if approval is sought for indications that are broader than or not covered by the orphan designation.

The FDA Reauthorization Act of 2017 introduced an additional provision regarding required pediatric studies. Under this statute, for product candidates intended for the treatment of adult cancer which are directed at molecular targets that the FDA determines to be substantially relevant to the growth or progression of pediatric cancer, original application sponsors must submit, with the marketing application, reports from molecularly targeted pediatric cancer investigations designed to yield clinically meaningful pediatric study data, gathered using appropriate formulations for each applicable age group, to inform potential pediatric labeling. The FDA may, on its own initiative or at the request of the applicant, grant deferrals or waivers of some or all of this data, as above. Unlike PREA, orphan products are not exempt from this requirement.

A drug or biologic product can also obtain pediatric market exclusivity in the U.S. that, if granted, adds six months to existing exclusivity periods and, for drug products (as opposed to biologic products) any patent terms listed in the FDA’s list of Approved Drug Products with Therapeutic Equivalence Evaluations, which is commonly known as the Orange Book. This six-month exclusivity, which runs from the end of the applicable exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric study in accordance with an FDA-issued “Written Request” for such a study. To qualify for this exclusivity, the study must be completed in accordance with the Written Request and within specified timeframes prior to the expiration of the underlying patents or market exclusivity periods that would be extended. The study is not required, however, to show that the product is safe or efficacious in pediatric populations.

In the EEA, MAAs for new drugs must include the results of studies conducted in the pediatric population, in compliance with a pediatric investigation plan, or PIP, agreed with the EMA’s Pediatric Committee (“PDCO”). The PIP sets out the timing and measures proposed to generate data to support a pediatric indication of the drug for which marketing authorization is being sought. The PDCO can grant a deferral of the obligation to implement some or all of the measures of the PIP until there are sufficient data to demonstrate the efficacy and safety of the product in adults. Further, the obligation to provide pediatric clinical trial data can be waived by the PDCO when this data is not needed or appropriate because the product is likely to be ineffective or unsafe in children, the disease or condition for which the product is intended occurs only in adult populations, or when the product does not represent a significant therapeutic benefit over existing treatments for pediatric patients. Once the marketing authorization is obtained in all Member States of the European Union and trial results are included in the product information, even when negative, the product is eligible for six months' supplementary protection certificate extension.

Post-Approval Requirements

Following approval of a new product, the manufacturer and the approved product are subject to continuing regulation by the FDA, including, among other things, monitoring and record-keeping activities, reporting of adverse events, product tracking and tracing, suspect and illegitimate product investigations and reporting, complying with promotion and advertising requirements, which include restrictions on promoting products for unapproved uses or patient populations (known as "off-label use") and limitations on industry sponsored scientific and educational activities. Although physicians may prescribe legally available products for off-label uses, manufacturers may not market or promote such uses. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability, including investigation by federal and state authorities. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use or first publication. Further, if there are any modifications to the drug or biologic, including changes in indications, labeling or manufacturing processes or facilities, the applicant may be required to submit the change and/or obtain additional regulatory approval, for example, of a new supplementary NDA or BLA, which may require the development of additional data or preclinical studies and clinical trials.

Health authorities may also place other conditions on approvals, either at the time of approval or after, including the requirement for a Risk Evaluation and Mitigation Strategy ("REMS"), to assure the safe use of the product. If the FDA concludes a REMS is needed, the sponsor of the NDA or BLA must submit a proposed REMS. The FDA will not approve the NDA or BLA without an approved REMS, if required. A REMS could include medication guides, physician communication plans, restricted physician prescribing, or other elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescribing or dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

FDA regulations require that products be manufactured in specific approved facilities and in accordance with cGMP regulations. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products in accordance with cGMP regulations. These manufacturers must comply with cGMP regulations that require, among other things, quality control and quality assurance, the maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Certain GMP deviations also require reporting to the FDA. Manufacturers and other entities involved in the manufacture and distribution of approved drugs or biologics are required to register their establishments with the FDA and certain state agencies, and list the products produced at the facility. There are also continuing program user fees that product sponsors must pay. Recently, the information that must be submitted to the FDA regarding manufactured products was expanded through the Coronavirus Aid, Relief, and Economic Security, or CARES, Act to include the volume of drugs produced during the prior year. These facilities are also subject to periodic unannounced inspections and remote regulatory assessments by the FDA and certain state agencies for compliance with cGMP requirements and other laws. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain cGMP compliance. The discovery of violative conditions, including failure to conform to cGMP regulations, could result in enforcement actions, and the discovery of problems with a product after approval may result in restrictions on a product, manufacturer or holder of an approved NDA or BLA, including recall. Once an approval is granted, the FDA may issue enforcement letters or withdraw the approval of the product if compliance with regulatory requirements and standards is not maintained or if problems occur after the drug or biologic reaches the market. Corrective action could delay drug or biologic distribution and require significant time and financial expenditures. Later discovery of previously unknown problems with a drug or biologic, including AEs of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; revisions to promotional material; the provision of corrective information; adverse publicity; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the drug or biologic, suspension of the approval, complete withdrawal of the drug from the market or product recalls;

- fines, warning letters, untitled letters, or cyber letters, or holds on post-approval clinical trials;
- refusal of the FDA to approve applications or supplements to approved applications, or suspension or revocation of drug or biologic approvals;
- drug or biologic seizure or detention, or refusal to permit the import or export of drugs; or
- injunctions or the imposition of civil or criminal penalties, FDA or contract debarment, refusal of orders under existing governmental contracts, exclusion from participation in federal and state healthcare programs, restitution, disgorgement, corporate integrity agreements and consent decrees, among other consequences described in this filing.

New or modified laws, regulations, and requirements may also be passed that could delay or prevent FDA approval of our product candidates or otherwise negatively impact our commercial prospects. For example, in March 2020, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, which includes various provisions regarding FDA drug shortage and manufacturing volume reporting requirements, as well as provisions regarding supply chain security, such as risk management plan requirements, and the promotion of supply chain redundancy and domestic manufacturing. As part of the CARES Act implementation, the FDA issued a guidance on the reporting of the volume of drugs produced, which reporting will require additional administrative efforts by drug manufacturers.

Additional Biological and Gene Therapy Requirements

To help reduce the increased risk of the introduction of adventitious agents, the FDA statutes emphasize the importance of manufacturing controls for products whose attributes cannot be precisely defined and provides the FDA with the authority to immediately suspend licenses in situations where there exists a danger to public health, to prepare or procure products in the event of shortages and critical public health needs, and to authorize the creation and enforcement of regulations to prevent the introduction or spread of communicable diseases in the U.S. and between states.

After a BLA is approved, the product may also be subject to official lot release as a condition of approval. As part of the manufacturing process, the manufacturer is required to perform certain tests on each lot of the product before it is released for distribution. If the product is subject to official release by the FDA, the manufacturer submits samples of each lot of product to the FDA together with a release protocol showing the results of all of the manufacturer's tests performed on the lot. The FDA may also perform certain confirmatory tests on lots of some products before releasing the lots for distribution by the manufacturer.

In addition, the FDA conducts laboratory research related to the regulatory standards on the safety, purity, potency, and effectiveness of biological products.

In addition to the requirements discussed above, there are a number of additional standards that apply to clinical trials involving the use of gene therapy. Certain gene therapy studies are subject to the National Institutes of Health's Guidelines for Research Involving Recombinant DNA Molecules. The FDA has also issued various guidance documents regarding gene therapies, which outline additional factors that the FDA will consider during product development. These include guidance regarding preclinical and clinical studies; chemistry, manufacturing, and controls; the measurement of product potency; how the FDA will determine whether a gene therapy product is the same as another product for the purpose of the agency's orphan drug regulations; and long-term patient and clinical study subject follow up and regulatory reporting.

Biosimilars and Exclusivity

Certain of our drugs may be regulated as biologics. An abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product was created by the Biologics Price Competition and Innovation Act of 2009 ("BPCI Act") as part of the ACA. This amendment to the PHSA, in part, attempts to minimize duplicative testing. The FDA has also issued a number of guidance documents outlining its approach to the review and approval of biosimilars, including guidance documents on the demonstration of interchangeability and the licensure of biosimilar and interchangeable products for fewer than all of the reference product's licensed conditions of use.

Biosimilarity, which requires that the biological product be highly similar to the reference product notwithstanding minor differences in clinically inactive components and that there be no clinically meaningful differences between the product and the reference product in terms of safety, purity and potency, must be shown through analytical studies, animal studies and a clinical trial or trials, absent a waiver from the FDA. There further must be no difference between the reference product and a biosimilar in terms of mechanism of action, conditions of use, route of administration, dosage form, and strength. Interchangeability requires that a biological product be biosimilar to the reference product and that the product can be expected to produce the same clinical results as the reference product in any given patient and, for products administered multiple times to an individual, that the product and the reference product may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biological product without such alternation or switch.

A reference biological product is granted twelve years of exclusivity from the time of first licensure of the product, during which time the FDA will not approve a biosimilar product. Moreover, the FDA will not accept an application for a biosimilar or interchangeable product based on the reference biological product until four years after the date of first licensure of the reference product. “First licensure” typically means the initial date the particular product at issue was licensed in the U.S. Date of first licensure does not include the date of licensure of (and a new period of exclusivity is not available for) a biological product if the licensure is for a supplement for the biological product or for a subsequent application by the same sponsor or manufacturer of the biological product (or licensor, predecessor in interest, or other related entity) for a change (not including a modification to the structure of the biological product) that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength, or for a modification to the structure of the biological product that does not result in a change in safety, purity, or potency. Therefore, one must determine whether a new product includes a modification to the structure of a previously licensed product that results in a change in safety, purity, or potency to assess whether the licensure of the new product is a first licensure that triggers its own period of exclusivity. Whether a subsequent application, if approved, warrants exclusivity as the “first licensure” of a biological product is determined on a case-by-case basis with data submitted by the sponsor. The BPCI Act also created certain exclusivity periods for biosimilars approved as interchangeable products.

In addition to the above exclusivity periods, the BPCI Act also includes provisions to enable the settlement of potential patent disputes. The biosimilar product sponsor and reference product sponsor may exchange patent and product information to determine whether there should be a patent challenge. The reference product sponsor may be able to bring a patent infringement suit and injunction proceedings against the biosimilar product sponsor. The biosimilar applicant may also be able to bring an action for declaratory judgment concerning the patent.

The FDA maintains a publicly available online database of licensed biological products, which is commonly referred to as the “Purple Book.” The Purple Book lists product names, dates of licensure, and applicable periods of exclusivity. Further, pursuant to an enacted statute to enable biological product patent transparency, the reference product sponsor must provide patent information and patent expiry dates to the FDA following the exchange of patent information between biosimilar and reference product sponsors. This information is then published in the Purple Book.

The Hatch-Waxman Act

Section 505 of the FDCA describes three types of marketing applications that may be submitted to the FDA to request marketing authorization for a new drug. A Section 505(b)(1) NDA is an application that contains full reports of investigations of safety and efficacy. A 505(b)(2) NDA is an application that contains full reports of investigations of safety and efficacy but where at least some of the information required for approval comes from investigations that were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted. This regulatory pathway enables the applicant to rely, in part, on the FDA’s prior findings of safety and efficacy for an existing product, or published literature, in support of its application. Section 505(j) establishes an abbreviated approval process for a generic version of approved drug products through the submission of an Abbreviated New Drug Application (“ANDA”). An ANDA provides for marketing of a generic drug product that has the same active ingredients, dosage form, strength, route of administration, labeling, performance characteristics and intended use to a previously approved product. ANDAs are termed “abbreviated” because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and efficacy. Instead, generic applicants must scientifically demonstrate that their product is bioequivalent to, or performs in the same manner as, the innovator drug through in vitro, in vivo, or other testing. The generic version must deliver the same amount of active ingredients to the site of action in the same amount of time as the innovator drug and can often be substituted by pharmacists under prescriptions written for the reference listed drug. In seeking approval for a drug through an NDA, applicants are required to list with the FDA each patent with claims that cover the applicant’s drug or a method of using the drug. Upon approval of a drug, each of the patents listed in the application for the drug is then published in the FDA’s Orange Book. Drugs listed in the Orange Book can, in turn, be cited by potential competitors in support of approval of an ANDA or 505(b)(2) NDA. In an effort to clarify which patents must be listed in the Orange Book, in January 2021, Congress passed the Orange Book Transparency Act of 2020, which largely codifies the FDA’s existing practices into the FDCA.

Upon submission of an ANDA or a 505(b)(2) NDA, an applicant must certify to the FDA that (1) no patent information has been submitted to the FDA; (2) such patent has expired; (3) the date on which such patent expires; or (4) such patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. The applicant may also elect to submit a “section viii” statement certifying that its proposed label does not contain (or carves out) any language regarding the patented method-of-use rather than certify to a listed method-of-use patent. Generally, the ANDA or 505(b)(2) NDA cannot be approved until all listed patents have expired, except where the ANDA or 505(b)(2) NDA applicant challenges a listed patent through the last type of certification, also known as a paragraph IV certification. If the applicant does not challenge the listed patents or does not indicate that it is not seeking approval of a patented method of use, the ANDA or 505(b)(2) NDA application approval will not be made effective until all of the listed patents claiming the referenced product have expired.

If the ANDA or 505(b)(2) NDA applicant has provided a paragraph IV certification to the FDA, the applicant must send notice of the certification to the NDA and patent holders. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the paragraph IV certification, in which case the FDA may not make an approval effective until the earlier of 30 months from the patent or application owner’s receipt of the notice of the paragraph IV certification, the expiration of the patent, when the infringement case concerning each such patent is favorably decided in the applicant’s favor or settled, or such shorter or longer period as may be ordered by a court. This prohibition is generally referred to as the 30-month stay. In instances where an ANDA or 505(b)(2) NDA applicant files a paragraph IV certification, the NDA holder or patent owner(s) regularly take action to trigger the 30-month stay. Thus, approval of an ANDA or 505(b)(2) NDA could be delayed for a significant period of time depending on the patent certification the applicant makes and the reference drug sponsor’s decision to initiate patent litigation.

The Hatch-Waxman Act establishes periods of regulatory exclusivity for certain approved drug products, during which the FDA cannot accept an ANDA or 505(b)(2) application. The holder of an NDA, including a 505(b)(2) NDA, may obtain five years of exclusivity upon approval of a new drug containing new chemical entities (“NCEs”). A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the therapeutic activity of the drug substance. During the exclusivity period, the FDA may not accept for review an ANDA or a 505(b)(2) NDA submitted by another company that contains the previously approved active moiety. However, an ANDA or 505(b)(2) NDA may be submitted after four years if it contains a certification of patent invalidity or non-infringement.

The Hatch-Waxman Act also provides three years of marketing exclusivity to the holder of an NDA (including a 505(b)(2) NDA) for a particular condition of approval, or change to a marketed product, such as a new indication or formulation for a previously approved product, if one or more new clinical studies (other than bioavailability or bioequivalence studies) was essential to the approval of the application and was conducted/sponsored by the applicant. This three-year exclusivity period protects against the FDA making an ANDA and 505(b)(2) NDA approval effective for the condition of the new drug’s approval. As a general matter, the three-year exclusivity does not prohibit the FDA from approving ANDAs or 505(b)(2) NDAs for generic or modified versions of the original, unmodified drug product. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA; however, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the preclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and efficacy.

Recently, Congress, the Administration, and administrative agencies have taken certain measures to increase drug and biologic competition by facilitating the entry of generic and biosimilar products to the market. For example, measures have been proposed and implemented to facilitate product importation. Congress also passed a bill requiring sponsors of NDA and BLA approved products to provide sufficient quantities of drug product on commercially reasonable market-based terms to entities developing generic, biosimilar, and 505(b)(2) products. This bill also included provisions on shared and individual REMS for generic drug products.

Patent Term Restoration

If approved, drug and biologic products may also be eligible for periods of U.S. patent term restoration. If granted, patent term restoration extends the patent life of a single unexpired patent that has not previously been extended, for a maximum of five years. The total patent life of the product with the extension also cannot exceed fourteen years from the product’s approval date. Subject to the prior limitations, the period of the extension is calculated by adding half of the time from the effective date of an IND to the initial submission of a marketing application, and all of the time between the submission of the marketing application and its approval. This period may also be reduced by any time that the applicant did not act with due diligence.

Coverage and Reimbursement

Successful commercialization of new drug products depends in part on the extent to which reimbursement for those drug products will be available from federal and state health care programs, private health insurers, and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drug products they will pay for and establish reimbursement levels. The availability and extent of insurance reimbursement by governmental and private payors is essential for most patients to be able to afford a drug product. Sales of drug products depend substantially, both domestically and abroad, on the extent to which the costs of drugs products are paid for by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by federal and state health care programs, private health coverage insurers and other third-party payors.

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular drug products and requiring payment of manufacturer rebates. In many countries, the prices of drug products are subject to varying price control mechanisms as part of national health systems. In general, the prices of drug products under such systems are substantially lower than in the U.S. Certain countries allow companies to fix their own prices for drug products initially, but either assess cost-benefit subsequently or monitor and control company profits. Accordingly, in markets outside the U.S., the reimbursement for drug products may be reduced compared with the U.S.

In the U.S., the principal decisions about reimbursement for new drug products under federal healthcare plans are typically made by the Centers for Medicare & Medicaid Services (“CMS”), an agency within the Department of Health and Human Services. Based in part on existing reimbursement methodologies tracking drug manufacturing costs, CMS decides whether and to what extent a new drug product will be covered and reimbursed under Medicare, and private payors tend to follow CMS to a substantial degree. However, no uniform policy of coverage and reimbursement for drug products exists among third-party payors. New products may not be covered, and coverage and reimbursement levels for drug products can differ significantly from payor to payor.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (“MMA”) established the Medicare Part D program to provide a voluntary prescription drug benefit to Medicare beneficiaries. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities that provide coverage of outpatient prescription drugs. Unlike Medicare Parts A and B, Part D coverage is not standardized. While all Medicare drug plans must give at least a standard level of coverage set by Medicare, Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Government payment for some of the costs of prescription drugs may increase demand for drugs for which we obtain marketing approval. Any negotiated prices for any of our products covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain, and, in addition, we may be required to pay significant Part D coverage gap discounts on certain Part D utilization. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

For a drug product to receive federal reimbursement under Medicaid or Medicare Part B programs or to be sold directly to U.S. government agencies, the manufacturer must extend discounts to entities eligible to participate in the 340B drug pricing program. The required 340B discount on a given product is calculated based on the average manufacturer price (“AMP”) and Medicaid unit rebate amounts reported by the manufacturer. As of 2010, the ACA expanded the types of entities eligible to receive discounted 340B pricing, although under the current state of the law these newly eligible entities (with the exception of children’s hospitals) are not eligible to receive discounted 340B pricing on orphan drugs. As 340B drug pricing is determined based on AMP and Medicaid unit rebate data, revisions to the Medicaid rebate formula and AMP definition described above could cause the required 340B discount to increase. Moreover, multiple federal enactments have established initiatives to compare the effectiveness of different treatments for the same illness. Although the results of the comparative effectiveness studies are not intended to mandate coverage policies for public or private payors, it is not clear what effect, if any, the research will have on the sales of our drug candidates, if any such drug or the condition that they are intended to treat are the subject of a trial. It is also possible that comparative effectiveness research demonstrating benefits in a competitor’s drug could adversely affect the sales of our drug candidate. If third-party payors do not consider our drugs to be cost-effective compared to other available therapies, they may not cover our drugs after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to sell our drugs on a profitable basis.

For a drug product to receive federal reimbursement under the Medicaid program, the Veterans Health Care Act of 1992 requires, as a condition of payment by certain federal agencies and the Medicaid program, that manufacturers of "covered drugs" (including all drugs approved under an NDA) enter into a Master Agreement and Federal Supply Schedule contract with the Department of Veterans Affairs through which their covered drugs must be offered for sale at a mandatory ceiling price calculated at a statutory discount to certain federal agencies, including the VA and Department of Defense.

In August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that could have significant implications for our future drug development and sales. These laws, and future state and federal healthcare reform measures may be adopted in the future, any of which may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any drugs for which we may obtain regulatory approval or the frequency with which any such drug is prescribed or used.

Outside of the U.S., the pricing of pharmaceutical products and medical devices is subject to governmental control in many countries. For example, in the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost effectiveness of a particular drug to currently available drugs or so-called health technology assessments, in order to obtain reimbursement or pricing approval. Other countries may allow companies to fix their own prices for products, but monitor and control product volumes and issue guidance to physicians to limit prescriptions. Efforts to control prices and utilization of pharmaceutical products and medical devices will likely continue as countries attempt to manage healthcare expenditures.

Regulation of Companion Diagnostics/Delivery Devices

We believe that the success of certain of our drug candidates may depend, in part, on the development and commercialization of a companion diagnostic. Companion diagnostics are in vitro diagnostic devices that provide information that is essential for the safe and effective use of a corresponding therapeutic. The use of a companion diagnostic is stipulated in the labeling of both the diagnostic device and the corresponding therapeutic. Companion diagnostics may identify patients who are most likely to benefit from a particular therapeutic product; identify patients likely to be at increased risk for serious side effects as a result of treatment with a particular therapeutic product; or monitor response to treatment with a particular therapeutic product for the purpose of adjusting treatment to achieve improved safety or effectiveness. Companion diagnostics are regulated as medical devices by the FDA. As noted in the "Regulation of In Vitro ("IVD") Diagnostics and Medical Devices" section above, the FDCA and its implementing regulations govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of medical devices which includes companion diagnostics. Unless exempt, companion diagnostics are subject to FDA premarket review before commercialization. Companion diagnostics are generally subject to the 510(k) or PMA regulatory pathways but where appropriate, can be authorized through the De Novo process.

On August 6, 2014, the FDA issued a final guidance document addressing the development and approval process for "In Vitro Companion Diagnostic Devices." According to the guidance document, for therapeutic products that depend on the use of a diagnostic test and where the diagnostic device is essential for the safe and effective use of the corresponding therapeutic product, the premarket application for the companion diagnostic device should be developed and approved or cleared via a medical device regulatory pathway contemporaneously with the therapeutic, although the FDA recognizes that there may be cases when contemporaneous development may not be possible. However, in cases where a drug cannot be used safely or effectively without the companion diagnostic, the FDA's guidance indicates it will generally not approve the drug without the approval or clearance of the diagnostic device. The FDA also issued a draft guidance in July 2016 setting forth the principles for co-development of an in vitro companion diagnostic device with a therapeutic product. The draft guidance describes principles to guide the development and contemporaneous marketing authorization for the therapeutic product and its corresponding in vitro companion diagnostic. As noted in the "Regulation of In Vitro ("IVD") Diagnostics and Medical Devices" section above, the companion diagnostic device is subject to the FDA's general controls including the QSR, facility registration, device listing, reporting of, adverse events, and reporting of corrections and removals. As a device manufacturer, companion diagnostic makers are subject to periodic FDA inspections. As noted in the "Regulation of In Vitro ("IVD") Diagnostics and Medical Devices" section above, noncompliance with the FDCA and its implementing regulation can subject a manufacturer to enforcement including administrative actions, civil penalties, and criminal penalties.

To the extent a therapeutic drug or biologic product requires a delivery device (e.g., syringe), the delivery device will also be regulated as a medical device. Unless exempt, delivery devices are subject to FDA premarket review before commercialization as outlined in the "Regulation of In Vitro ("IVD") Diagnostics and Medical Devices" section above. In addition to the traditional medical device regulatory pathway, the delivery device could also be authorized as a combination product with the therapeutic drug or biologic product. When authorized as a combination product, medical device quality system and adverse event reporting requirements still apply to the device portion of the combination product. However, the combination product manufacturer may be able to streamline some of these obligations in accordance with 21 C.F.R. Part 4.

Other Laws — Environmental, Occupational Safety and Health

We may be subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. Even if we contract with third parties for the disposal of these materials and waste products, we cannot completely eliminate the risk of contamination or injury resulting from these materials. In the event of contamination or injury resulting from the use or disposal of our hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations. We maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees, but this insurance may not provide adequate coverage against potential liabilities. However, we do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. Current or future environmental laws and regulations may impair our research, development or production efforts. In addition, failure to comply with these laws and regulations may result in substantial fines, penalties or other sanctions.

Human Capital Resources

We believe that our talent is our competitive edge in the global marketplace. We strive to attract and retain a uniquely talented and high performing workforce across all aspects of diversity and aim to foster a team-first culture of innovation.

Workforce

As of March 31, 2024, we employed 582 employees worldwide, of which 560 were full-time employees and 100% were U.S.-based employees.

Diversity, Equity, and Inclusion (DE&I)

We strive to provide opportunity for all: our employees, our community, and our customers. We believe in welcoming and embracing various cultures and backgrounds, as we recognize the value of employing a workforce of unique and varying viewpoints and experiences. As of March 31, 2024, 53% of our U.S. workforce are women. Of the nine members of our Board of Directors, four identify as people of color and three identify as female.

Our DE&I strategy is focused on advancing product inclusivity and employee experience. Our products, content, and experiences are designed to ensure the inclusivity of our customers' diverse identities and needs. We also seek to foster a safe space for individuals to discuss issues that impact their shared community through employee affinity groups. In addition, to focus on supplier diversity, we developed and implemented a supplier diversity survey to be utilized when sourcing new vendors for the organization.

We aim to grow, learn, and shape our approach to DE&I for the betterment of our workforce and the communities we serve. To that end, we will continue to ensure we are creating an environment that welcomes uncomfortable conversations about issues that impact our workforce, customers and the broader community.

Competitive Compensation and Benefits

We provide all benefit-eligible employees working at least 20 hours per week with a comprehensive benefit and compensation package, which includes:

- Medical, dental, vision care, health savings account plus employer contribution, life insurance plus accidental death and dismemberment ("+ ADD") coverage, voluntary life + ADD, short-term and long-term disability, a retirement plan with Company match, and a discount employee stock purchase program;
- Healthcare and dependent care flexible spending accounts, commuter benefits plus transit subsidy;

- Discounted gym membership, work-from-home internet stipend plus a one-time work from home office equipment reimbursement, and pet insurance;
- Employee assistance program, precision mental healthcare with free counseling sessions and unlimited digital mental health support, tuition reimbursement and student loan assistance, medical coverage for same and opposite gender domestic partners, company and floating holidays, paid volunteer time off and paid time off;
- Reimbursement of expenses for surrogacy, adoption and infertility;
- Complimentary resource for personal legal questions and personal legal document generation and review, personal financial wellness platform and access to fiduciary financial advisors; and
- Eight weeks of fully paid parental leave following birth, adoption, or surrogacy for both parents, plus eight weeks of additional leave for a birthing parent.

As a company, we offer postpartum and return-to-work assistance which includes on-site lactation rooms and flexible work hours. For nursing moms who travel for work, we provide reimbursement for the shipment of breast milk back to their homes. We also offer back-up child and elder care. We offer one week of company paid family leave for employees who need to care for a family member who has a serious health condition and provide an additional 80 hours of sick leave for COVID-related illness.

We believe in investing in the health, well-being, and wellness of our employees. We provide complimentary health and fitness classes and host individual and team wellness challenges that incorporate mental, emotional, physical, and nutritional elements of a healthy lifestyle. We provide an online navigation and advocacy service to find the right care and deal with medical bills questions.

Talent Development

Employee development is considered to be a strategic priority. We support employee growth and development by offering a variety of benefits. Our focus areas at this time are on leadership development, career development, DE&I and supporting hybrid teams/leadership. In addition to our flagship leadership program, which empowers employees to lead from any seat and is provided annually to emerging leaders, we offer all people managers training on critical skills such as change management and providing effective feedback including DEI-focused training on allyship and unconscious bias. We believe managers play a crucial role as allies, fostering effective communication and mentorship among our employees. To support career development, we have built career frameworks for each job function that give employees visibility into the skills and qualifications required at every level, both within their respective functions and cross functions. These frameworks spark effective career development conversations between managers and employees.

Other talent development benefits we offer are tuition reimbursement, department learning budgets and internal mentorship programs. Our company-wide performance management framework is designed to support and foster career advancement. This framework encompasses three areas:

- Feedback for both employees and managers to foster an environment of learning and development;
- Self-assessment of achievements and aspirations; and
- Management assessment of performance and growth areas.

Our objective is having a clear approach towards career development, programs/benefits allowing employees with healthier lives, and an ability to participate in the community celebrating individuality. Our talent development programs are designed to support a work environment where employees are empowered to promote their unique perspectives.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished to the SEC pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 are available, free of charge, on the SEC website at www.sec.gov and our Investor Relations website at https://investors.23andme.com as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. We use our Investor Relations website as a means of disclosing material non-public information. Accordingly, investors should monitor our Investor Relations website, in addition to following our press releases, SEC filings and public conference calls and webcasts.

Our corporate governance materials, including our corporate governance guidelines, the charters of our audit and compensation committees, and our code of business conduct and ethics may also be found under the Investor Relations section of our website at https://investors.23andme.com. A copy of the corporate governance materials is also available upon written request. Additionally, our investor presentations are available under the Investor Relations section of our website at https://investors.23andme.com. These materials are available no later than the time they are presented at investor conferences. Except to the extent expressly stated otherwise, information contained on or accessible from our web site or any other web site is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this report.

Item 1A. Risk Factors

Investing in our securities involves risks. Before you make a decision to buy our securities, in addition to the risks and uncertainties discussed above under "Cautionary Note Regarding Forward-Looking Statements," you should carefully consider the specific risks set forth herein. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity, and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described in this Form 10-K are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business.

Unless the context indicates otherwise, references in this "Risk Factors" section to the "Company," "we," "us," "our," and similar terms refer to 23andMe Holding Co., a Delaware corporation formerly known as VG Acquisition Corp., and its consolidated subsidiaries.

Summary of Principal Risk Factors

- The market for personal genetics products and services has experienced a recent overall decline. If this trend continues or worsens, it could adversely affect our business and results of operations.
- If our competitors receive further FDA marketing approval for in vitro diagnostic products, our business could be adversely affected.
- The telehealth market is immature and volatile, and if it does not develop, if it encounters negative publicity, or if the use of telehealth solutions does not continue to increase, then the growth of our business and our results of operations could be adversely affected.
- We rely on key sole suppliers to manufacture and perform services used by customers who purchase our PGS, which could adversely affect our ability to meet customer demand.
- If we are not able to maintain and enhance our brand, our ability to expand our customer base may be impaired and our business and operating results may be harmed.
- If our efforts to attract new customers and patients and engage existing customers and patients with enhanced products and services are unsuccessful or if such efforts are more costly than we expect, our business may be harmed.
- Revenue derived from our kit sales is dependent on seasonal holiday demand and the timing of Amazon Prime Day, which could lead to significant quarterly fluctuations in revenue and results of operations.
- Our pricing strategies may not meet customers' price expectations or may adversely affect our revenue.
- We depend on a number of other companies to perform functions critical to our ability to operate our platform and generate revenue from patients.
- If we are unable to attract and retain high quality healthcare providers for our patients, our business, financial condition, and results of operations may be materially and adversely affected.
- If the number of our customers consenting to participate in our research programs declines or fails to grow, our revenue may be adversely affected, and our database may become less effective.
- Our focus on using our genetics-powered platform to discover targets with therapeutic potential may not result in the discovery of commercially viable drug targets for us or our collaborators.
- Media reports on consumer data privacy and security concerns and the use of genetic information may decrease the overall consumer demand for personal genetic products and services, including ours. Some countries prohibit or restrict genetic testing being sold in those countries.
- We do not have any experience in successful drug development or commercialization and our failure to execute on successful drug development or commercialization would adversely affect our business and results of operations.

- If we fail to succeed in our drug development efforts, or to develop and commercialize additional products and services, our ability to expand our business and achieve our strategic objectives would be impaired.
- Our Therapeutics business faces substantial competition, which may result in others discovering, developing, or commercializing drugs before or more successfully than we can.
- We cannot give any assurance that any of our drugs will receive regulatory approval, which is necessary before they can be commercialized.
- Failure to adequately design a trial, or incorrect assumptions about the design of the trial, could adversely affect our ability to initiate the trial, enroll patients, complete the trial, or obtain regulatory approval.
- We have experienced a criminal cyber incident and could in the future experience other security breaches, disruption to our business, or reputational harm.
- We will need additional capital, and we cannot be sure that additional financing will be available on acceptable terms or at all.
- We depend on the continued services and performance of our highly qualified key personnel, and we may not be able to attract or retain qualified scientists and other specialized individuals in the future due to the competition for qualified personnel among life science and technology businesses.
- Economic uncertainty or downturns, particularly affecting the markets and industries in which we operate, and on discretionary consumer spending could adversely affect our business, financial condition, and results of operations.
- Impairment in the value of our goodwill and intangible assets could have a material adverse effect on our operating results and financial condition.
- If we, GSK, and any future collaborators are unable to successfully complete clinical development, obtain regulatory approval for, or commercialize any drugs, or experience delays in doing so, our business may be materially harmed.
- GSK and any other potential drug discovery collaborators will have significant discretion in determining when to make announcements, if any, about the status of our collaborations, which may cause the price of our Class A common stock to decline as a result of announcements of unexpected clinical trial results or data relative to our research and development programs.
- Following the expiration of the discovery period under the original GSK Agreement in July 2023, we intend to establish other collaborations, and, if we are not able to obtain new collaboration partners, or to negotiate commercially reasonable terms, we may be required to modify our therapeutics development strategies and goals.
- Our collaborators may not achieve projected discovery and development milestones and other anticipated key events in the expected timelines or at all, which could have an adverse impact on our business.
- Our products and services are subject to extensive regulation and compliance with existing or future regulations could result in unanticipated expenses, or limit our ability to offer our products and services.
- We will face legal, reputational, and financial risks if we fail to protect our customer and patient data from security breaches or cyberattacks.
- Our ability to meet demand in the Amazon retail channel is dependent upon Amazon's stocking policies.
- If we are unable to protect our intellectual property ("IP"), the value of our brands and other intangible assets may be diminished, we may be unable to prevent others from using our inventions and competing with us, we may be unable to prevent others from learning our company secrets, and our business may be adversely affected.
- We may be subject to claims challenging the inventorship or ownership of our patents and other IP.
- If any IP rights are invalidated, lost, or expire we will no longer be able to prevent others from using that IP, which could adversely affect business.
- The IP rights we rely upon to protect our products and services may not be adequate, which could enable others to use our technology and reduce our ability to compete.
- The industry is subject to rapidly changing technology which could make the products and services we are commercializing or developing obsolete unless we continue to develop or utilize new technologies and pursue new market opportunities.
- Our quarterly operating results may fluctuate in the future. As a result, we may fail to meet or exceed the expectations of research analysts or investors, which could cause our stock price to decline.
- We have incurred significant losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.
- We have incurred and will continue to incur significant costs as a result of being a public company.

- Our failure to satisfy certain Nasdaq listing requirements may result in our common stock being delisted from the Nasdaq Stock Market, which could eliminate the trading market for our common stock.
- If we fail to maintain effective internal control over financial reporting or experience material weaknesses in the future, our ability to produce timely and accurate financial statements could be impaired, which may adversely affect our business.
- We are subject to changing law and regulations regarding regulatory matters, data privacy, corporate governance, and public disclosure that have increased our costs and the risk of non-compliance, which can be significant for serious breaches such as privacy breaches.
- We may face additional risks as a result of the dual class structure of our common stock, such as an increased concentration of voting control in the holders of our outstanding Class B common stock, including our Chief Executive Officer and Co-Founder.

Risks Related to Our Business

Consumer and Research Services Business Risks

The market for personal genetics products and services has experienced a recent overall decline, which corresponds with the recent and significant decreases in our revenues. If this trend continues or worsens, it could adversely affect our business and results of operations.

Our revenue model has historically been derived principally from customers who purchase our PGS services. For the fiscal years ended March 31, 2024, 2023, and 2022, PGS revenue accounted for 76%, 68%, and 75% of revenues, respectively. There is no assurance that our business model will be successful or that it will generate increased revenues or become profitable as a result of marketing our current PGS services or any future products or services. We may be forced to make significant changes to our anticipated pricing, sales and revenue model to compete with our competitors' offerings, and even if such changes are implemented, there is no guarantee that they will be successful. If the current market trend continues or worsens, or we are unable to adjust our approach to meet market demands, our revenues and results of operations will be adversely affected.

We operate in highly competitive markets, and competition in the personal genetics and telehealth markets present an ongoing threat to the success of our business.

With respect to our PGS business, the market continues to see new entrants with offerings similar to our PGS services. We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- the size of our customer base;
- the timing and market acceptance of products and services, including the developments and enhancements to those products and services, offered by us or our competitors;
- customer service and support efforts;
- selling and marketing efforts;
- ease of use, performance, price and reliability of solutions developed either by us or our competitors; and
- our brand strength relative to our competitors.

We also face competition from other companies attempting to capitalize on the same, or similar, opportunities as it is, including from existing diagnostic, laboratory services and other companies entering the personal genetics market with new offerings such as direct access and/or consumer self-pay tests and genetic interpretation services. Some of our current and potential competitors have longer operating histories and greater financial, technical, marketing, and other resources than we do. These factors may allow our competitors to respond more quickly or efficiently than it can to new or emerging technologies. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases than we have. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services. This could attract customers away from our services and reduce our market share.

Similarly, the markets for healthcare are intensely competitive, subject to rapid change, and significantly affected by new product and technological introductions and other market activities of industry participants. We compete directly not only with other established telehealth providers but also traditional healthcare providers and pharmacies. Our current competitors include traditional healthcare providers expanding into the telehealth market and incumbent telehealth providers, as well as new entrants into our market that are focused on direct-to-consumer healthcare. Our competitors include enterprise-focused companies that may enter the direct-to-consumer healthcare industry, as well as direct-to-consumer healthcare providers. Many of our current and potential competitors may have greater name and brand recognition, longer operating histories, and significantly greater resources than we do, and may be able to offer products and services similar to those offered on our platform at more attractive prices than we can.

Additionally, we believe that the COVID-19 pandemic introduced many new users to telehealth and further reinforced its benefits to potential competitors. We believe that this may drive additional industry consolidation or collaboration involving competitors that may create competitors with greater resources and access to potential patients. The COVID-19 pandemic has also caused various traditional healthcare providers to pursue telehealth options that can be paired with their in-person capabilities. These industry changes could better position our competitors to serve certain segments of our current or future markets, which could create additional price pressure. In light of these factors, even if our offerings are more effective than those of our competitors, current or potential patients may accept competitive solutions in lieu of purchasing from us.

If our competitors receive further FDA marketing approval for in vitro diagnostic products, our business could be adversely affected.

We were the first direct-to-consumer genetic testing company to include FDA-authorized genetic health risk, carrier status and pharmacogenetic reports. Our competitors had previously released products that were not cleared or approved by the FDA and required partnership with independent physicians, but in August 2020, one of our competitors received premarket notification, also called 510(k) clearance, for their saliva collection kit and one of their genetic health risk reports, and in December 2020 another competitor received a 510(k) clearance for one of their health risk reports. Following these FDA clearances, our competitors can now market those cleared reports directly to consumers rather than relying on clinician network partners. If our competitors receive further FDA clearance or approval, our business could be adversely affected.

The sizes of the markets and forecasts of market growth for the demand of our products and services, including our research services and other key potential success factors are based on a number of complex assumptions and estimates, and may be inaccurate.

We estimate annual total addressable markets and forecasts of market growth for our products and services. We have also developed a standard set of key performance indicators in order to enable us to assess the performance of our business in and across multiple markets, and to forecast future revenue. These estimates, forecasts and key performance indicators are based on a number of complex assumptions, internal and third-party estimates and other business data, including assumptions and estimates relating to our ability to generate revenue from the development of new workflows. While we believe that our assumptions and the data underlying our estimates and key performance indicators are reasonable, there are inherent challenges in measuring or forecasting such information. As a result, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive accuracy of these underlying factors and indicators. Consequently, our estimates of the annual total addressable market and our forecasts of market growth and future revenue from our products and services, including our research services, may prove to be incorrect, and our key business metrics may not reflect our actual performance. For example, if the annual total addressable market or the potential market growth for our products and services is smaller than we have estimated or if the key business metrics we utilize to forecast revenue are inaccurate, it may impair our sales growth and have an adverse impact on our business, financial condition, results of operations and prospects.

The telehealth market is immature and volatile, and if it does not develop, if it encounters negative publicity, or if the use of telehealth solutions does not continue to increase, then the growth of our business and our results of operation could be adversely affected.

The telehealth market is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, consumer acceptance, and market adoption. The COVID-19 pandemic increased utilization of telehealth services, but it is uncertain whether such increase in demand will continue. The success of our telehealth business will depend to a substantial extent on the willingness of our patients to use, and to increase the frequency and extent of their utilization of, our solution, as well as on our ability to demonstrate the value of telehealth to patients. Negative publicity concerning our telehealth services, or the telehealth market as a whole, could limit market acceptance of our solution. If our patients do not perceive the benefits of our services, then our market may develop more slowly than we expect or not at all. Similarly, individual and healthcare industry concerns or negative publicity regarding quality, efficacy, or patient confidentiality and privacy in the context of telehealth could limit market acceptance of our healthcare services.

Further, to the extent our telehealth services or related medication prescription services involve or may in the future involve controlled substances, the Drug Enforcement Administration is considering rulemaking that may negatively impact our clinicians' ability to prescribe such controlled substances to patients. If any of these events occur, it could have a material adverse effect on our business, financial condition, and results of operations.

We rely on key sole suppliers to manufacture and perform services used by customers who purchase our PGS. Our reliance on limited contracted manufacturing and supply chain capacity could adversely affect our ability to meet customer demand.

We do not have manufacturing capabilities and do not plan to develop such capacity in the foreseeable future. Accordingly, we rely on third-party suppliers to provide materials (such as our saliva collection kits, bead chips, reagents or other materials and equipment used in our laboratory operations) and services (such as our laboratory processing services). Currently, we rely on a sole supplier to manufacture our saliva collection kits used by customers who purchase our PGS. Change in the supplier or design of certain of the materials which we rely on, in particular the bead chip and saliva collection kit, could result in a requirement that we seek additional premarket review from the FDA before making such a change. We also are required to validate any new laboratory or laboratories in accordance with FDA standards prior to utilizing their services for our U.S. customers. We cannot be certain that we will be able to secure alternative laboratory processing services, materials and equipment, and bring such alternative materials and equipment on line and revalidate them without experiencing interruptions in our workflow, or that any alternative materials will meet our quality control and performance requirements of our contracted laboratory.

Although we maintain relationships with suppliers with the objective of ensuring that we have adequate supply for the delivery of our services, increases in demand for such items can result in shortages and higher costs. Our suppliers may not be able to meet our delivery schedules, we may lose a significant or sole supplier, a supplier may not be able to meet performance and quality specifications and we may not be able to purchase such items at a competitive cost. Further, we may experience shortages in certain items as a result of limited availability, increased demand, pandemics or other outbreaks of contagious diseases, weather conditions and natural disasters, as well as other factors outside of our control. Our freight costs may increase due to factors such as limited carrier availability, increased fuel costs, increased compliance costs associated with new or changing government regulations, pandemics or other outbreaks of contagious diseases and inflation. Higher prices for natural gas, propane, electricity and fuel also may increase our production and delivery costs. The prices charged for our products may not reflect changes in our packaging material, freight, tariff and energy costs at the time they occur, or at all.

In order for other parties to perform manufacturing and participate in our supply chain, we sometimes must transfer technology to the other party, which can be time consuming and may not be successfully accomplished without considerable cost and expense, or at all. We will have to depend on these other parties to perform effectively on a timely basis and to comply with regulatory requirements. If for any reason they are unable to do so, and as a result we are unable to manufacture and supply sufficient quantities of our products on acceptable terms, or if we should encounter delays or other difficulties with the third parties on which we rely for our supply chain, our business, prospects, operating results, and financial condition may be materially harmed.

Our business significantly depends upon the strength of our brands, and if we are not able to maintain and enhance our brand, our ability to expand our customer base may be impaired and our business and operating results may be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "23andMe" and "Lemonaid" brands are a significant factor in expanding our customer base and current and future business opportunities. Maintaining and enhancing our brands may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the "23andMe" and "Lemonaid" brands, or if we incur excessive expenses in this effort, our business, operating results and financial condition may be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive.

We have a limited history introducing new products and services to our customers and patients. If our efforts to attract new customers and patients and engage existing customers and patients with enhanced products and services are unsuccessful or if such efforts are more costly than we expect, our business may be harmed.

Our success depends on our ability to attract new customers and patients and engage existing customers and patients in a cost-effective manner. To acquire and engage customers and patients, we must, among other things, promote and sustain our platform and provide high-quality products, user experiences, and service. If customers do not perceive our

PGS to be reliable and of high quality, if we fail to introduce new and improved products and services, or if we introduce new products or services that are not favorably received by the market, we may not be able to attract or retain customers and patients.

For example, the increased growth of our membership service, 23andMe+ Premium, depends upon how compelling this offering is to our customers. Many of our 23andMe+ Premium members may initially access the service for a discount. While we strive to demonstrate the value of our membership service to our customers, and encourage eligible customers to become paid members of 23andMe+ Premium, these customers may not convert to a fully paid membership to 23andMe+ Premium after they take advantage of our promotions. Moreover, if we are unable to keep existing customers engaged, including by their participation in research and responses to questionnaires, our ability to grow our database and discover new insights about the relationship between genetics and disease will be compromised. If we are unable to attract new customers or engage existing customers, including as members of 23andMe+ Premium, our revenue and our operating results may grow slower than expected or decline.

Our telehealth business provides patients with access to telehealth-based consultations with healthcare providers and prescription medication services. In order to attract new telehealth patients and members and grow our telehealth business, we need to continue expanding the scope of our products and services and enter into new categories that will provide access to consultation and treatment of additional conditions. It is uncertain whether any such offerings will achieve and sustain high levels of demand and market adoption. Unless we are able to attract new telehealth patients and members and retain existing patients, our business, financial condition, and results of operations may be harmed.

Our marketing efforts currently include various initiatives and consist primarily of digital marketing on a variety of social media channels, such as Facebook, search engine optimization on websites, such as Google, Bing, and Yahoo!, various branding strategies, and mobile "push" notifications and email. During the fiscal years ended March 31, 2024, 2023, and 2022, we incurred $85.6 million, $120.0 million, and $100.3 million of sales and marketing expenses, representing 39%, 40%, and 37% of our revenue, respectively. We anticipate that sales and marketing expenses will continue to represent a significant percentage of our overall operating costs for the foreseeable future. We have historically acquired a significant number of our users through digital advertising on platforms and websites owned by Facebook and Google, which may terminate their agreements with us at any time. Our investments in sales and marketing may not effectively reach potential customers and/or patients, potential customers and/or patients may decide not to buy our products or services, or customer or patient spend for our products and services may not yield the intended return on investment, any of which could negatively affect our financial results.

Many factors, some of which are beyond our control, may reduce our ability to acquire, maintain and further engage with customers and patients, including those described in this "*Risk Factors*" section and the following:

- system updates to app stores and advertising platforms such as Facebook and Google, including adjustments to algorithms that may decrease user engagement or negatively affect our ability to reach a broad audience;
- consumers opting out of the collection of certain personal information, including opting out of cookies, for marketing purposes;
- consumers opting out of the receipt of promotional emails or text messages;
- federal and state laws governing the use of personal information, including healthcare or genetic data, in marketing to potential or existing customers and patients, and the regulation of the use of discounts, promotions, and other marketing strategies in the healthcare industry;
- changes in advertising platforms' pricing, which could result in higher advertising costs;
- changes in digital advertising platforms' policies, such as those of Facebook and Google, that may delay or prevent us from advertising through these channels, which could result in reduced traffic to and sales on our platform, or that may increase the cost of advertising through these channels;
- changes in search algorithms by search engines;
- inability of our email marketing messages to reach the intended recipients' inbox;
- ineffectiveness of our marketing efforts and other spend to continue to acquire new customers and patients and maintain and increase engagement with existing customers and patients;
- decline in popularity of, or governmental restrictions on, social media platforms where we advertise;
- the development of new search engines or social media sites that reduce traffic on existing search engines and social media sites; and
- consumer behavior changes as a result of macroeconomic pressures in the United States and the global economy, such as rising interest rates, inflation, and recession fears.

In addition, we believe that many of our new customers and patients originate from word-of-mouth and other non-paid referrals from existing customers and patients, including purchases of kits for gift-giving, so we must ensure that our existing customers and patients remain loyal and continue to derive value from our service in order to continue receiving those referrals. If our efforts to satisfy our existing customers and patients are not successful, we may not be able to attract new customers and patients. Further, if our customer base does not continue to grow, we may be required to incur significantly higher marketing expenses than we currently anticipate in order to attract new customers and patients. A significant decline in our customer base would have an adverse effect on our business, financial condition and results of operations.

Revenue derived from our kit sales is dependent on seasonal holiday demand and the timing of Amazon Prime Day, which could lead to significant quarterly fluctuations in revenue and results of operations.

Our kit sales are dependent on seasonal holiday demand, as well as the timing of Amazon Prime Day, which has varied in recent years. We generate a significant amount of our PGS revenue during the fourth quarter of our fiscal year, due to seasonal holiday demand and to the fact that kits that are ordered during the holiday season (which occurs during the third quarter of our fiscal year) are recognized as revenue when the customer sends in their kit to the laboratory to be processed and genetic reports are delivered to the customer, which typically for holiday purchases tends to occur in the fourth fiscal quarter. For example, in fiscal 2024, 2023, and 2022, fourth quarter PGS revenue represented 33%, 35%, and 36%, of our total PGS revenue, respectively. Our promotional activity is also higher in the third fiscal quarter, which may reduce gross margin during this period. Purchasing patterns of kit sales are also aligned with other gift-giving and family-oriented holidays such as Mother’s Day and Father’s Day.

This seasonality causes our operating results to vary considerably from quarter to quarter. Additionally, any decrease in sales or profitability during the fourth quarter of the fiscal year could have a disproportionately adverse effect on our results of operations, which could, in turn, cause the value of our Class A common stock to fluctuate or decrease. This seasonality also could become more pronounced and may cause our operating results to fluctuate more widely.

We also may experience an increase in lab processing times and costs associated with shipping orders due to freight surcharges due to peak capacity constraints and additional long-zone shipments necessary to ensure timely delivery for the holiday season. Such delays could lead to an inability to meet advertised estimated lab processing times, resulting in customer dissatisfaction or reputational damage. If too many customers access our website within a short period of time, we may experience system interruptions that make our website unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of kits sold. Also, third-party delivery and direct ship vendors may be unable to deliver merchandise on a timely basis.

Our ability to meet demand in the Amazon retail channel is dependent upon Amazon’s stocking policies.

We offer for sale both the Health + Ancestry Service kit and the Ancestry Service kit through Amazon in the U.S., Canada, and the U.K. Demand for our PGS kits through Amazon varies considerably based upon seasonal holiday and other gift-giving and family-oriented holiday demand, as well as the timing of Amazon Prime Day.

Amazon’s stocking policies restrict the total number of PGS kits available for shipment to Amazon customers. These policies, including the inventory cap, change frequently, and as a result, our inventory available for shipment through Amazon fluctuates. We may not be able to accurately predict the mix of Health + Ancestry Service kits and Ancestry Service kits to effectively meet demand for each service type by Amazon customers. We also may experience an increase in costs associated with expedited shipping or use of intermediaries to enable additional stock being made available through Amazon.

We have limited operating experience abroad and may be subject to increased business and economic risks that could impact our financial results.

Our PGS is available in the U.S., Canada, the U.K., and in certain other markets globally, and our telehealth services are available in all 50 states, the District of Columbia, and the U.K. We plan to continue to pursue international expansion of our business operations and we may expand our offering in existing international markets or enter new international markets where we have limited or no experience in marketing, selling and deploying our product and services. If we fail to deploy or manage our operations in these countries successfully, our business and operations may suffer. In addition, we are subject to a variety of risks inherent in doing business internationally, including:

- policies, social and/or economic instability;

- risks related to governmental regulations in foreign jurisdictions and unexpected changes in regulatory requirements and enforcement;
- fluctuations in currency exchange rates;
- higher levels of credit risk and payment fraud;
- enhanced difficulties of integrating any foreign acquisitions;
- burdens of complying with a variety of foreign laws;
- reduced protection for IP rights in some countries;
- difficulties in staffing and managing global operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations and subsidiaries;
- different regulations and practices with respect to employee/employer relationships, existence of workers' councils and labor unions, and other challenges caused by distance, language, and cultural differences, making it harder to do business in certain international jurisdictions;
- compliance with statutory equity requirements; and
- management of tax consequences and compliance.

If we are unable to manage the complexity of global operations successfully, our financial performance and operating results could suffer.

Our pricing strategies may not meet customers' price expectations or may adversely affect our revenues.

Our pricing strategies have had, and may continue to have, a significant impact on our revenue. From time to time, we offer discounted prices as a means of attracting customers. Such offers and discounts, however, may reduce our revenue and margins. In addition, our competitors' pricing and marketing strategies are beyond our control and can significantly affect the results of our pricing strategies. If our pricing strategies, which may evolve over time, fail to meet our customers' price expectations or fail to result in increased margins, or if we are unable to compete effectively with our competitors if they engage in aggressive pricing strategies or other competitive activities, it could have a material adverse effect on our business.

We depend on our relationships with the PMCs, which we do not own, to provide telehealth consultation services, and our business could be adversely affected if those relationships were disrupted.

In certain jurisdictions, the corporate practice of medicine doctrine generally prohibits non-physicians from practicing medicine, including by employing physicians to provide clinical services, directing the clinical practice of physicians, or holding an ownership interest in an entity that employs or contracts with physicians. Some states have similar doctrines with respect to other professional licensure categories, including behavioral health services and providers. Other practices, such as professionals splitting their professional fees with a non-professional, are also prohibited in some jurisdictions. Many states also limit the extent to which nurse practitioners can practice independently and require that they practice under the supervision of or in collaboration with a supervising physician.

Through our platform, our patients gain access to one or more licensed healthcare providers for telehealth consultations. These providers are employed by or contracted with PMCs, which are independent professional entities owned by licensed physicians and that engage licensed healthcare professionals to provide telehealth consultations and related services, including applicable physician supervision of nurse practitioners. We enter into certain contractual arrangements with the PMCs and their provider owners, including an administrative services agreement, with each PMC for the exclusive provision by us of non-clinical services and support for the PMCs. While we expect that these relationships with the PMCs will continue, we cannot guarantee that they will. We believe that our arrangements with the PMCs have been structured to comply with applicable law and allow the healthcare providers the ability to maintain exclusive authority regarding the provision of clinical healthcare services (including consults that may lead to the writing of prescriptions), but there can be no assurance that government entities or courts would find our approach to be consistent with their interpretation of, and enforcement activities or initiatives related to, these laws and the corporate practice of medicine doctrine or similar prohibitions. If our arrangements are deemed to be inconsistent with any applicable government entity's interpretation of a law or regulation prohibiting the corporate practice of medicine, a fee-splitting law, or similar regulatory prohibitions, we would need to restructure the arrangements with the PMCs to create a compliant arrangement or terminate the arrangement, and we could face fines or other penalties in connection with such arrangements. A material change in our relationships with the PMCs, whether resulting from a dispute, a change in government regulation, or enforcement patterns, a determination of non-compliance, or the loss of these agreements or business relationships, could impair our ability to provide products and services to our patients and could have a material adverse effect on our business, financial condition, and results of operations. Violations of the prohibition on corporate practice of medicine doctrine, fee-splitting, or similar laws may impose penalties (e.g., fines or license suspension) on healthcare providers, which could discourage professionals from entering into arrangements with the PMCs and using our platform and could result in lawsuits by providers against the PMCs and us. These laws and regulations are subject to change and enforcement based upon political, regulatory, and other influences. More restrictive treatment of healthcare professionals' relationships with non-professionals, such as our Company, in the healthcare services delivery context could have a material adverse effect on our business, financial condition, and results of operations.

We depend on a number of other companies to perform functions critical to our ability to operate our platform and generate revenue from patients.

We depend on the PMCs and their providers and our Affiliated Pharmacies to deliver quality healthcare consultations and pharmacy services through our platform. Any interruption in the availability of a sufficient number of providers or supply from our Affiliated Pharmacies could materially and adversely affect our ability to satisfy our patients and ensure they receive consultation services and prescription medication. If we were to lose our relationship with one or more of the PMCs, we cannot guarantee that we will be able to ensure access to a sufficient network of providers. Similarly, if we were to lose our relationship with one or more of our Affiliated Pharmacies, or are unable to obtain access for patients to pharmaceutical products through such pharmacies, we cannot guarantee that we will be able to find, perform due diligence on, and engage with one or more replacement partners in a timely manner. Our ability to service the needs of our customers could be materially impaired or interrupted in the event that our relationship with a PMC or Affiliated Pharmacy is terminated or otherwise impaired, which can happen due to a variety of circumstances, including, but not limited to, noncompliance on the part of the third-party entity. We also depend on cloud infrastructure providers, payment processors, and various others that allow our platform to function effectively and serve the needs of our patients. Difficulties with our significant partners and suppliers, regardless of the reason, could have a material adverse effect on our business.

If we are unable to attract and retain high quality healthcare providers for our patients, our business, financial condition, and results of operations may be materially and adversely affected.

Our success is dependent upon our continued ability to maintain and expand a network of qualified telehealth providers. If we are unable to recruit and retain board-certified and other qualified physicians, pharmacists, and other healthcare professionals, it would adversely affect our business, financial condition, and results of operations and ability to grow. In any particular market, providers could demand higher payments or take other actions that could result in higher medical costs, less attractive service for our patients, or difficulty meeting regulatory or accreditation requirements. The failure to maintain or to secure new cost-effective provider contracts may result in a loss of or inability to grow our membership base, higher costs, less attractive service for our patients, and/or difficulty in meeting regulatory or accreditation requirements, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Any significant disruption in service on our website, mobile applications, or in our computer or logistics systems, whether due to a failure with our information technology systems or that of a third-party vendor, could harm our reputation and may result in a loss of customers.

Customers purchase our PGS and access its services through our website or our mobile applications. We also provide our telehealth services to patients and members through our website and mobile applications. Our reputation and ability to attract, retain and serve our customers, patients, and members is dependent upon the reliable performance of our website, mobile applications, network infrastructure and content delivery processes. Interruptions in any of these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our website or mobile applications, including our databases, and prevent our customers, patients, and members from accessing and using our services.

Our systems and operations are also vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, ransomware and other attempts to affect the integrity or availability of data, earthquake and similar events. For example, our headquarters are located in the San Francisco Bay Area which over the past several years has been subject to planned power outages to reduce the risk of wildfire, and these power outages can last for several days, which may limit or curtail certain operations. In the event of any catastrophic failure involving our website, we may be unable to serve our web traffic. In addition, our Lemonaid pharmacy fulfillment business is processed from a single location, which operations would be materially disrupted in the event any of these events were to occur at such facility. The occurrence of any of the foregoing risks could result in damage to our systems or could cause them to fail completely, and our insurance may not cover such risks or may be insufficient to compensate us for losses that may occur.

Additionally, our PGS business model is dependent on our ability to deliver kits to customers and have kits processed and returned to us. This requires coordination between our logistics providers and third-party shipping services. Operational disruptions may be caused by factors outside of our control such as hostilities, political unrest, terrorist attacks, natural disasters, pandemics and public health emergencies, affecting the geographies where our operations and customers are located. We may not be effective at preventing or mitigating the effects of such disruptions, particularly in the case of a catastrophic event. In addition, operational disruptions may occur during the holiday season, causing delays or failures in deliveries of PGS kits. Any such disruption may result in lost revenues, a loss of customers and reputational damage, which would have an adverse effect on our business, results of operations and financial condition.

If we are unable to deliver a rewarding experience on mobile devices, whether through our mobile website or our mobile application, we may be unable to attract and retain customers and patients.

We believe that current and prospective customers and patients are increasingly interested in accessing our PGS and telehealth offerings through mobile devices. We maintain mobile websites and mobile applications for our PGS and telehealth offerings. Developing and supporting a mobile website and mobile application across multiple operating systems and devices requires substantial time and resources. Notwithstanding our efforts to develop mobile solutions, our mobile solutions may fail to meet the needs of our customers and patients or consistently provide rewarding customer and patient experiences. As a result, our ability to attract new customers and patients could be impaired and customers and patients we meet through our mobile websites or mobile applications may not choose to use our offerings at the same rate as customers and patients we meet through our websites.

As new mobile devices and mobile operating systems are released, we may encounter problems in developing or supporting our mobile websites or mobile applications for them. Our ability to offer commercially successful mobile websites and mobile applications could also be harmed by factors outside of our control, such as:

- increased costs to develop, distribute, or maintain our mobile websites or mobile applications;
- changes to the terms of service or requirements of a mobile application store that requires us to change our mobile application development or features in an adverse manner; and
- changes in mobile operating systems, such as Apple's iOS and Google's Android, that disproportionately affect us, degrade the functionality of our mobile websites or mobile applications, require that we make costly upgrades to our technology offerings, or give preferential treatment to competitors' websites or mobile applications.

If our customers or patients experience difficulty accessing or using, or if they elect not to use, our mobile websites or mobile applications, our business and results of operations may be adversely affected.

Use of social media and email may adversely affect our reputation or subject us to fines or other penalties.

We use social media and email as part of our approach to marketing. As laws and regulations rapidly evolve to govern the use of these channels, the failure by us, our employees or third parties acting on our behalf or at our direction to abide by applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines, other penalties, or lawsuits. Although we continue to update our practices as these laws change over time, we may be subject to lawsuits or investigations alleging our failure to comply with such laws. In addition, our employees or third parties acting on our behalf or at our direction may knowingly or inadvertently use social media, including through advertisements, in ways that could lead to the loss or infringement of IP, as well as the improper sharing or public disclosure of proprietary, confidential, or sensitive personal information of our business, employees, customers, patients, members, or others. Any such inappropriate use of social media and emails could also cause reputational damage.

Our customers may engage with us online through social media platforms, including Facebook, Instagram, TikTok, and Twitter, by providing feedback and public commentary about all aspects of our business. Information concerning us, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Our success depends, in large part, on our ability to extend our presence in the personal genetics market, provide customers with a high level of service at a competitive price, achieve sufficient sales volume to realize economies

of scale, and create innovative new features, products, and services to offer to our customers. Our failure to achieve any of these outcomes would adversely affect our business.

Our success depends, in large part, on our ability to extend our presence in the personal genetics market, provide customers with a high level of service at a competitive price, achieve sufficient sales volume to realize economies of scale, and create innovative new features, products and services to offer to our customers. The growth and expansion of our business and service offerings places a continuous significant strain on our management, operational, and financial resources. We are required to manage multiple relationships with various strategic suppliers, customers, and other third parties, and regulatory agencies and advisors. To effectively manage our growth, we must continue to implement and improve our operational, financial, and management information systems and to expand, train and manage our employee base. We further must continue to work to scale our own operations and our supplier operations to meet increases in demand for our services. In the event of further growth of our operations or in the number of our third-party relationships, our supply, systems, procedures, or internal controls may not be adequate to support our operations and our management may not be able to manage any such growth effectively.

Our current and future expense levels are, to a large extent, fixed and are largely based on our investment plans and our estimates of future revenue. Because the timing and amount of revenue from our PGS is difficult to forecast when revenue does not meet our expectations, we may not be able to adjust our spending promptly or reduce our spending to levels commensurate with our revenue.

Even if we are able to successfully scale our infrastructure and operations, we cannot ensure that demand for our services will increase at levels consistent with the growth of our infrastructure. If we fail to generate demand commensurate with this growth or if we fail to scale our infrastructure sufficiently in advance to meet such demand, our business, financial condition and results of operations could be adversely affected, which may affect our ability to attract personnel or retain or motivate existing personnel.

Our Consumer and Research Services business relies on the continual growth of our database of information provided by customers who consent to participate in our research. If the number of our customers consenting to participate in our research programs declines or fails to grow, our research services revenue may be adversely affected, and our database may become less effective in facilitating our ability to identify new drug targets and to create new features, products, and services to offer to our customers.

Our Consumer and Research Services business is based on our ongoing analysis of the continually growing quantity of data in our proprietary database of genotypic and phenotypic information provided by customers who have consented to participate in our research programs. Over 80% of our customers have consented to participate in our research programs. If this percentage were to decline, or if consenting customers were to decide to opt out of our research programs, such that we cannot continue to grow our research database, the utility and value of our database would be adversely affected.

Our Consumer and Research Services business requires us to continue to improve and develop new data mining technologies and innovations in the use of genotypic and phenotypic data.

Our research services business uses our database and data mining tools and technologies to analyze the impacts of genetics on the sources and risks of disease, and to identify promising drug targets. If we do not continue to improve and develop new data mining technologies and innovations in our use of genotypic and phenotypic data, and to attract and retain skilled scientists to analyze our data, our business would be adversely affected.

Although we believe that our genetics-powered target discovery platform has the potential to identify more promising drugs than traditional methods, our focus on using our genetics-powered platform to discover targets with therapeutic potential may not result in the discovery of commercially viable drug targets for us or our collaborators.

Our scientific approach focuses on using our proprietary genotypic and phenotypic database to identify promising drug targets and predict their key properties without conducting time-consuming and expensive physical experiments. Our proprietary data mining techniques underpin, our target identification collaborations and our own internal target identification programs. While we believe that our research platform has been successful to date in identifying promising drug targets, we have no assurance that our early success will continue or lead to future success in identifying such targets.

Media reports have reported on consumer data privacy and security concerns and the use of genetic information accessed from other genetic databases by law enforcement and governmental agencies. These reports may decrease the overall consumer demand for personal genetic products and services, including ours.

We receive a high degree of media coverage. Unfavorable publicity or consumer perception of our product and service offerings, or the use of other genetic databases by third parties, including law enforcement, could adversely affect our reputation, resulting in a negative impact on the size of our customer base, the loyalty of our customers, the percentage of our customers that consent to participate in our research program, and our ability to attract new customers.

Therapeutics Business Risks

We expect to make significant investments in our continued efforts to develop new therapies as part of our Therapeutics business; these efforts may not be successful. We do not have any experience in successful drug development or commercialization and our failure to execute on successful drug development or commercialization would adversely affect our business and results of operations.

Drug development is expensive, takes years to complete, and can have uncertain outcomes. Failure can occur at any stage of development. We expect to incur significant expenses to advance our therapeutic development efforts, which may be unsuccessful. Developing new drugs is a speculative, risky, and highly competitive endeavor. Drugs which may initially show promise may fail to achieve the desired results in development and clinical studies and may ultimately not prove to be safe and effective or meet expectations for clinical utility. We may need to alter our offerings in development and repeat clinical studies before we develop a potentially successful drug. If, after development, a drug appears successful, we or our collaborators will still need to obtain FDA and other regulatory approvals before we can market it. The FDA's approval pathways are likely to involve significant time, as well as additional research, development, and clinical study expenditures. The FDA may not approve any drug we develop. Even if we develop a drug that receives regulatory approval, we or our collaborators would need to commit substantial resources to commercialize, sell and market it before it could be profitable, and the drug may never be commercially successful. The effectiveness and safety of a prospective product do not guarantee its market acceptance once it is launched. Educating patients, the medical community, and third-party payers about our product candidates could be a challenging task and may not yield desired results, despite significant investment of resources. Compared to conventional methods used by our competitors, our approach to educating the market may require more extensive resources. Any products that we ultimately bring to the market, if they receive marketing approval, may not gain market acceptance by physicians, patients, third-party payors, or others in the medical community. Additionally, development of any product or service may be disrupted or made less viable by the development of competing products or services. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict whether or when our Therapeutics business may successfully commercialize a drug target.

New potential products and services may fail at any stage of development or commercialization and if we determine that any of our current or future products or services are unlikely to succeed, we may abandon them without any return on our investment. If we are unsuccessful in developing additional products or services, our potential for growth may be impaired.

Even if we or our drug discovery collaborators are able to develop drugs that demonstrate potential in preclinical or early-stage clinical studies, we or they may not succeed in demonstrating safety and efficacy of drugs in human clinical trials.

Even if we or our drug discovery collaborators are able to develop drugs that demonstrate potential in preclinical or early-stage clinical studies, we or they may not succeed in demonstrating safety and efficacy of drug product candidates in human clinical trials. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their drugs performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their drug product candidates.

If we fail to succeed in our drug development efforts, or to develop and commercialize additional products and services, our ability to expand our business and achieve our strategic objectives would be impaired.

Our Therapeutics business is focused on leveraging our proprietary genotypic and phenotypic database in order to speed the development of successful new drugs. However, we may never succeed in developing a viable drug target. There are many lengthy and complex processes that all must yield successful results in order for us to ultimately succeed in developing and commercializing a drug. There are numerous stages of the drug development process, from initial target identification and validation, through various stages of rigorous preclinical research, to the selection of a lead drug product candidate that is suitable for human clinical testing. Once a drug product candidate is selected, there are several stages of clinical testing it must undergo, each dependent upon success in the prior stage. This is a long and costly process that will require significant time and resources and, if not successful, for any number of reasons that we cannot anticipate, would have an adverse effect on our business, financial condition and results of operations. In addition, external competition by other therapeutic companies can adversely affect our expected market share and revenues of our drugs.

Developing new products and services requires substantial technical, financial and human resources, whether or not any products or services are ultimately commercialized. We may pursue what we believe is a promising opportunity only to discover that certain of our risk or resource allocation decisions were incorrect or insufficient, or that individual products, services or our science in general has technology or biology risks that were previously unknown or underappreciated. In the event material decisions in any of these areas turn out to be incorrect or sub-optimal, we may experience a material adverse impact on our business and ability to fund our operations.

There are numerous risks associated with the development of our product candidate. These risks include the possibility that the compounds may be found ineffective or cause harmful side effects, may be difficult to manufacture in sufficient quantities for our development efforts and on a commercial scale, may be uneconomical to produce, and may not show the potential to compete effectively with existing or future alternatives. Additionally, political, judicial, and legislative changes, including those described elsewhere in this annual report, may make product development and marketing authorization more difficult.

Our Therapeutics business faces substantial competition, which may result in others discovering, developing, or commercializing drugs before or more successfully than we can.

We have not yet developed and commercialized, and may never successfully develop or commercialize, a drug target. Our Therapeutics business faces substantial competition from larger, more established pharmaceutical and biotechnology companies with marketed products that have been accepted by the medical community, patients, and third-party payors, as well as smaller companies in our industry that have successfully identified and developed drugs. Our ability to compete in this industry may be affected by the previous adoption of such products by the medical community, patients, and third-party payors.

We recognize that other companies, including larger pharmaceutical and biotechnology companies, may be developing or have plans to develop drugs and therapies that may compete with ours. Many of our competitors have substantially greater financial, technical, and human resources than we have. In addition, many of our competitors have significantly greater experience than we have in undertaking preclinical studies and human clinical trials of drugs, obtaining FDA and other regulatory approvals of drugs for use in healthcare and manufacturing, and marketing and selling approved drugs. Our competitors may discover, develop, or commercialize drugs or other novel technologies that are more effective, safer, or less costly than any that we are developing. Our competitors may also obtain FDA or other regulatory approval for their drugs more rapidly than we may obtain approval for any drug that we develop.

We anticipate that the competition with our drugs and therapies will be based on a number of factors, including product efficacy, safety, availability, and price. The timing of market introduction of any successful drug and competitive drugs will also affect competition among products. We expect the relative speed with which we can develop drugs, complete the clinical trials and approval processes, and supply commercial quantities of such drugs to the market to be important competitive factors. Our competitive position will also depend upon our ability to attract and retain qualified personnel, to obtain patent protection or otherwise develop proprietary products or processes, and protect our IP, and to secure sufficient capital resources for the period between target identification and commercial sales of the resulting drug product.

Our long-term success will depend, in part, upon our ability to develop, receive regulatory approval for, and commercialize our drugs.

In the U.S., our drugs and the activities associated with their development, including testing, manufacture, record-keeping, storage, and approval, are subject to comprehensive regulation by the FDA. Failure to obtain regulatory approval for a drug product candidate will prevent us from commercializing such target. We have limited resources for use in preparing, filing, and supporting the applications necessary to gain regulatory approvals and expect to rely on third-party contract research organizations and consultants to assist us in this process. The FDA and other comparable regulatory agencies in foreign countries impose substantial and rigorous requirements for the development, production, marketing authorization, and commercial introduction of drugs. These requirements include pre-clinical, laboratory, and clinical testing procedures, sampling activities, manufacturing development, clinical trials, and other costly and time-consuming procedures. In addition, regulation is not static, and regulatory authorities, including the FDA evolve in their interpretations and practices and may impose more stringent or different requirements than currently in effect, which may adversely affect our planned and ongoing development and/or our sales and marketing efforts.

Developing and obtaining regulatory approval for drugs is a lengthy process, often taking many years, is uncertain and is expensive. All of the drugs that we are developing, or may develop in the future, require research and development, pre-clinical studies, nonclinical testing, manufacturing development, and clinical trials prior to seeking regulatory approval and commencing commercial sales. In addition, we may need to address a number of technological challenges in order to complete development of our drugs. As a result, the development of drugs may take longer than anticipated or not be successful at all. There can be no assurance that the FDA will ever permit us to market any new drug that we develop. Even if regulatory approval is granted, such approval may include significant limitations on indicated uses, which could materially and adversely affect the prospects of any new therapeutic. In addition, new regulations could potentially negatively impact our therapeutic development and commercialization. For example, in August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that could have significant implications on our future drug development and sales.

To market any drugs outside of the U.S., we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and effectiveness. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval processes vary among countries and can involve additional drug testing and validation and additional or different administrative review periods from those in the U.S., including additional preclinical studies or clinical trials, as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions.

Seeking foreign regulatory approval could result in difficulties and costs and require additional nonclinical studies or clinical trials, which could be costly and time-consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our drugs in those countries. The foreign regulatory approval process may include all the risks associated with obtaining FDA approval. We do not have any drugs approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, or if regulatory approval in international markets is delayed, our target market will be reduced and our ability to realize the full market potential of our drugs will be harmed.

Our drugs are in preclinical or clinical development, which is a lengthy and expensive process with uncertain outcomes and the potential for substantial delays. We cannot give any assurance that any of our drugs will receive regulatory approval, which is necessary before they can be commercialized.

Before obtaining marketing approval from regulatory authorities for the sale of our drugs, we must conduct extensive clinical trials to demonstrate the safety and efficacy of the drugs in humans. We have focused our collaborative efforts and significant financial resources on developing new drugs. We cannot be certain that any clinical trials will be conducted as planned or completed on schedule, if at all. Our inability to successfully complete preclinical and clinical development could result in additional costs to us and negatively impact our ability to generate revenue. Our future success is dependent on our ability to successfully develop, obtain regulatory approval for, and then successfully commercialize drugs. We currently have no drugs approved for sale and have not generated any revenue from sales of drugs, and we may never be able to develop or successfully commercialize a marketable drug. The results of early-stage clinical trials and preclinical studies may not be predictive of future results. Initial data in clinical trials may not be indicative of results obtained when these trials are completed or in later stage trials.

All our identified drugs require additional development, management of preclinical, clinical, and manufacturing activities, and regulatory approval. In addition, we will need to obtain adequate manufacturing supply, build a commercial organization, commence marketing efforts, and obtain reimbursement before we generate any significant revenue from commercial product sales, if ever. Many of our drugs are in early-stage research or translational phases of development, and the risk of failure for these programs is high. We cannot be certain that any of our drugs will be successful in clinical trials or receive regulatory approval. Further, our drugs may not receive regulatory approval even if they are successful in clinical trials. If we do not receive regulatory approvals for our drugs, we and our subsidiaries may not be able to continue operations.

If we encounter difficulties enrolling patients in clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Our ability to identify and qualify clinical trial participants in an expeditious manner is critical to the success of our clinical development activities. The timing of our clinical studies depends on the speed at which we can recruit trial participants to participate in testing our drugs. Delays in enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drugs. If trial participants are unwilling to participate in our studies or drop out of our trials at unexpected rates, the timeline for recruiting trial participants, conducting studies, and obtaining regulatory approval of potential drugs may be delayed. We also may face delays in enrolling patients and conducting clinical studies, and may need to make adjustments to our development programs as a result of unforeseen global circumstances. Any delays could result in increased costs, delays in advancing our drug development, delays in testing the effectiveness of our drugs, or termination of the clinical studies altogether.

Use of our therapeutic drugs could be associated with side effects, adverse events, or other properties or safety risks, which could delay or halt their clinical development, prevent their regulatory approval, cause us to suspend or discontinue clinical trials, abandon a drug, limit their commercial potential, if approved, or result in other significant negative consequences that could severely harm our business, prospects, financial condition, and results of operations.

Undesirable or unacceptable side effects caused by our drugs, including drugs that are part of our collaboration with GSK, could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Even if any of our current or future therapeutic drugs receive regulatory approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success, in which case we may not generate significant revenues or become profitable.

Our use of third parties to manufacture and develop our drugs for preclinical studies and clinical trials may increase the risk that we will not have sufficient quantities of our drugs, products, or necessary quantities of such materials on time or at an acceptable cost or quality.

We have no experience in drug formulation or manufacturing and we lack the resources and expertise to formulate or manufacture our own therapeutic drugs internally. Therefore, we rely on third-party expertise to support us in this area. We entered into a contract with a third-party manufacturer to manufacture our drugs, and we intend to enter into contracts with third-party manufacturers to supply, store, and distribute supplies of our drugs for our clinical trials. If any of our drugs receives FDA approval, we expect to rely on third-party contractors to manufacture our drugs. We have no current plans to build internal manufacturing capacity for any drug, and we have no long-term supply arrangements.

Our reliance on third-party manufacturers exposes us to potential risks, such as the following:

- We may be unable to contract with third-party manufacturers on acceptable terms, or at all, because the number of potential manufacturers is limited. Potential manufacturers will be subject to FDA compliance inspections and any new manufacturer would have to be qualified to produce our drugs;
- Our third-party manufacturers might be unable to formulate and manufacture our drugs in the volume and of the quality required to meet our clinical and commercial needs, if any;
- Our third-party manufacturers may face supply chain issues, including, but not limited to, as a result of global geopolitical events;
- Following submission of a marketing application, our third-party manufacturers may not be inspected on a timely basis by the applicable regulatory authorities;
- Our third-party manufacturers may not perform as agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials through completion or to successfully produce, store, and distribute our commercial products, if approved;
- Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA and other government agencies to ensure compliance with cGMP and other government regulations and corresponding foreign standards. We do not have direct control over third-party manufacturers' compliance with these regulations and standards, but we may ultimately be responsible for any of their failures;
- If any third-party manufacturer makes improvements in the manufacturing process for our products, we may not own, or may have to share, the IP rights to such improvements;

- Third-party manufacturers may not comply with the applicable regulatory requirements, which would expose us and them to potential enforcement actions; and
- A third-party manufacturer may gain knowledge from working with us that could be used to supply one of our competitors with a product that competes with ours.

If our contract manufacturers or other third parties fail to deliver our drugs for clinical investigation and, if approved, for commercial sale on a timely basis, with sufficient quality, and at commercially reasonable prices, we may be required to delay or suspend development and commercialization of our drugs. For example, our clinical trials must be conducted with product that complies with cGMP. Failure to comply may require us to repeat or conduct additional preclinical and/or clinical trials, which would increase our development costs and delay the regulatory approval process and our ability to generate and grow revenues. The FDA or other regulatory authorities may also determine that our third-party manufacturers do not maintain quality systems sufficient for product approval and/or may find that the manufacturing data and development does not meet the FDA's approval standards.

In addition, any significant disruption in our supplier relationships could harm our business. If, for any reason, we need to replace any of our suppliers and manufacturers, we may not be able to do so on commercially favorable terms or may not be able to at all. We source key materials from third parties, either directly through agreements with suppliers or indirectly through our manufacturers who have agreements with suppliers. There are a small number of suppliers for certain capital equipment and key materials that are used to manufacture our drugs. Such suppliers may not sell these key materials to our manufacturers at the times we need them or on commercially reasonable terms. We do not have any control over the process or timing of the acquisition of these key materials by our manufacturers. Moreover, we currently do not have agreements for the commercial production of a number of these key materials which are used in the manufacture of our drugs. Any significant delay in the supply of a drug or its key materials for an ongoing clinical study could considerably delay completion of our clinical studies, drug testing and potential regulatory approval of our drugs. If our manufacturers or we are unable to purchase these key materials for our drugs after regulatory approval, the commercial launch of our drugs could be delayed or there could be a shortage in supply, which would impair our ability to generate revenues from the sale of our drugs, if approved.

Each of these risks, if realized, could delay or have other adverse impacts on our clinical trials and the approval and commercialization of our drugs, potentially resulting in higher costs, reduced revenues or both.

As an organization, we have limited experience designing or implementing clinical trials. Failure to adequately design a trial, or incorrect assumptions about the design of the trial, could adversely affect our ability to initiate the trial, enroll patients, complete the trial, or obtain regulatory approval on the basis of the trial results, as well as lead to increased or unexpected costs.

The design and implementation of clinical trials is a complex process. We have limited experience designing or implementing clinical trials, and we may not successfully or cost-effectively design and implement clinical trials that achieve our desired clinical endpoints efficiently, or at all. A clinical trial that is not well-designed, planned, or conducted, including with respect to the FDA's GCP requirements, may delay or even prevent initiation of the trial, can lead to increased difficulty in enrolling patients, may make it more difficult to obtain regulatory approval for the drug on the basis of the study results, or, even if a drug is approved, could make it more difficult to commercialize the product successfully or obtain reimbursement from third-party payors. Additionally, a trial that is not well-designed, planned, or conducted could be inefficient or more expensive than it otherwise would have been, or we may incorrectly estimate the costs to implement the clinical trial, which could lead to a shortfall in funding. Failure to comply with the FDA's regulatory requirements for clinical trials can also result in enforcement actions.

If third parties on whom we rely for clinical and preclinical trials do not perform as contractually required or as we expect, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business may suffer.

Our ability to obtain regulatory approval for our product candidates is dependent on conducting clinical and preclinical trials, which we do not have the ability to independently conduct. We rely on third-party service providers, such as independent investigators and contract research organizations (CROs), to conduct these trials on our behalf. While we expect to contract with these parties for future trials, there is no guarantee that we will be able to do so on favorable terms or at all. We have limited control over the activities of these third-party service providers and are responsible for ensuring that our trials are conducted in accordance with applicable regulations and protocols. If these third-party service providers fail to meet their obligations or conduct trials in accordance with regulatory requirements or our protocols, we may need to enter into new arrangements with alternative service providers, which could be difficult, costly, or impossible, and consequently could delay or terminate our trials. If we choose to conduct these activities ourselves, we will need to recruit trained personnel and add to our research, clinical, quality, and corporate infrastructure. The failure of these third-party service providers to comply with regulatory requirements could result in enforcement actions as well as extended, delayed, terminated, or repeated trials, which could prevent us from obtaining regulatory approval in a timely manner or at all, and may prevent us from commercializing the applicable product candidate being tested in such trials. In the event that we need to replace these third-party service providers, we may not be able to do so on commercially reasonable terms or in a timely fashion.

If, in the future, we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market any approved drug by a regulatory agency, we may not be successful in commercializing those drugs if and when they are approved.

We currently have no sales, marketing, or distribution capabilities and have no experience in marketing drugs. We do not currently have an in-house marketing organization or sales force but may develop such organization and sales force in the future, which will require significant capital expenditures, management resources, and time. We will have to compete with other healthcare companies to recruit, hire, train, and retain marketing and sales personnel.

In addition to establishing internal sales, marketing, and distribution capabilities, we intend to pursue collaborative arrangements regarding the sales and marketing of our products, however, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that we will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties and our revenue from product sales may be lower than if we had commercialized our drug ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts of our drugs.

There can be no assurance that we will be able to develop in-house sales, marketing, and distribution capabilities or establish or maintain relationships with third-party collaborators to commercialize any product in the U.S. or overseas.

The commercial success of any product candidates that we may develop will depend upon the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community.

We may not achieve market acceptance of our products even if they receive marketing approval. If our products fail to gain market acceptance, we may not be able to generate product revenue or achieve profitability. The market acceptance of our product candidates, if approved for commercial sale, depends on several factors, including but not limited to:

- the prevalence and severity of any side effects;
- the effectiveness and potential advantages over alternative treatments;
- the ability to offer our product candidates for sale at competitive prices;
- relative convenience and ease of administration;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and the timing of market introduction of competitive products; and
- publicity concerning our products or competing products and treatments.

Although a product may display a favorable efficacy and safety profile, its market acceptance will only be known after it is launched. Our efforts to educate patients, the medical community, and third-party payors about our product candidates may require significant resources and may not be successful. Such efforts may require more resources than conventional methods used by our competitors.

General Business Risks

We have experienced a criminal cyber incident 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. See "*Part I, Item 1C — Cybersecurity*" below.

As previously disclosed, in October 2023, we reported that certain user 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"). Based on our investigation, we determined that the threat actor was able to access a very small percentage (0.1%) of user accounts in instances where usernames and passwords that were used on our website were the same as those used on other websites that had been previously compromised or were otherwise available (the "Credential Stuffed Accounts"). The information accessed by the threat actor in the Credential Stuffed Accounts varied by user account, and generally included ancestry information, and, for a subset of those accounts, health-related information based upon the user's genetics. Using this access to the Credential Stuffed Accounts, the threat actor also accessed a significant number of files containing information about other users' ancestry that such users chose to share when opting in to our DNA Relatives feature, and posted certain information online. Based on our investigation as of the filing date of this Annual Report on Form 10-K, we do not believe that we were the source of the account credentials used in these attacks, and we believe that the threat actor activity is contained.

As of the filing date of this Annual Report on Form 10-K, 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 other U.S. and international jurisdictions, 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 and related litigation, 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.

We may be subject to legal proceedings and litigation, which are costly to defend and could materially harm our business and results of operations.

We may be party to lawsuits and legal proceedings in the normal course of business. These matters are often expensive and disruptive to normal business operations. We may face allegations, lawsuits, and regulatory inquiries, audits, and investigations regarding data privacy, security, product liability, compliance with regulatory requirements, labor and employment, consumer protection, practice of medicine, and IP infringement, including claims related to privacy, patents, publicity, trademarks, copyrights, open-source software, and other rights. A portion of the technologies we use incorporates open-source software, and we may face claims claiming ownership of open-source software or patents related to that software, rights to our IP or breach of open-source license terms, including a demand to release material portions of our source code or otherwise seeking to enforce the terms of the applicable open-source license. We may also face allegations or litigation related to our acquisitions, securities issuances, or business practices, including public disclosures about our business. Litigation and regulatory proceedings, and particularly the healthcare regulatory and class action matters we could face, may be protracted and expensive, and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our activities or solution or require us to stop offering certain features, all of which could negatively impact our acquisition of customers and revenue growth. Litigation or other proceedings can also have an adverse impact on our therapeutic development program. We may also become subject to periodic audits, which could likely increase our regulatory compliance costs and may require us to change our business practices, which could negatively impact our revenue growth. Managing legal proceedings, litigation and audits, even if we achieve favorable outcomes, is time-consuming and diverts management's attention from our business.

The results of regulatory proceedings, litigation, claims, and audits cannot be predicted with certainty, and determining reserves for pending litigation and other legal, regulatory and audit matters require significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our reputation, business, financial condition and results of operations.

Our business and future operating results may be adversely affected by catastrophic or other events outside of our control.

We conduct our research and development in our facilities located in South San Francisco, California. Any damage to our facilities or the servers we rely on for our database would be costly and could require substantial lead-time to repair or replace. In addition, many of our employees work remotely and would be significantly impacted by any disruption to our servers. Our business and operating results may be harmed due to interruption of our research and development by events outside of our control, including earthquakes and fires. Other possible disruptions may include power loss and telecommunications failures. In the event of a prolonged disruption, we may lose customers and we may be unable to regain those customers thereafter. Our insurance may not be sufficient to cover all our potential losses and may not continue to be available to us on acceptable terms, or at all.

We will need additional capital, and we cannot be sure that additional financing will be available on acceptable terms or at all.

As of March 31, 2024, our principal source of liquidity was cash and cash equivalents of $216.5 million, which was held for working capital purposes. Since our inception, we have generated significant operating losses as reflected in our accumulated deficit and negative cash flows from operations. We had an accumulated deficit of $2.2 billion as of March 31, 2024.

Although we currently anticipate that our available funds and cash flows from operations will be sufficient to meet our near-term cash needs, we will require additional financing for our longer-term cash needs. Our ability to obtain financing may depend on, among other things, our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We are seeking and expect to continue to seek additional funding through financings of equity, including with respect to our at-the-market equity program pursuant to the Sales Agreement with Cowen (as defined below). There is no assurance that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked, or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Class A common stock, and our stockholders may experience dilution.

We depend on the continued services and performance of our highly qualified key personnel, and our business and research and development initiatives depend on our ability to attract and retain additional qualified personnel, including highly-skilled scientists and other specialized individuals. We may not be able to attract or retain qualified scientists and other specialized individuals in the future due to the competition for qualified personnel among life science and technology businesses.

We currently depend on the continued services and performance of our highly qualified key personnel, and, in particular, Anne Wojcicki, our Chief Executive Officer and Co-Founder. The loss of Ms. Wojcicki or other key personnel, including key members of management as well as our research, therapeutics, regulatory, product development, engineering, legal, finance, and other personnel, could disrupt our operations and may significantly delay or prevent the achievement of our business objectives. To retain our key personnel, we use various measures, including an equity incentive program for key executive officers and other employees. These measures may not be enough to retain the personnel we require to operate our business effectively. In addition, volatility in the price of our stock may adversely affect our ability to attract or retain our key personnel, as the fluctuating value of equity-based awards may limit their effectiveness as an employee incentive and retention tool.

The market for qualified personnel in our industry is intensely competitive. Inability to meet the ever-increasing expenses, including salaries, benefits, perks, and technology costs, of attracting and retaining talent may threaten our ability to provide the human resources needed to execute our growth strategy. Many of the companies with which we compete for a relatively limited pool of experienced personnel have greater resources than we have. An inability to attract, retain, and motivate additional highly skilled employees required for the planned expansion of our business could harm our results of operations and impair our ability to grow.

Specifically, our research and development initiatives and Therapeutics business depend on our ability to attract and retain highly-skilled scientists and other specialized individuals and competition for these resources is especially intense. We may not be able to attract or retain qualified scientists and other specialized individuals in the future due to the competition for qualified personnel among life science and technology businesses, particularly near our therapeutics laboratory facilities located in South San Francisco, California. We also face competition from universities and public and private research institutions in recruiting and retaining highly qualified scientific personnel. Recruiting, training and retention difficulties can limit our ability to support our research and development and commercialization efforts. All our employees are at-will, which means that either we or the employee may terminate their employment at any time. In addition, we rely on consultants, contractors, and advisors, including scientific and clinical advisors, to assist it in formulating our research and development, regulatory and commercialization strategy. Our consultants and advisors may provide services to other organizations and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. The loss of the services of one or more of our current consultants or advisors could impede the achievement of our research, development, regulatory, and commercialization objectives.

Certain other areas of our operations require employing highly specialized individuals, which makes our recruiting efforts more challenging. If we do not succeed in attracting excellent personnel or retaining or motivating existing personnel, we may be unable to achieve our business objectives or grow effectively.

Economic uncertainty or downturns, particularly affecting the markets and industries in which we operate, and on discretionary consumer spending could adversely affect our business, financial condition, and results of operations.

In recent years, the United States and global economy has been volatile, and worldwide economic conditions remain uncertain. Economic uncertainty and associated macroeconomic conditions, including market volatility, inflation, and supply chain issues, make it extremely difficult for us, as well as for our collaborators, sales channel partners, and suppliers, to accurately forecast and plan future business activities. Supply chain issues could limit the ability of our affiliated pharmacies to purchase sufficient quantities of pharmaceutical products from suppliers, which could adversely affect our ability to fulfill patient orders.

In addition, global economic conditions and the effect of economic pressures on discretionary consumer spending could continue to have a material adverse effect on our business, results of operations, and financial condition. Macroeconomic pressures in the U.S. and the global economy, such as rising interest rates, inflation, and recession fears may reduce discretionary spending. Specifically, economic uncertainty could cause our customers and patients to slow spending on our PGS and telehealth offerings. To the extent purchases of our PGS and telehealth offerings are perceived by customers and patients and potential customers and patients as discretionary, our revenue may be disproportionately affected by delays or reductions in kit purchases and general healthcare spending. Also, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers and patients.

If global economic and financial market conditions deteriorate, the following factors could have a material adverse effect on our business, operating results, and financial condition:

- The success of our operations is dependent on consumer spending, which can be negatively impacted by economic conditions, as well as factors affecting disposable consumer income such as income taxes, payroll taxes, employment, consumer debt, interest rates, increases in energy costs, and consumer confidence. Any of these factors could lead to a decrease in consumer spending. Declines in consumer spending have and, in the future, may result in decreased demand for our PGS and telehealth services, increased inventories, lower revenues, higher discounts, pricing pressure, and lower gross margins.
- We may be negatively impacted by changes in consumer preferences and discretionary spending habits, such as consumer behavior reallocating to non-discretionary consumer spending.
- We may be unable to access financing in the credit and capital markets at reasonable rates.
- If our suppliers or other participants in our supply chain experience difficulty obtaining financing needed for their operations in the capital and credit markets, it may result in delays or non-delivery of our kits.
- We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery with respect to the general economy, or any industry in particular. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be materially adversely affected.

Adverse developments affecting financial institutions, companies in the financial services industry, or the financial services industry generally, such as actual events or concerns involving liquidity, defaults, or non-performance, could adversely affect our operations and liquidity.

Actual events involving limited liquidity, defaults, non-performance, or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, on March 10, 2023, Silicon Valley Bank, ("SVB"), was closed by the California Department of

Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC"), as receiver. As of March 10, 2023, we did not hold any accounts at SVB and were thus not impacted by the closure.

Although a statement by the U.S. Department of the Treasury, the Federal Reserve and the FDIC stated that all depositors of SVB would have access to all of their money after only one business day following the date of closure and depositors with SVB received such access on March 13, 2023, uncertainty and liquidity concerns in the broader financial services industry remain. There is no guarantee that the U.S. Department of Treasury, FDIC, and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions in a timely fashion or at all.

We may enter new business areas, such as additional primary care services, including diagnostics/behavior modification, where we do not have any experience. If we were to enter new business areas, we would likely face competition from entities more familiar with those businesses, and our efforts may not succeed.

In the future, we may expand our operations into business areas, such as additional primary care services, including diagnostics/behavior modification, where we do not have any experience. These areas would be new to our product development and marketing personnel, and we cannot be assured that the markets for these products and services will develop or that we will be able to compete effectively or will generate significant revenues in these new areas making our success in this area difficult to predict. Many companies of all sizes, including major pharmaceutical companies, specialized biotechnology companies, and traditional healthcare providers, are engaged in redesigning approaches to medical care and diagnostic medicine. Competitors operating in these potential new business areas may have substantially greater financial and other resources, larger research and development staff, and more experience in these business areas. There can be no assurances that if we undertake new business areas, that the market will accept our offerings, or that such offerings will generate significant revenues for us.

We may make acquisitions to expand our business, and if any of those acquisitions are unsuccessful, our business may be harmed.

We may choose to expand our current business through the acquisition of other businesses, products, or technologies, or through strategic alliances.

Acquisitions involve numerous risks, including the following:

- The possibility that we will pay more than the value we derive from the acquisition which could result in future non-cash impairment charges, and incremental operating losses;
- Difficulties in integration of the operations, technologies, and products of the acquired companies, which may require significant attention of our management that otherwise would be available for the ongoing development of our business;
- The assumption of certain known and unknown liabilities of the acquired companies;
- Difficulties in retaining key relationships with employees, customers, collaborators, vendors, and suppliers of the acquired company;
- In the case of acquisitions outside of the jurisdictions we currently operate in, the need to address the particular economic, currency, political, and regulatory risks associated with specific countries, particularly those related to our collection of sensitive data, regulatory approvals, and tax management, which may result in significant additional costs or management overhead for our business; and
- Any of these factors could have a negative impact on our business, results of operations or financial position.

Impairment in the value of our goodwill and intangible assets could have a material adverse effect on our operating results and financial condition.

We record goodwill at fair value upon the acquisition of a business. Goodwill represents the excess of amounts paid for acquiring businesses over the fair value of the net assets acquired. Goodwill is evaluated for impairment annually at the Consumer and Research Services reporting unit level, or more frequently if conditions warrant, by comparing the carrying value of the Consumer and Research Services reporting unit to its estimated fair value. The valuation models used to determine the fair value of goodwill are dependent upon various assumptions and reflect management's best estimates. The goodwill impairment analyses are sensitive to changes in key assumptions used, revenue growth rates, gross margin, and projected future cash flows of our Consumer and Research Services reporting unit and the discount rate applied to those projected future cash flows. The carrying value of intangible assets is reviewed whenever events or changes in circumstances indicate the carrying amount of the assets might not be recoverable. If the recoverability test indicates the carrying value of the asset group is not recoverable, we would estimate the fair value of the asset group using the discounted cash flow method. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value.

Declines in operating results, divestitures, sustained market declines and other factors that impact the fair value of our Consumer and Research Service reporting unit could result in an impairment of goodwill and intangible assets and, in turn, a charge to net income.

During fiscal 2024, based on our quantitative assessments, we determined the carrying value of our Consumer and Research Services reporting unit exceeded its fair value. Consequently, we recorded goodwill impairment charges totaling $351.7 million during fiscal 2024, resulting in full impairment of our outstanding goodwill. See "*Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates — Goodwill*" and Note 10, "*Balance Sheet Components — Goodwill*" to our consolidated financial statements for details.

The development and use of artificial intelligence or AI presents risks and challenges that can impact our business including by posing security risks to our confidential information, proprietary information, and personal data and could give rise to legal and/or regulatory actions, damage our reputation or otherwise materially harm our business.

Artificial intelligence, or AI, is increasingly being used in the biopharmaceutical, pharmaceutical, technology, and consumer health industries. We may develop and incorporate AI technology in certain of our products and services. Issues relating to the use of new and evolving technologies such as AI, machine learning, generative AI, and large language models, may cause us to experience perceived or actual brand or reputational harm, technical harm, competitive harm, legal liability, cybersecurity risks, privacy risks, compliance risks, security risks, ethical issues, and new or enhanced governmental or regulatory scrutiny, and we may incur additional costs to resolve such issues. Litigation or government regulation related to the use of AI may also adversely impact our ability to develop and offer products that use AI, as well as increase the cost and complexity of doing so. In addition, uncertainties regarding developing legal and regulatory requirements and standards may require significant resources to modify and maintain business practices to comply with U.S. and non-U.S. laws concerning the use of AI, the nature of which cannot be determined at this time. In addition, the European Union recently passed the Artificial Intelligence Act, whose regulations will be developed over the coming year and, in the U.S., the recent Executive Order concerning artificial intelligence may result in extensive new federal rule-making. Further, market demand and acceptance of AI technologies are uncertain, and we may be unsuccessful in our product development efforts.

We have developed policies governing the use of AI to help reasonably ensure that such AI is used in a trustworthy manner by our employees, contractors, and authorized agents and that our assets, including intellectual property, competitive information, personal information we may collect or process, and customer information, are protected. Any failure by our personnel, contractors, or other agents to adhere to our established policies could violate confidentiality obligations or applicable laws and regulations, jeopardize our intellectual property rights, cause or contribute to unlawful discrimination, or result in the misuse of personally identifiable information or the injection of malware into our systems, any of which could have a material adverse effect on our business, results of operations, and financial condition.

Risks Related to Our Collaborations

Our Therapeutics business is substantially dependent on our collaboration with GSK for the development and commercialization of any drugs discovered during the "discovery term" of the original GSK Agreement, which discovery term expired in July 2023. If we, GSK and any future collaborators are unable to successfully complete clinical development, obtain regulatory approval for, or commercialize any drugs, or experience delays in doing so, our business may be materially harmed. We may engage and depend on other third parties for the development and commercialization of drugs and therapeutic programs discovered following the expiration of the discovery term of the original GSK Agreement or outside its scope. If those collaborations are not successful, we may not be able to capitalize on our investment in our Therapeutic business.

In July 2018, we entered into a collaboration agreement with GSK focused on the discovery, development, and commercialization of drugs that are identified utilizing our proprietary databases and data mining technologies (the "original GSK Agreement"). Under the original GSK Agreement, GSK was our exclusive collaborator for drug discovery programs for a four-year period, which was extended for a fifth year by GSK, pursuant to the terms of the original GSK Agreement. Accordingly, the exclusive collaboration provisions of the original GSK Agreement expired in July 2023, and in October 2023, we entered into an amendment to the original GSK Agreement ("2023 GSK Amendment") as described below.

Under the original GSK Agreement, we and GSK jointly research potential drug targets based on reports generated from our proprietary databases and using our proprietary data mining technologies. Once promising drug targets are identified through these joint efforts, we and GSK share equally in the costs of discovery, development, and commercialization of any resultant drugs. Both parties have the right to opt out or reduce their share of the funding upon the occurrence of certain specified development milestones, in which case such party would no longer be entitled to share equally in the results of a successful collaboration, but instead would receive certain royalty payments on sales of the resultant drugs, depending on the timing and extent to which such party has reduced its funding or opted out. If GSK were to exercise any of the rights described in the prior sentence, and we elected to continue development, we would be required to supply any necessary funding to continue the development of the applicable drug. In addition, if we were to opt out of a program, GSK has the right to unilaterally decide to terminate the program or fail to develop a drug product, in which case we would not receive any royalty payments. In addition, substantially all our research services revenue was derived from the required payments for research services under the original GSK Agreement during the discovery term.

Our Therapeutics business has historically been substantially dependent on our collaboration with GSK for the development and commercialization of any drugs discovered during the discovery term of the original GSK Agreement. The discovery term of the original GSK Agreement expired in July 2023, while we entered into the 2023 GSK Amendment pursuant to which we granted GSK a nonexclusive license to our de-identified, summary data from global genome- and phenome-wide analysis of the 23andMe database and received a $20.0 million upfront payment, there can be no assurance that we will be able to generate research services cash receipts from other partners. If we are unable to successfully partner with future collaborators or develop drugs independently, our revenues, operating results, and our ability to fund and advance drug programs and conduct our Therapeutics business will be adversely affected.

We cannot provide any assurance with respect to the success of any research, development, or commercialization efforts pursuant to the original GSK Agreement.

Our current collaboration with GSK, and potential future collaborations involving drug development activities outside of the original GSK Agreement, pose the following risks to us:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of any drugs that achieve regulatory approval or may elect not to continue or renew development or commercialization programs or license arrangements based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as a strategic transaction that may divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug, repeat or conduct new clinical trials or require a new formulation of a drug for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our drugs;
- drugs discovered in collaboration with us may be viewed by our collaborators as competitive with their own drugs, which may cause collaborators to cease to devote resources to the commercialization of our drug;
- collaborators may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution or marketing of a drug candidate or product;
- collaborators are subject to the same risks of drug development as we are and, accordingly, may not ultimately be successful;
- collaborators may not properly enforce, maintain or defend our IP rights or may use our proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our IP or proprietary information or expose us to potential litigation, or other IP proceedings;
- collaborators may infringe the IP rights of third parties, which may expose us to litigation and potential liability;

- disputes may arise between a collaborator and us that cause the delay or termination of the research, development, or commercialization of the drug, or that result in costly litigation or arbitration that diverts management attention and resources;
- if a present or future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our drug development or commercialization program under such collaboration could be delayed, diminished or terminated;
- collaborators could share 23andMe data with the public or third parties or maintain insufficient security of 23andMe proprietary data exposing it to the public or third parties thereby decreasing the value of the 23andMe proprietary data;
- collaborators could use AI or other data analysis techniques with 23andMe proprietary data to create an algorithm that could replicate, mimic the value of, extract the value of, and/or compete with the 23andMe database;
- collaboration agreements may restrict our right to independently pursue new drugs. For example, under the original GSK Agreement, we were prohibited from, directly or indirectly, identifying, developing, manufacturing or commercializing drugs, unless GSK has opted-out of the program, or the program pre-existed the date of the Collaboration; and
- collaborations may be terminated by the collaborator, and, if terminated, we may suffer reputational harm, find it more difficult to attract new collaborators and be required to raise additional capital to pursue further development or commercialization of the applicable drugs.

GSK and any other potential drug discovery collaborators will have significant discretion in determining when to make announcements, if any, about the status of our collaborations, including results from clinical trials, and timelines for advancing collaborative programs. As a consequence, the price of our Class A common stock may decline as a result of announcements of unexpected clinical trial results or data relative to our research and development programs.

Our drug discovery collaborators have significant discretion in determining when to make announcements about the status of our collaborations, including about preclinical and clinical developments and timelines for advancing the collaborative programs. While as a general matter we intend to periodically report on the status of our collaborations, our drug discovery collaborators, and in particular, our privately-held collaborators, may wish to report such information more or less frequently than we intend to or may not wish to report such information at all. The price of our Class A common stock may decline as a result of the public announcement of unexpected results or developments in our collaborations, or as a result of our collaborators withholding such information.

Our collaborators may not achieve projected discovery and development milestones and other anticipated key events in the expected timelines or at all, which could have an adverse impact on our business.

Our current drug discovery collaborators, from whom we are entitled to receive milestone payments upon achievement of various development, regulatory, and commercial milestones as well as royalties on commercial sales, if any, under the collaboration agreements that we have entered into with them, face numerous risks in the development of drugs, including the conduct of preclinical and clinical testing, obtaining regulatory approval, and achieving product sales. In addition, the amounts we are entitled to receive upon the achievement of such milestones tend to be smaller for near-term development milestones and increase if and as a collaborative drug advances through regulatory development to commercialization and will vary depending on the level of commercial success achieved, if any. We do not anticipate receiving significant milestone payments from many of our drug discovery collaborators for several years, if at all, and our drug discovery collaborators may never achieve milestones that result in significant cash payments to us. Accordingly, our business could be adversely affected if projected discovery and development milestones are not achieved.

Risks Related to Governmental Regulation

Our products and services are subject to extensive regulation by various U.S. federal and state agencies and equivalent foreign agencies and compliance with existing or future regulations could result in unanticipated sanctions, civil penalties, contractual damages, reputational harm, expenses, or limit our ability to offer our products and services.

We have no prior experience in obtaining regulatory approval or commercializing a drug product. It is possible that the FDA and equivalent foreign agencies may reject any or all of our planned marketing applications for substantive review, or after reviewing our data, may conclude that our applications are insufficient to obtain regulatory approval for any of our drug product candidates. The FDA or equivalent foreign agencies may also mandate that we conduct additional clinical or manufacturing validation studies, which could be time-consuming and expensive, and require us to submit the data before reconsidering our applications. Depending on the scope of these or any other FDA-required or other studies, the approval of any marketing application we submit may be significantly delayed, potentially for years, or require us to allocate more resources than we have available or can acquire.

On November 22, 2013, we received a warning letter from the FDA to discontinue marketing our health-related genetic test in the U.S. until we received FDA marketing authorization for the device. We were allowed to continue to offer genetic ancestry services in the U.S.

In June 2014, we submitted a 510(k) seeking premarket clearance for our Bloom Syndrome carrier test. On February 19, 2015, the FDA granted marketing authorization pursuant to its de novo review standard for our Bloom Syndrome carrier test. The FDA also determined that certain of our other similar autosomal recessive carrier reports were exempt moderate risk reports, which subject to special controls, could be marketed by us without further premarket review. In October 2015, we began marketing our new Personal Genome Service in the U.S., which includes detailed reports on carrier status, pursuant to our FDA authorization and exemption, as well as research reports and reports on wellness, traits and ancestry, which we believe do not require premarket authorization.

We continued to submit additional requests to the FDA seeking authorization to market certain Genetic Health Risk ("GHR") reports. On April 6, 2017, the FDA granted marketing authorization pursuant to its de novo review standard for our GHR reports for ten disease conditions. The FDA also determined that certain of our other similar genetic health risk reports were exempt low-to-moderate risk reports, which subject to certain special controls, could be marketed by us without further premarket review. On March 6, 2018, the FDA granted marketing authorization pursuant to its de novo review standard for our Genetic Health Risk report for BRCA1/BRCA2 (Selected Variants). On January 22, 2019, we received FDA clearance for a Genetic Health Risk report for MUTYH-associated polyposis (MAP), a hereditary colorectal cancer syndrome. On October 31, 2018, the FDA granted marketing authorization pursuant to its de novo review standard for our Pharmacogenetic reports, including our Pharmacogenetics report for CYP2C19. On August 17, 2020, the FDA granted a 510(k) clearance for our Pharmacogenetics report for CYP2C19, modifying the labeling of the report authorized in 2018 to remove the need for confirmatory testing, allowing us to report interpretive drug information for two medications. On January 10, 2022, the FDA granted a 510(k) clearance for our Genetic Health Risk report for Hereditary Prostate Cancer (HOXB13-Related).

We may be required to seek FDA-premarket review of other products and services, including reports that we do not currently believe require premarket authorization but could be subject to additional regulation including premarket review. In addition, it's possible that new laws may be passed which seek to regulate laboratory testing and to modernize FDA regulations of diagnostic products (see, for example, the Verifying Accurate Leading-edge IVCT Development Act of 2023 (the "VALID Act of 2023," the "VALID Act" or the "Act") which is pending before the 118th U.S. Congress). These laws could result in additional regulatory burdens that could be costly and time-consuming. We and/or our finished device contract manufacturers may be inspected by the FDA which may result in the issuance of inspectional observations that suggest noncompliance with the FDCA and its implementing regulations (including the QSR). If the FDA determines that we and/or our finished device contract manufacturers are not in compliance with the FDCA, we may have to recall product and/or be subject to an FDA enforcement action. The process for resolving the inspectional observations and/or potential enforcement action could be costly and time-consuming.

Any product candidates for which we or our future collaborators receive marketing approval in the future could be subjected to post-approval restrictions or market withdrawal. We, and our future collaborators, may be liable to significant penalties if we, or they, fail to meet regulatory requirements or experience unforeseen problems with our products after receiving approval.

Any of our product candidates for which we, or our future collaborators, obtain marketing approval in the future, may face continuous requirements and reviews from regulatory authorities, including the FDA. These requirements include submission of post-marketing information and reports, registration and listing requirements, manufacturing requirements, quality control, quality assurance, and record-keeping requirements, and requirements for distribution of samples to physicians. The FDA may impose limitations on the indicated uses for which the product may be marketed, or on the conditions of approval, including the implementation of a Risk Evaluation and Mitigation Strategy, which could include a restricted distribution system. The FDA may also require post-marketing studies or clinical trials to monitor the safety or efficacy of a product, which could be costly.

We currently are and, in the future, will be subject to a number of different FDA and regulatory authority requirements with respect to development stage drug product candidates and any products for which we may receive approval. Any previously unknown adverse events or problems with our products or their manufacturing processes, or failure to comply with regulatory requirements before or after product approval, may have various consequences. These may include litigation involving patients taking our products, restrictions on products, manufacturers, or manufacturing processes, restrictions on labeling or marketing, restrictions on product distribution or use, requirements to conduct post-marketing studies or clinical trials, warning or untitled letters, as well as other enforcement and adverse actions, product withdrawal from the market, refusal to approve pending applications or supplements, product recall, fines, restitution or disgorgement of profits or revenues, suspension or withdrawal of marketing approvals, damage to relationships with potential collaborators, unfavorable press coverage and damage to our reputation, refusal to permit import or export of products, product seizure, or injunctions or the imposition of civil or criminal penalties, any one of which could materially harm our business.

We will face legal, reputational, and financial risks if we fail to protect our customer data from security breaches or cyberattacks. Changes in laws or regulations relating to privacy or the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations relating to privacy or the protection or transfer of data relating to individuals, could adversely affect our business.

We receive and store a large volume of personally identifiable information ("PII"), genetic and health information, and other data relating to our customers and patients, as well as other PII and other data relating to individuals such as our employees. Security breaches, employee malfeasance, or human or technological error could lead to potential unauthorized disclosure of our customers' and patients' personal information. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our solutions and any failure to comply with such laws and regulations could lead to significant fines, penalties or other liabilities.

Increased global IT security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability, and integrity of our data. There have been several recent, highly publicized cases in which organizations of various types and sizes have reported the unauthorized disclosure of customer or other confidential information, as well as cyberattacks involving the dissemination, theft, and destruction of corporate information, IP, cash, or other valuable assets. There have also been several highly publicized cases in which hackers have requested "ransom" payments in exchange for not disclosing customer or other confidential information or for not disabling the target company's computer or other systems. A security breach or privacy violation that leads to unauthorized disclosure or loss of unauthorized use or modification of, or that prevents access to or otherwise impacts the confidentiality, security, or integrity of, sensitive, confidential, or proprietary information we or our third-party service providers maintain or otherwise process, could require us to comply with breach notification laws, and cause us to incur significant costs for remediation, fines, penalties, notification to individuals, media and governmental authorities, implementation of measures intended to repair or replace systems or technology, and to prevent future occurrences, potential increases in insurance premiums, and forensic security audits or investigations. Additionally, a security compromise of our information systems or of those of businesses with whom we interact that results in confidential information being accessed by unauthorized or improper persons could harm our reputation and expose us to customer and patient attrition, and claims brought by our customers, patients, or others for breaching contractual confidentiality and security provisions or data protection laws. Significant monetary damages imposed on us could be significant and not covered by our liability insurance. As a result, a security breach or privacy violation could result in increased costs or loss of revenue.

Techniques used by bad actors to obtain unauthorized access, disable or degrade service, or sabotage systems evolve frequently and may not immediately produce signs of intrusion, and we may be unable to anticipate these techniques or to implement adequate preventative measures.

We believe that, because of our operating processes, we are not a covered entity or a business associate under HIPAA, which establishes a set of national privacy and security standards for the protection of protected health information by health plans, healthcare clearinghouses, and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. However, if the laws change, or to the extent we begin engaging in certain electronic transactions in connection with accepting payment from third parties or insurance providers in our telehealth business generally, we may become subject to HIPAA and could face penalties and fines if we fail to comply with applicable requirements of HIPAA and its implementing regulations. Regardless of whether or not we meet the definition of a covered entity or business associate under HIPAA, we voluntarily adhere to certain HIPAA-related requirements.

In addition to HIPAA, numerous other local, municipal, state, federal, and international laws and regulations address privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data, including the California Online Privacy Protection Act, the Personal Information Protection and Electronic Documents Act, the

Telephone Consumer Protection Act of 1991, or the TCPA, Section 5 of the Federal Trade Commission Act, and California Consumer Privacy Act, as amended by the California Privacy Rights Act ("the CCPA"). Privacy laws similar to the CCPA have been passed in Virginia, Colorado, Utah and Connecticut, all of which will be effective by the end of 2023. These laws, rules, and regulations evolve frequently, and their scope may continually change, through new legislation, amendments to existing legislation, and changes in enforcement, and may be inconsistent from one jurisdiction to another. For example, the CCPA, which went into effect on January 1, 2020, among other things, requires new disclosures to California consumers and affords such consumers new abilities to opt out of certain sales of personal information. The CCPA provides for fines of up to $7,500 per violation. Aspects of the CCPA and its interpretation and enforcement remain uncertain. The effects of this legislation are potentially far-reaching and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. Additionally, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure, and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts. The CCPA and other changes in laws or regulations relating to privacy, data protection, breach notifications, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of providing our platform, require significant changes to our operations, or even prevent us from providing our platform in jurisdictions in which we currently operate and in which we may operate in the future.

We also are required to comply with increasingly complex and changing data security and privacy regulations in the U.K., the EU and in other jurisdictions in which we conduct business that regulate the collection, use and transfer of personal data, including the transfer of personal data between or among countries. For example, the European Union's GDPR, now also enacted in the U.K. ("U.K. GDPR"), has imposed stringent compliance obligations regarding the handling of personal data and has resulted in the issuance of significant financial penalties for noncompliance. Further, in July 2020, the Court of Justice of the European Union released a decision in the Schrems II case (Data Protection Commission v. Facebook Ireland, Schrems), declaring the EU-US Privacy Shield invalid and calling into question data transfers carried out under the old versions of the European Commission's Standard Contractual Clauses. As a result of the decision, we may face additional scrutiny from EU regulators in relation to the transfer of personal data from the EU to the US. Noncompliance with the GDPR can trigger fines of up to the greater of €20 million or 4% of global annual revenues. Since 2021, laws specific to genetic testing companies have passed in at least 10 states and is under consideration in others. Other countries have enacted or are considering enacting data localization laws that require certain data to stay within their borders. We may also face audits or investigations by one or more domestic or foreign government agencies or our customers or patients pursuant to our contractual obligations relating to our compliance with these regulations. Complying with changing regulatory requirements requires us to incur substantial costs, exposes us to potential regulatory action or litigation, and may require changes to our business practices in certain jurisdictions, any of which could materially adversely affect our business operations and operating results.

We have developed and maintain policies and procedures with respect to health information and personal information that we use or disclose in connection with our operations, including the adoption of administrative, physical, and technical safeguards to protect the privacy and security of such information. As our business operations continue to develop, including through the launch of new product offerings or the development of new services, we may collect additional sensitive health and personal information from our customers and patients that could create additional compliance obligations and may increase our exposure to compliance and regulatory risks regarding the protection, use and dissemination of such information.

Despite our efforts to comply with applicable laws, regulations, and other obligations relating to privacy, data protection, and information security, it is possible that our interpretations of the law, practices, or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Our failure, or the failure by our third-party providers on our platform, to comply with applicable laws or regulations or any other obligations relating to privacy, data protection, or information security, or any compromise of security that results in unauthorized access to, or use or release of PII or other data relating to our customers and patients, or other individuals, or the perception that any of the foregoing types of failure or compromise have occurred, could damage our reputation, discourage new and existing customers and patients from using our platform, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition, and results of operations. Even if not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition, and results of operations.

We plan to continue to expand operations abroad where we have limited operating experience and we may be subject to increased regulatory risks and local competition. If we are unsuccessful in efforts to expand internationally, our business may be harmed.

Regulations exist or are under consideration in countries outside the U.S., which limit or prevent the sale of direct-to-consumer genetic tests. Some countries, including Australia, require premarket review by their regulatory body similar to that required in the U.S. by the FDA. Some countries, including Australia, Germany, France, and Switzerland require a physician prescription for genetic tests providing health information, thus limiting our offering in those countries to an ancestry-only test. Other countries require mandatory genetic counseling prior to genetic testing. These regulations limit the available market for our products and services and increase the costs associated with marketing the products and services where we are able to offer our products. Legal developments in the EU have created a range of new compliance obligations regarding transfers of personal data from the European Union to the U.S., including GDPR and U.K. GDPR, which applies to certain of our activities related to services that we offer or may offer to individuals located in the EU. Significant effort and expense will continue to be required to ensure compliance with the GDPR and U.K. GDPR, and could cause us to change our business practices. Moreover, requirements under the GDPR and U.K. GDPR may change periodically or may be modified by the EU/U.K. and/or national law. The GDPR and U.K. GDPR impose stringent compliance obligations regarding the handling of personal data and have resulted in the issuance of significant financial penalties for noncompliance, including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million/£17.5 million (whichever is higher) for the most serious violations.

The EU adopted the In Vitro Diagnostic Devices Regulation (IVDR) replacing the In Vitro Diagnostics Directive (IVDD) which increased the regulatory requirements applicable to IVDs in the EU and requires that in most cases we need to obtain pre-market approval from an independent certified notified body for our PGS health reports, which became subject to the IVDR as of May 25, 2022. We must also achieve and maintain International Standards Organization (ISO) certification of our Quality Management Systems. If we are not able to achieve or maintain regulatory compliance, we may not be permitted to market our health reports and/or may be subject to enforcement by EU Competent Authorities, bodies with authority to act on behalf of the government of the applicable EU Member State, or other nations which adopt IVDR standards, to ensure that the requirements of the IVDR or IVDD are met. On December 2, 2022, the European Commission adopted a proposal for a delay in the implementation of certain requirements of the IVDR due to a shortage of independent notified bodies to provide certification for the volume of products requiring it. The proposal will not be effective unless and until the European Parliament approves the measure.

Additionally, in September 2020 the United Kingdom Medicines and Healthcare products Regulatory Agency ("MHRA") originally announced regulations requiring a new United Kingdom Conformity Assessed mark ("UKCA") applicable to medical devices, including testing products and services like our PGS health reports, to be placed on the market beginning January 1, 2021 or for products already on the market, to be maintained on the market after June 30, 2023 which requires that a Declaration of Conformity be obtained based on technical files for all products to which the UKCA applies. Aspects of the UKCA took effect January 1, 2021 and require that medical devices be registered with MHRA. In addition to registration requirements, manufacturers of medical devices based outside of the U.K., including us, must designate a United Kingdom Responsible Person to maintain documents supporting the UKCA and Declaration of Conformity and respond to inquiries from MHRA. However, the planned June 30, 2023 deadline has now been delayed by twelve months to June 30, 2024. From July 2024, the transitional arrangements will apply for CE and UKCA marked devices placed on the Great Britain market. If we are not able to achieve or maintain regulatory compliance, we may not be permitted to market our health reports and/or may be subject to enforcement action by MHRA.

If we fail to comply with any of these regulations, we could become subject to enforcement actions or the imposition of significant monetary fines, other penalties, or claims, which could harm our operating results or our ability to conduct our business.

Government regulation of healthcare creates risks and challenges with respect to our compliance efforts and our business strategies, and if we fail to comply with applicable healthcare and other governmental regulations, we could face substantial penalties, our business, financial condition, and results of operations could be adversely affected, and we may be required to restructure our operations.

The healthcare industry is subject to changing political, economic, and regulatory influences that may affect our telehealth business. During the past several years, the healthcare industry has been subject to an increase in governmental regulation and subject to potential disruption due to legislative initiatives and government regulation, as well as judicial interpretations thereof. While these regulations may not directly impact us or our offerings in every instance, they will affect the healthcare industry as a whole and may impact patient use of our services. We currently accept payments only from our patients — not any third-party payors, such as government healthcare programs or health insurers. Because of this approach, we are not subject to many of the laws and regulations that impact many other participants in the healthcare industry.

If the government asserts broader regulatory control over companies like ours or if we determine that we will change our business model and accept payment from and/or participate in third-party payor programs, the complexity of our operations and our compliance obligations will materially increase. Failure to comply with any applicable federal, state, and local laws and regulations could have a material adverse effect on our business, financial condition, and results of operations.

Even within the narrowed band of applicable healthcare laws and regulations, because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions, it is possible that some of our activities could be subject to challenge under one or more of such laws. Any action brought against us for violations of these laws or regulations, even if successfully defended, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Although we have adopted policies and procedures designed to comply with these laws and regulations and conduct internal reviews of our compliance with these laws, our compliance is also subject to governmental review. The growth of our business and organization and our future continued expansion outside of the United States may increase the potential of violating these laws or our internal policies and procedures. The risk of our being found in violation of these or other laws and regulations is further increased by the fact that many have not been fully interpreted by the regulatory authorities or the courts, and their provisions are open to a variety of interpretations. Any action brought against us for violation of these or other laws or regulations, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the federal, state, and foreign laws described above or any other current or future fraud and abuse or other healthcare laws and regulations that apply to us, we may be subject to penalties, including significant criminal, civil, and administrative penalties, damages and fines, disgorgement, additional reporting requirements and oversight, and imprisonment for individuals, as well as contractual damages and reputational harm. We could also be required to curtail or cease our operations. Any of the foregoing consequences could seriously harm our business and our financial results.

Our ability to offer access to telehealth services internationally is subject to the applicable laws governing remote care and the practice of medicine in each applicable jurisdiction. Each country's interpretation and enforcement of these laws is evolving and could vary significantly. We cannot provide assurance that we have accurately interpreted each such law and regulation. Moreover, these laws and regulations may change significantly as this manner of providing products and services evolves. New or revised laws and regulations (or interpretations thereof) could have a material adverse effect on our business, financial condition, and results of operations.

As part of our telehealth business, we provide pharmacy and prescription medication services, which subjects us to additional healthcare laws and regulations and increases the complexity and extent of our compliance and regulatory obligations.

The operations of the Affiliated Pharmacies subject us to extensive federal, state, and local regulation. Pharmacies, pharmacists, and pharmacy technicians are subject to a variety of federal and state statutes and regulations governing various aspects of the pharmacy business, including the distribution and dispensing of drugs; operation of mail-order pharmacies; licensure of facilities and professionals, including pharmacists, technicians, and other healthcare professionals; packaging, storing, distributing, shipping, and tracking of pharmaceuticals; repackaging of drug products; labeling, medication guides, and other consumer disclosures; interactions with prescribing professionals; compounding of prescription medications; counseling of patients; prescription transfers; advertisement of prescription products and pharmacy services; security; the handling, security, diversion control, dispensing, monitoring, and record-keeping of controlled substances, listed chemicals, and scheduled listed chemicals; supply chain security, including requirements related to information exchange, investigations, and reporting; as well as additional requirements of various governmental authorities, including the U.S. Drug Enforcement Agency, the FDA, state boards of pharmacy, the U.S. Consumer Product Safety Commission, and other state enforcement or regulatory agencies. Many states have laws and regulations requiring out-of-state mail-order pharmacies to register with that state's board of pharmacy. The Federal Trade Commission also has requirements for mail-order sellers of goods. The U.S. Postal Service (the "USPS") has statutory authority to restrict the transmission of drugs and medicines through the mail to a degree that may have an adverse effect on our mail-order operations. The USPS historically has exercised this statutory authority only with respect to controlled substances. If the USPS restricts our ability to deliver drugs through the mail, alternative means of delivery are available to us. However, alternative means of delivery could be significantly more expensive. The U.S. Department of Transportation has regulatory authority to impose restrictions on drugs inserted into the stream of commerce. These regulations generally do not apply to the USPS and its operations. Failure or perceived failure by us or our Affiliated Pharmacies to comply with any applicable federal, state, and local laws and regulations could have a material adverse effect on our business, financial condition, and results of operations and may expose us to civil and criminal penalties.

State legislative and regulatory changes specific to the area of telehealth or pharmacy law may present the PMCs and/or Affiliated Pharmacies with additional requirements and state compliance costs, which may create additional operational complexity and increase costs.

The PMCs and their providers' ability to provide telehealth services to patients in a particular jurisdiction is dependent upon the laws that govern the provision of remote care, professional practice standards, and healthcare delivery in general in that jurisdiction. Likewise, the ability of the Affiliated Pharmacies to fulfill prescriptions and distribute pharmaceutical products is dependent upon the laws that govern licensed pharmacies and the fulfillment and distribution of prescription medication and other pharmaceutical products, which include in some cases requirements relating to telehealth and the establishment of an appropriate provider-patient relationship. Laws and regulations governing the provision of telehealth services and the prescribing, compounding, fulfillment, and/or distribution of pharmaceutical products are evolving at a rapid pace and are subject to changing political, regulatory, and other influences. Some states' regulatory agencies or medical boards may have established rules or interpreted existing rules in a manner that limits or restricts providers' ability to provide telehealth services or for physicians to supervise nurse practitioners remotely. Additionally, there may be limitations placed on the modality through which telehealth services are delivered or medications are prescribed. For example, some states specifically require synchronous (or "live") communications and restrict or exclude the use of asynchronous telehealth modalities, which is also known as "store-and-forward" telehealth. However, other states do not distinguish between synchronous and asynchronous telehealth services. Similarly, the FDA as well as some states' regulatory agencies or pharmacy boards have established rules or interpreted existing rules in a manner that limits or restricts the manner in which prescription medications can be prescribed, dispensed and sold.

Because these are developing areas of law and regulation, we continually monitor our compliance in every jurisdiction in which we operate. However, we cannot be assured that our or the PMCs', providers', or Affiliated Pharmacies' activities and arrangements, if challenged, will be found to be in compliance with the law or that a new or existing law will not be implemented, enforced, or changed in a manner that is unfavorable to our business model. We cannot predict the regulatory landscape for those jurisdictions in which we operate and any significant changes in law, policies, or standards, or the interpretation or enforcement thereof, could occur with little or no notice. If there is a change in laws or regulations related to our business, or the interpretation or enforcement thereof, that adversely affects our structure or operations, including greater restrictions on the use of asynchronous telehealth or remote supervision of nurse practitioners, or limitations on the ability to develop or distribute pharmaceutical products, it could have a material adverse effect on our business, financial condition, and results of operations.

U.S. Food and Drug Administration (FDA) regulation of laboratory-developed tests (LDTs) could result in increased costs and the imposition of fines or penalties, and could have a material adverse effect upon our business.

23andMe offers diagnostics that it considers to be LDTs subject to FDA enforcement discretion from compliance with the Federal Food Drug and Cosmetic Act (FDCA). LDTs developed by high complexity clinical laboratories are currently generally offered as services to health care providers under the CLIA regulatory framework administered by CMS, without the requirement for FDA clearance or approval. However, since the 1990s, the FDA has asserted that it has authority to regulate LDTs as medical devices but has exercised enforcement discretion to refrain from systematic regulation of LDTs. In 2014, the FDA issued draft guidance describing how it intended to discontinue its enforcement discretion policy and begin regulating LDTs as medical devices; however, that draft guidance has not been finalized, and the FDA has instead continued its enforcement discretion policy and has indicated that it intends to work with Congress to enact comprehensive legislative reform of diagnostics oversight. In 2021, the Verifying Accurate, Leading-edge, IVCT Development (VALID) Act was introduced to Congress and provided a framework to change in vitro diagnostics and LDTs to in vitro clinical tests. In 2022, the VALID Act was incorporated into the Senate user fee bill but was not included in the year-end Consolidated Appropriations Act of 2022. In 2023, the VALID Act was reintroduced in the 118th U.S. Congress and is still pending passage by Congress. Following challenges with passing diagnostics reform legislation, the FDA published a rule on May 6, 2024 that clarified its authority to regulate LDTs as medical devices under the FDCA (rule is set to become effective on July 5, 2024). Accordingly, the result of the rulemaking is that LDTs will need to fully comply with the FDCA and its implementing regulations, which include registration/listing with the FDA, submitting premarket applications to market certain tests, labeling requirements, compliance with the Quality System Regulation, and submitting Medical Device Reports (MDRs) to FDA. The rule includes a five-staged, four-year approach for coming into compliance. In addition, the rulemaking announced targeted enforcement discretion policies for LDTs, including diagnostics offered as LDTs as of the date of the rule's publication. Specifically, for these "grandfathered" LDTs, the LDTs will not have to comply with the premarket review or Quality System Regulation (QSR) regulatory requirements but will need to comply with all other regulatory requirements in accordance with the five-staged compliance approach (e.g., registration/listing, labeling, submitting MDRs). Not complying with the rulemaking could result in us incurring increased costs and administrative and legal actions for noncompliance, including warning letters, fines, penalties, product suspensions, product recalls, injunctions, and other civil and criminal sanctions, and could impair the development and commercialization of new tests, which could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Intellectual Property and Legal Proceedings

If we lose our protection, through expiration or otherwise, or are unable to protect our IP, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.

We depend on our proprietary technology, IP, and services for our success and ability to compete. We rely and expect to continue to rely on a combination of confidentiality and other agreements with our employees, consultants and third parties with whom we have relationships and who may have access to confidential or patentable aspects of our research and development output, as well as trademark, copyright, patent and trade secret protection laws, to protect our proprietary rights. Although we enter into these confidentiality and other agreements, any of these parties may breach the agreements and disclose information before a patent application is filed and jeopardize our ability to seek patent protection. In addition, our ability to obtain and maintain valid and enforceable patents depends on whether the differences between our inventions and the prior art allow our inventions to be patentable over the prior art. Since publications in the scientific literature often lag behind the actual discoveries, and patent applications do not publish until 18 months after filing, we are never certain that we are the first to make the inventions claimed in any of our patents or that we are the first to file for patent protection of such inventions. We have filed various applications for certain aspects of our IP in the U.S. and other countries. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, pending and future patent, copyright, trademark, and other applications may not be approved, and we may not be able to prevent infringement without incurring substantial expense. Certain IP rights may also expire or otherwise be lost through invalidity proceedings or court actions, which can also be detrimental to the operation of the business. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent, as do the laws of the U.S.

If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, or such rights expire or are otherwise lost, the value of our brands and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Despite our efforts to protect our proprietary rights, attempts may be made to copy or reverse engineer aspects of our products or services, or to obtain and use information that we regard as proprietary. Accordingly, we may be unable to protect our proprietary rights against unauthorized third party copying or use. Furthermore, policing the unauthorized use of our IP would be difficult for us. Litigation may be necessary in the future to enforce our IP rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Litigation and/or any of the events above could result in substantial costs and diversion of resources and could have a material adverse effect on our business, consolidated financial condition and consolidated results of operations.

We may be unable to obtain and maintain patent protection for therapeutic drugs we develop.

Our success depends in large part on our ability to obtain and maintain patent protection in the U.S. and other countries for our proprietary therapeutic drugs and other technologies. Since the development of our therapeutic drugs is at an early stage, our IP portfolio is also at an early stage. We have filed and intend to file patent applications. However, there are no assurances that any such patent application will issue as a granted patent. Any failure to file a non-provisional application within one year of a provisional patent application may cause us to lose the ability to obtain patent protection for the inventions disclosed in the provisional patent application.

In addition, in some cases, we may not be able to obtain issued claims covering compositions relating to our programs and therapeutic drugs, as well as other technologies important to our business. Instead, we may rely on patent applications covering a method of use and/or method of manufacture for protection of such programs and therapeutic drugs. There is no assurance that any such patent application will issue as a granted patent, and even if they are granted, the claims may not be sufficient to prevent third parties from utilizing our technology. Any failure to obtain or maintain patent protection with respect to our programs and therapeutic drugs could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may be unable to obtain sufficiently broad protection, or we may lose patent protection.

As patent prosecution is highly uncertain, involves complex legal and factual questions, and has been the subject of litigation in recent years, the issuance, scope, validity, enforceability, and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in granted patents that protect our drugs or technologies which would render us unable to prevent others from commercializing competitive drugs or technologies. The coverage of patent claims may be significantly narrowed during patent prosecution before the patent is granted, and the scope can also be narrowly interpreted after grant, which may not provide us meaningful protection, may not allow us to exclude competitors or may not provide us with any competitive advantage.

Litigation with respect to our IP rights or our commercial activities could result in unanticipated expenses and, if resolved unfavorably, could harm our business.

Companies in the genetics, pharmaceutical, medical device, Internet, technology, and online payment industries own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of IP rights. We have, in the past, received notice from patent holders and other parties alleging that we have infringed their IP rights. As we face increasing competition and become increasingly high profile, the possibility of IP claims against us grows. If our technologies and services may not be able to withstand any third-party claims, we may be subject to litigation on the foregoing. The costs of supporting such litigation are considerable, and there can be no assurances that a favorable outcome will be obtained. We may be required to settle such litigation on terms that are unfavorable to us. Similarly, if any litigation to which we may be a party fails to settle and we go to trial, we may be subject to an unfavorable judgment, which may not be reversible upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or require the payment of substantial amounts to the other party.

With respect to any IP claims, we may have to obtain a license, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all. As a result, we may also be required to develop alternative non-infringing technology or practices or discontinue such practices. The development of alternative non-infringing technology or practices could require significant effort and expense. Our business and results of operations could be materially and adversely affected as a result.

We may not be able to protect our IP rights throughout the world.

Filing, prosecuting and defending patents on our products and services in all countries throughout the world is prohibitively expensive. In addition, the laws of some countries do not protect IP rights to the same extent as the laws of the U.S., and we may encounter difficulties in protecting and defending such rights in foreign jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the U.S., or from selling or importing products made using our inventions in and into other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement is not as strong as that in the U.S. These products may compete with our products and our patents or other IP rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending IP rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other IP protection, particularly those relating to biotechnology, which could make it difficult for us to stop the infringement of our patents in such countries. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our IP rights around the world may be inadequate to obtain a significant commercial advantage from the IP that we develop or license.

Changes in patent law in the U.S. and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products and services.

Changes in either the patent laws or in interpretations of patent laws in the U.S. or other countries or regions may diminish the value of our IP. We cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents. In the U.S., prior to March 16, 2013, assuming that other requirements for patentability were satisfied, the first to invent the claimed invention was entitled to the patent, while outside the U.S., the first to file a patent application was entitled to the patent. On or after March 16, 2013, under the Leahy-Smith America Invents Act ("America Invents Act"), enacted on September 16, 2011, the U.S. transitioned to a first inventor to file system in which, assuming that other requirements are satisfied, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. As such, a third party that files a patent application in the USPTO before us could be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant of the time from invention to filing of a patent application. Since patent applications in the U.S. and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we or our licensors were the first to either file any patent application related to our products or services or invent any of the inventions claimed in our or our licensor's patents or patent applications.

The America Invents Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review and derivation proceedings. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. Therefore, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our owned or in-licensed patent applications and the enforcement or defense of our owned or in-licensed issued patents, all of which could have a material adverse effect on our business.

Recent U.S. Supreme Court rulings have also narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Issued patents covering our products and services could be found invalid or unenforceable if challenged.

The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability and some of our patents or patent applications, including licensed patents, may be challenged, in courts or patent offices in the U.S. and abroad. We or our collaborators may be subject to a third-party preissuance submission of prior art to the USPTO or be involved in opposition, derivation, revocation, reexamination, inter partes review, post-grant review or interference or other similar proceedings challenging our or our collaborators' patent rights. An adverse decision in any such submission, proceeding, or litigation could reduce the scope of, or invalidate or render unenforceable, such patent rights, allow third parties to commercialize our drugs or other technologies and compete directly with us, without payment to us or result in our inability to manufacture or commercialize products without infringing third-party patent rights. Additionally, if we and our licensing partners initiate or become involved in legal proceedings against a third party to enforce a patent covering one of our products or technologies, the defendant could counterclaim that the patent covering our product is invalid or unenforceable. In patent litigation in the U.S., counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including patent eligible subject matter, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. In addition, the U.S. now awards patent priority to the first party to file a patent application, and others may submit patent claims covering our inventions prior to us. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. A successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents, which could have a material adverse impact on our business. Furthermore, if the breadth or strength of protection provided by our patents and patent applications is threatened, regardless of the outcome, it could dissuade companies from collaborating with us to license, develop or commercialize current or future products and services.

We may not be aware of all third-party IP rights potentially relating to our drug pipeline, products and services. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the U.S. and other jurisdictions are typically not published until approximately 18 months after filing or, in some cases, not until such patent applications issue as patents. We might not have been the first to make the inventions covered by each of our pending patent applications and we might not have been the first to file patent applications for these inventions. To determine the priority of these inventions, we may have to participate in interference proceedings, derivation proceedings or other post-grant proceedings declared by the USPTO. The outcome of such proceedings is uncertain, and other patent applications may have priority over our patent applications. Such proceedings could also result in substantial costs to us and divert our management's attention and resources.

We may be subject to claims that our employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

We employ, and expect to employ in the future, individuals who were previously employed at universities or other companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants, and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that our employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or other third parties, or to claims that we have improperly used or obtained such trade secrets. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable IP rights or personnel, which could adversely impact our business. A loss of key research personnel work product could hamper or prevent our ability to commercialize potential products and services, which could harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may not be able to protect and enforce our trademarks.

We have not yet registered certain of our trademarks in all of our potential markets, although we have registered 23andMe, and other 23andMe logos and product and service names in the U.S., the EU, and a number of other countries and are seeking to register additional trademarks. As we apply to register our unregistered trademarks in the U.S. and other countries, our applications may not be allowed for registration in a timely fashion or at all, and our registered trademarks may not be maintained or enforced. In addition, opposition or cancellation proceedings may be filed against our trademark applications and registrations, and our trademarks may not survive such proceedings. In certain countries outside of the U.S., trademark registration is required to enforce trademark rights. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would.

We may be subject to claims challenging the inventorship or ownership of our patents and other IP.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, trade secrets or other IP as an inventor or co-inventor. Ownership disputes may arise, for example, from conflicting obligations of employees, consultants or others who are involved in developing our future products and services.

Litigation may be necessary to defend against these and other claims by a third party challenging inventorship of our or our licensors' ownership of our owned or in-licensed patents, trade secrets or other IP. If we or our licensors fail in defending any such claims, in addition to paying monetary damages, we may lose valuable IP rights, such as exclusive ownership of, or right to use, IP that is important to our product or services. Alternatively, we may need to obtain one or more additional licenses from the third party which will be time-consuming and expensive and could result in substantial costs and diversion of resources and could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we become involved in patent litigation or other proceedings related to a determination of rights, we could incur substantial costs and expenses, substantial liability for damages or be required to stop our development and commercialization efforts of our products and services.

There is a substantial amount of litigation, both within and outside the U.S., involving patent and other IP rights in, for example, the life sciences, clinical diagnostics and drug discovery industries, including patent infringement lawsuits, declaratory judgment litigation and adversarial proceedings before the USPTO, including interferences, derivation proceedings, ex parte reexaminations, post-grant review and inter partes review, as well as corresponding proceedings in foreign courts and foreign patent offices.

We may, in the future, become involved with litigation or actions at the USPTO or foreign patent offices with various third parties. We expect that the number of such claims may increase as our industry expands, more patents are issued, the number of products or services increases and the level of competition in our industry increases. Any infringement claim, regardless of its validity, could harm our business by, among other things, resulting in time-consuming and costly litigation, diverting management's time and attention from the development of our business, requiring the payment of monetary damages (including treble damages, attorneys' fees, costs, and expenses), or royalty payments.

It may be necessary for us to pursue litigation or adversarial proceedings before the patent office to enforce our patent and proprietary rights or to determine the scope, coverage, and validity of the proprietary rights of others. The outcome of any such litigation might not be favorable to us, and even if we were to prevail, such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results, or financial condition.

As we move into new markets and expand our products or services offerings, incumbent participants in such markets may assert their patents and other proprietary rights against us as a means of slowing our entry into such markets or as a means to extract substantial license and royalty payments from us. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product or service revenue and against whom our own patents may provide little or no deterrence or protection.

Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our current or future products, technologies and services may infringe. We cannot be certain that we have identified or addressed all potentially significant third-party patents in advance of an infringement claim being made against us. In addition, similar to what other companies in our industry have experienced, we expect our competitors and others may have patents or may in the future obtain patents and claim that making, having made, using, selling, offering to sell or importing our products or services infringes these patents. Defense of infringement and other claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and employee resources from our business. Parties making claims against us may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Parties making claims against us may be able to obtain injunctive or other relief, which could block our ability to develop, commercialize and sell products or services and could result in the award of substantial damages against us, including treble damages, attorney's fees, costs, and expenses if we are found to have willfully infringed. In the event of a successful claim of infringement against us, we may be required to pay damages and ongoing royalties and obtain one or more licenses from third parties, or be prohibited from selling certain products or services. We may not be able to obtain these licenses on acceptable or commercially reasonable terms, if at all, or these licenses may be non-exclusive, which could result in our competitors gaining access to the same IP. In addition, we could encounter delays in product or service introductions while we attempt to develop alternative products or services to avoid infringing third-party patents or proprietary rights. Defense of any lawsuit or failure to obtain any of these licenses could prevent us from commercializing products or services, and the prohibition of sale of any of our products or services could materially affect our business and our ability to gain market acceptance for our products or services.

Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, during the course of this kind of litigation, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Class A common stock.

In addition, our agreements with some of our customers, patients, suppliers or other entities with whom we do business require us to defend or indemnify these parties to the extent they become involved in infringement claims, including the types of claims described above. We could also voluntarily agree to defend or indemnify third parties in instances where we are not obligated to do so if we determine it would be important to our business relationships. If we are required or agree to defend or indemnify third parties in connection with any infringement claims, we could incur significant costs and expenses that could adversely affect our business, operating results, or financial condition.

Patent terms may be inadequate to protect our competitive position on our products and services for an adequate amount of time.

Patents have a limited lifespan. In the U.S., if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our products and services are obtained, once the patent life has expired, we may be open to competition from competitive products. Given the amount of time required for the development, testing and regulatory review of new products and services, patents protecting such products and services might expire before or shortly after such products and services are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We may not obtain patent term extension and data exclusivity for our drugs.

Depending upon the timing, duration and details of any FDA marketing approval of any drugs, our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984 (Hatch-Waxman Act), which permits a maximum of five years of patent term extension to account for patent term lost during FDA regulatory review. The extended patent term must not extend 14 years beyond the date of product approval, and may be used to extend only one patent and may be only used to extend a patent with claims covering the approved drug, a method of using it or a method of manufacturing the drug. Similar extensions are available in other foreign jurisdictions outside of the U.S., such as Supplemental Patent Certificates in Europe. Such extensions may not be granted in situations where there is a failure to exercise due diligence during the testing phase or regulatory review phase, failure to apply within the deadline, failure to apply prior to expiration of the relevant patent, or failure to satisfy the applicable requirements. In addition, the term of patent extension that is granted may be less than is requested. Failure to obtain patent term extension, allows our competitors to obtain approval of competing products following our patent expiration, and may harm our business and financial and growth prospects.

We may not be successful in obtaining, through acquisitions or otherwise, accessory rights to our drugs.

As other biotechnology and pharmaceutical companies and academic entities are competing with us, they may have patents or have filed and are likely filing patent applications potentially relevant to our business. We may find it necessary to obtain licenses to such patents from such third parties to avoid infringing on these third-party patents. The licensing of these third-party patents may be competitive and if we are unable to successfully obtain such rights, we may have to abandon development of the drug which may affect our business and financial and growth prospects.

We utilize open-source software, which may pose particular risks to our proprietary software and source code.

We use open-source software in our proprietary software and will use open-source software in the future. Companies that incorporate open-source software into their proprietary software and products have, from time to time, faced claims challenging the use of open-source software and compliance with open-source license terms. Some licenses governing the use of open-source software contain requirements that we make available source code for modifications or derivative works we create based upon the open-source software, and that we license such modifications or derivative works under the terms of a particular open-source license or other license granting third parties certain rights of further use. By the terms of certain open-source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open-source licenses to third parties at no cost, if we combine our proprietary software with open-source software in certain manners. Although we monitor our use of open-source software, we cannot assure you that all open-source software is reviewed prior to use in our software, that our developers have not incorporated open-source software into our proprietary software, or that they will not do so in the future. Additionally, the terms of many open-source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our proprietary software. Companies that incorporate open-source software into their products have, in the past, faced claims seeking enforcement of open-source license provisions and claims asserting ownership of open-source software incorporated into their proprietary software. If an author or other third party that distributes such open-source software were to allege that we have not complied with the conditions of an open-source license, we could incur significant legal costs defending ourselves against such allegations. In the event such claims were successful, we could be subject to significant damages or be enjoined from the distribution of our proprietary software. In addition, the terms of open-source software licenses may require us to provide software that we develop using such open-source software to others on unfavorable license terms. As a result of our current or future use of open-source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our proprietary software, discontinue making our proprietary software available in the event re-engineering cannot be accomplished on a timely basis, discontinue certain aspects or functionality of our PGS, or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or controls on the origin of the software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition, and results of operations.

Risks Related to Financial Reporting and Results of Operations

If we fail to maintain effective internal control over financial reporting or experience material weaknesses in the future, our ability to produce timely and accurate financial statements could be impaired, which may adversely affect our business.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of Nasdaq. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. In addition, the Sarbanes-Oxley Act and related rules and regulations require that management report annually on the effectiveness of our internal control over financial reporting and our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting.

We may in the future identify internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting. Notwithstanding our efforts, there can be no assurance that we will be able to successfully remediate any such material weaknesses or errors in financial reporting. In addition, we cannot assure you that our independent registered public accounting firm will be able to attest that such internal controls are effective when they are required to do so. If we fail to remediate any future material weaknesses and maintain effective disclosure controls and procedures or internal control over financial reporting, investors may not be able to rely on the integrity of our financial results, which could result in inaccurate or late reporting of our financial results, as well as delays or the inability to meet our reporting obligations or to comply with the rules and regulations of the SEC. Any of these could result in delisting actions by Nasdaq, investigation and sanctions by regulatory authorities, stockholder investigations and lawsuits, and could adversely affect our business.

Our quarterly operating results may fluctuate significantly.

Our quarterly operating results may fluctuate significantly due to seasonality and other factors, some of which are beyond our control, including negative publicity relating to our products and services, changes on customer and patient preferences, and competitive conditions, resulting in a decline in the price of our Class A common stock. Any fluctuation in our operating results, especially if below the expectations of securities analysts, could adversely affect the market price of our securities. Any reduction in the market price of our securities could make it more difficult for us to raise additional funds through future offerings of shares of Class A common stock or other securities.

Our ability to use our net operating loss carryforwards may be subject to limitations.

As of March 31, 2024, we had approximately $1.1 billion of federal net operating loss carryforwards available to reduce future taxable income, which will begin to expire in 2026. Realization of any tax benefit from our carryforwards is dependent on our ability to generate future taxable income and the absence of certain “ownership changes” of our Class A common stock. An “ownership change,” as defined in the applicable federal income tax rules, could place significant limitations, on an annual basis, on the amount of our future taxable income that may be offset by our carryforwards. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate our ability to utilize a substantial portion of our carryforwards. We completed a Section 382 study through March 31, 2023 which did not identify any ownership changes which would limit our ability to utilize net operating losses or tax attributes prior to expiration. Further ownership changes subsequent to March 31, 2023 may be identified which could result in limitations to the amount of net operating losses and tax attributes which may be utilized prior to expiration.

We have incurred significant losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.

We have incurred significant losses since our inception. For the fiscal years ended March 31, 2024, 2023, and 2022, we incurred net losses of $666.7 million, $311.7 million, and $217.5 million, respectively. As of March 31, 2024, we had an accumulated deficit of $2.2 billion. We expect to incur substantial operating losses in future periods.

We expect to continue to incur significant expenses and operating losses for the foreseeable future as we continue to progress our therapeutic research and development efforts, develop drugs with collaborators or on our own, enhance our existing consumer products, services and business model, broaden our customer base, work with the FDA and other regulatory agencies, and hire additional employees to support our growth. Historically, we have devoted most of our financial resources to the research and development of our PGS, as well as our Therapeutics business, which we launched in 2015. The discovery and development of safe and effective therapies is a complex and uncertain process, which takes many years and involves significant costs. We may not succeed in increasing our revenues, which historically have been reliant on sales of our PGS, in a manner that will be sufficient to offset these higher expenses. Any failure to increase our revenues as we implement initiatives to grow our business could prevent us from achieving profitability. We cannot be certain that we will be able to achieve profitability on a quarterly or annual basis. If we are unable to address these risks and difficulties as we encounter them, our business, financial condition, and results of operations may suffer.

We have incurred and will continue to incur significant costs as a result of being a public company.

As a public company, we are subject to enhanced internal controls standards. We have incurred and will continue to incur significant legal, accounting, insurance and other costs not incurred as a private company. The Sarbanes-Oxley Act and related rules and regulations of the SEC and Nasdaq regulate the corporate governance practices of public companies. Compliance with these requirements has increased and will continue to increase our expenses and make some activities more time-consuming than they have been in the past when we were a private company. Such additional costs going forward could negatively affect our financial results.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the U.S.

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the American Institute of Certified Public Accountants, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. Any change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

We are subject to changing law and regulations regarding regulatory matters, corporate governance, and public disclosure that have increased our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the SEC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in increased general and administrative expenses and a diversion of management time and attention.

Moreover, because these laws, regulations, and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Climate change, environmental, social, and governance, and sustainability initiatives may result in regulatory or structural industry changes that could require significant operational changes and expenditures, reduce demand for our products and adversely affect our business, financial condition, and results of operations.

Climate change, ESG, and sustainability are a growing global movement. These matters have garnered continuous political and social attention leading to the introduction of national, regional, and local legislation, regulatory requirements, reporting obligations, and policy changes. Further, there is a growing societal demand to limit greenhouse gas emissions and support global initiatives. Compliance with these international agreements and measures may necessitate operational changes, impose taxes, or require purchases of emission credits, leading to significant capital expenditures. Furthermore, future legislative, regulatory, or policy changes may emerge that require additional modifications to reduce greenhouse gas emissions from our operations, which may result in substantial capital expenditures.

The growing focus on climate change, ESG, and sustainability has led to government investigations and litigation, both public and private, which may result in increased costs or adverse effects on our business or financial results. Furthermore, entities that offer investors information regarding corporate governance and similar issues have developed rating systems for assessing companies on their ESG approach. Some investors use these ratings to inform their investment and voting decisions. If we receive unfavorable ESG ratings, it may lead to a rise in negative investor sentiment towards us, which could harm our securities’ price and our ability to access capital at reasonable costs.

Any or all of these ESG and sustainability initiatives may result in significant operational changes and expenditures, cause us reputational harm, and could materially adversely affect our business, financial condition, and results of operations.

Risks Related to Ownership of Our Class A Common Stock

Our failure to satisfy certain Nasdaq listing requirements may result in our common stock being delisted from the Nasdaq Stock Market, which could eliminate the trading market for our common stock.

On November 10, 2023, we received a deficiency letter (the "Nasdaq Letter") from the Nasdaq Listing Qualifications Department, notifying us that we are not in compliance with Nasdaq Listing Rule 5450(a)(1), which requires us to maintain a minimum bid price of at least $1.00 per share for continued listing on The Nasdaq Global Select Market (the "Minimum Bid Requirement"). Our failure to comply with the Minimum Bid Requirement was based on our Class A common stock per share price being below the $1.00 threshold for a period of 30 consecutive trading days.

Pursuant to the Nasdaq Letter, we had an initial period of 180 calendar days from the date of the Nasdaq Letter to regain compliance. We did not regain compliance during the initial compliance period. On May 9, 2024, we received a notification letter from the staff of Nasdaq notifying us that we had been granted an additional 180 days, or until November 4, 2024, to regain compliance with the Minimum Bid Requirement, based on us meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market with the exception of the bid price requirement, and our written notice of its intention to cure the deficiency during the second compliance period. In order to be eligible to receive the second compliance period, we applied to have our Class A common stock (the "Class A Common Stock") transferred from the Nasdaq Global Select Market to the Nasdaq Capital Market.

If at any time before November 4, 2024, the bid price of the Class A Common Stock closes at $1.00 per share or more for a minimum of 10 consecutive business days, the Staff will provide written confirmation that we have achieved compliance. If we do not regain compliance with the Minimum Bid Requirement by the end of the second compliance period, the Class A Common Stock will become subject to delisting. In the event that we receive notice that the Class A Common Stock is being delisted, the Nasdaq listing rules permit us to appeal a delisting determination by the Staff to a hearings panel.

While we continue to evaluate all available options, including initiating a reverse stock split, there can be no assurance that we will be able to regain compliance with the applicable rules during the second compliance period, or that we will otherwise remain in compliance with the other listing standards for Nasdaq. If we are unable to regain compliance in a timely manner, our common stock may become delisted. Any such delisting could adversely affect the price of our common stock and make it more difficult for investors to sell our common stock in the secondary market. In addition, a delisting of our common stock could significantly harm our ability to raise capital necessary to continue our operations. Neither the Nasdaq Letter nor our noncompliance with the Minimum Bid Requirement have an immediate effect on the listing or trading of our Class A Common Stock, which will continue to trade on The Nasdaq Stock Market under the symbol "ME."

Our Certificate of Incorporation designates a state or federal court located within the State of Delaware as the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, stockholders, employees, or agents. Our Second Amended and Restated Bylaws designate the United States federal district courts as the exclusive forum for the resolution of actions asserting claims arising under the Securities Act of 1933, as amended.

Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, employees, or agents to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL") or our Certificate of Incorporation or Second Amended and Restated Bylaws (the "Bylaws") (as either may be amended from time to time), or (iv) any action asserting a claim against us governed by the internal affairs doctrine. The forgoing provisions do not apply to any claims arising under the Securities Act of 1933, as amended (the "Securities Act"). As provided for in the Bylaws, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any action asserting a claim arising under the Securities Act.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. It is possible that a court could find these types of provisions to be inapplicable or unenforceable, and if a court were to find our choice of forum provisions inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

The dual class structure of our common stock has the effect of concentrating voting control with Anne Wojcicki, our Chief Executive Officer, Co-Founder, and Chair, which will limit stockholders' ability to influence the outcome of important decisions.

As of March 31, 2024, Ms. Wojcicki beneficially owned 98,633,827 of our 166,724,586 outstanding shares of Class B common stock and 3,437,935 of our 323,394,807 outstanding shares of Class A common stock. Each share of Class B common stock is entitled to ten votes per share, and each share of Class A common stock is entitled to one vote per share. Accordingly, the combined voting power of the shares of Class A common stock and the shares of Class B common stock beneficially owned by Ms. Wojcicki as of March 31, 2024 was approximately 49%. Consequently, Ms. Wojcicki is able to exert substantial influence over and control matters requiring approval by stockholders, including the election of directors, increasing our authorized capital stock, or a merger or sale of substantially all of our assets.

Pursuant to our Certificate of Incorporation, all shares of Class B common stock are convertible into shares of Class A common stock at any time at the option of the holder and cannot be sold in the market without being converted into Class A common stock. Each conversion or sale of an outstanding share of Class B common Stock automatically reduces the number of outstanding shares of Class B common stock and thereby automatically increases the voting power of the remaining shares of Class B common stock. If a holder of Class B common stock voluntarily converts its shares into shares of Class A common stock or sells its shares of Class B common stock, the voting power of the remaining holders of Class B common stock will automatically increase. Accordingly, Ms. Wojcicki's voting power may automatically increase solely as a result of other holders of Class B common stock converting or selling their shares.

We cannot predict the impact our dual class structure may have on the market price of our Class A common stock.

We cannot predict whether our dual class structure, combined with the concentrated voting power of our Chief Executive Officer, Co-Founder, and Chair, Anne Wojcicki, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. Certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. For example, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in any of these indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program is integrated into our broader Information Security Management System ("ISMS"), which is designed to identify, assess, prioritize, and mitigate risks across the organization and to enhance our resilience and support the achievement of our strategic security objectives. Our cybersecurity risk management program includes a cybersecurity incident response plan. The audit committee of our board of directors oversees enterprise risk management as an integral and continuous part of its oversight role. Integrated into our overall enterprise risk management framework are processes dedicated to the identification, assessment and management of material risks from cybersecurity threats. Our approach to cybersecurity risk management is both proactive and defensive, and includes the following elements:

- a team dedicated solely to cybersecurity and managed by our interim chief security officer ("CSO"), who reports directly to our Chief Product Officer. The interim CSO and his team are responsible for leading enterprise-wide cybersecurity strategy, policies, standards, architecture and processes. Our interim CSO has over 25 years of information technology ("IT") and cybersecurity, including the cybersecurity architecture at 23andMe, principle cybersecurity engineering at CA Technologies, and corporate IT management, with nearly seven years in security at 23andMe. He holds industry-recognized certifications in CCSK, CCFE, and ITIL v3.

- an information technology vulnerability assessment process that includes internal testing, as well as engages with outside security researchers, for identification, evaluation and management of cybersecurity risks. For example, we conduct tests to identify potential vulnerabilities, such as penetration tests, manage a bug bounty program, conduct table top and red team/purple team exercises to evaluate the effectiveness of our ISMS and cybersecurity practices.

- a Security Incident Response plan pursuant to which our interim CSO and his team are informed about and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents in accordance with our defined Privacy and Security Incident Response plan, which is reviewed along with other plans relevant to our cybersecurity risk management on an annual basis.

- an information technology request review process that includes cybersecurity assessments of third-party products and systems proposed to connect to our information systems environment or access our data.

- a training program pursuant to which we provide staff with timely relevant security topics, which include social engineering, phishing, password protection, protecting personal data, appropriate use of assets, and

- an annual certifications program by an accredited third-party auditor for compliance with ISO/IEC 27001:2013 for an ISMS, ISO/IEC 27701:2019 for a PIMS as well as the requirements and control implementation guidance within ISO/IEC 27018:2019 for cloud computing.

Cybersecurity Team and Strategy — The cybersecurity team, led by the interim CSO, is responsible for managing the day-to-day cybersecurity strategy of the organization. Including oversight of our cybersecurity tools and controls to protect company assets. We have implemented an iterative and multi-layered cybersecurity strategy that incorporates both proactive review of the evolving cybersecurity threat landscape and reactive management of cybersecurity threats. Our proactive management of cybersecurity risks includes zero trust access, data loss prevention programs, correction of potential cybersecurity risks, and programs for employee education regarding cybersecurity risks. Our reactive management of cybersecurity risks includes continuous logging and alerting, utilization of enterprise cybersecurity technology, and personnel dedicated to incident response.

Third-Party and Vendor Management Review Processes — We have implemented processes that establish a systematic approach to assessing the cybersecurity controls while on-boarding new third-party vendors. Additionally, we have implemented annual reviews of the cybersecurity controls for third-party vendors that provide essential services and/or store data that presents a business risk to us and/or our customers.

Cybersecurity Incident Response Plan — In October 2023, we experienced a cybersecurity incident in which certain information of our users was accessed and downloaded from individual 23andMe.com accounts without the account users' authorization. Following this incident, we implemented certain changes to our information systems and processes meant to provide additional protections to our environment, including enhancements to our Security Operations, reset customer passwords, required two-factor verification for new and existing customers, detection tools and capabilities, and implementation of new tools and processes, among others. However, we continue to face a heightened risk of cybersecurity threats which may materially impact our operations. For more information about our cybersecurity related risks, see "We have experienced a criminal cyber incident and could in the future experience other security breaches, disruption to our business, or reputational harm" in Part 1, Item 1A, Risk Factors of this Form 10-K.

Governance

Board Oversight — Our board of directors has identified the oversight of cybersecurity risks to be one of its priorities, and it receives regular reports from management, including the interim CSO, on various cybersecurity matters, including the security of the company's information systems, anticipated sources of future material cyber risks and how management is addressing any significant potential vulnerability. The board's audit committee reviews our cybersecurity program at least annually and receives regular updates on cybersecurity threats and other matters.

In addition to regular updates to the audit committee, we have protocols by which we escalate certain cybersecurity incidents and, where appropriate, report on them in a timely manner to the board and the audit committee.

Management Oversight — We have implemented a cross functional ISMS governance committee that drives awareness and alignment across broad governance and stakeholder groups for effective cybersecurity risk management. The interim CSO and interim Data Privacy Officer ("DPO") co-chair the ISMS Governance Committee. The ISMS Governance Committee acts in alignment with the Data Protection Governance Committee, another cross-functional governance committee, which provides strategic direction and oversight over the company's program related to data protection. These governance committees have responsibility for oversight, resource allocation, capabilities and planning. Members of the ISMS committee review newly identified cybersecurity risks, evaluate the appropriate treatments, monitor the on-going status of risk remediation. The interim CSO and DPO regularly report to the audit committee on these matters.

Item 2. Properties

Our corporate headquarters is located in South San Francisco, California, and consists of 65,340 square feet of space under a lease that expires on January 31, 2027. We also lease 154,987 square feet of office space in Sunnyvale, California and 23,731 square feet of office space in St. Louis, Missouri, under leases that expire on July 31, 2031 and June 30, 2026, respectively. We use these facilities for communications, engineering, finance, healthcare operations, information technology and security, legal, marketing, human resources, product, research and science, supply chain, and other administrative functions. We also conduct our therapeutics research and development in our laboratory facilities located in the South San Francisco location.

Item 3. Legal Proceedings

For a discussion of our legal proceedings, refer to Note 13 – "*Commitments and Contingencies*" to our consolidated financial statements included elsewhere in this Form 10-K.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock is traded on the Nasdaq Capital Market ("Nasdaq") under the symbol "ME".

Our Class B common stock is not listed on any stock exchange nor traded on any public market.

Holders

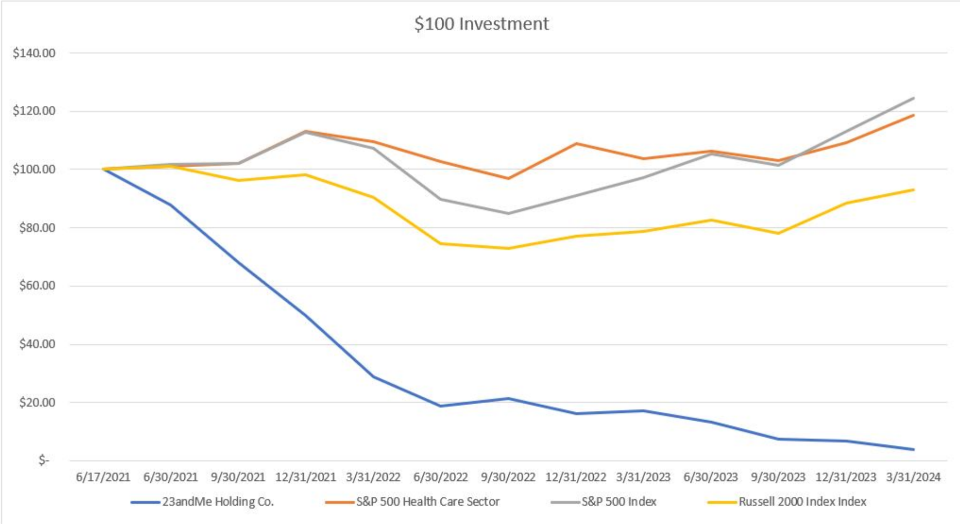
As of May 16, 2024, there were 170 holders of record of our Class A common stock and 90 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders. However, we believe that a substantially greater number of beneficial owners hold shares of Class A common stock through brokers, banks, or other nominees.

Dividends

We have not paid any cash dividends on our Class A common stock to date. The payment of any cash dividends is within the discretion of our Board and our Board does not currently contemplate declaring any dividends in the foreseeable future.

Stock Performance Graph

The following graph compares the cumulative total return to stockholders on our Class A common stock relative to the cumulative total returns of the S&P 500 Index, the S&P 500 Health Care Sector Index, and the Russell 2000 Index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index on June 17, 2021, the date our Class A common stock began trading on the Nasdaq, and its relative performance is tracked through March 31, 2024. The returns shown are based on historical results and are not intended to suggest future performance.



Company/Index	6/17/2021	6/30/2021	9/30/2021	12/31/2021	3/31/2022	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	3/31/2024
23andMe Holding Co.	$ 100.00	$ 87.76	$ 68.02	$ 50.00	$ 28.75	$ 18.62	$ 21.47	$ 16.22	$ 17.12	$ 13.14	$ 7.34	$ 6.86	$ 3.99
S&P 500 Health Care Sector	$ 100.00	$ 100.97	$ 102.00	$ 113.00	$ 109.62	$ 102.72	$ 97.01	$ 108.98	$ 103.84	$ 106.45	$ 103.19	$ 109.32	$ 118.50
S&P 500 Index	$ 100.00	$ 101.79	$ 102.03	$ 112.89	$ 107.30	$ 89.66	$ 84.93	$ 90.94	$ 97.33	$ 105.41	$ 101.57	$ 112.98	$ 124.46
Russell 2000 Index	$ 100.00	$ 101.01	$ 96.37	$ 98.16	$ 90.50	$ 74.67	$ 72.77	$ 77.00	$ 78.80	$ 82.57	$ 78.04	$ 88.62	$ 92.88

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and accompanying notes included in Part II, Item 8 of this Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A. "Risk Factors" or in other parts of this Form 10-K. 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. References to VG Acquisition Corp. or "VGAC" refer to the Company prior to the consummation of the Business Combination.

The following section generally discusses our financial condition and results of operations for our fiscal year ended March 31, 2024 ("fiscal 2024") compared to our fiscal year ended March 31, 2023 ("fiscal 2023"). A discussion regarding our financial condition and results of operations for fiscal year 2023 compared to our fiscal year ended March 31, 2022 ("fiscal 2022") can be found in Part II, Item 7 of our Annual Report on Form 10-K for fiscal year 2023, filed with the SEC on May 25, 2023).

Overview

Our mission is to help people access, understand, and benefit from the human genome. To achieve this, we pioneered direct-to-consumer genetic testing and built the world's largest crowdsourced platform for genetic research. Our data engine powers our leading direct-to-consumer precision health platform and our genetics-driven Research and Therapeutics businesses.

We are dedicated to empowering customers to optimize their health by providing direct access to their genetic information, personalized reports, actionable insights and digital access to affordable healthcare professionals through our telehealth platform, Lemonaid Health (as defined below).

Through direct-to-consumer genetic testing, we give consumers unique, personalized information about their genetic health risks, ancestry, and traits. We were the first company to obtain 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 March 31, 2024, we had over 65 health and carrier status reports that were available to customers in the U.S.

Through our Lemonaid Health telehealth platform, our ultimate goal is to provide customers access to personalized care based on their unique genetic profile and lifestyle. We currently 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.

In November 2023, we launched Total Health, our most comprehensive membership providing access to third-party independent clinicians practicing genetics informed care with a focus on early risk detection and preventative actions. Our Total Health service combines membership and telehealth offerings with the addition of next generation sequencing covering 200x more hereditary disease-causing variants than our personal genome service reports (50,000+ hereditary disease-causing variants in Total Health exome sequencing compared to 250 health-related variants in our genotyping Carrier Status and Genetic Health Risk reports). Total Health also includes blood testing and access to genetics-based clinical care.

We have built the world's largest crowdsourced platform for genetic research. The aim of our Research business is to revolutionize research and become the market's preferred genetic-based research partner by monetizing access to our growing data engine of genetic and phenotypic information provided by our millions of engaged customers. We believe 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 also developing a diversified and differentiated portfolio of genetically validated therapeutic candidates for a variety of diseases across different therapeutic areas with high unmet medical need. We have programs in clinical development, as well as multiple discovery stage programs. Each of our programs has been identified through our human genetics drug discovery platform. We believe that the combination of a discovery platform that increases the probability of technical success through genetic evidence in humans, and a maturing therapeutic portfolio positions 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 identify potential targets and to develop novel therapies to improve patients' lives. We currently have research and development programs across several therapeutic areas, including oncology, immunological, and inflammatory diseases, and other disease areas. The Therapeutics segment consists of revenues from the out-licensing of intellectual property associated with identified drug targets and expenses related to the discovery and development of therapeutic product candidates.

As of March 31, 2024, two of our internal programs had entered the clinic for testing in human patients. 23ME-00610 is a high-affinity humanized monoclonal antibody that is designed to interfere with the ability of CD200R1 to interact with CD200 found on cancer cells, thus releasing tumor-induced immune suppression for the treatment of cancer. In April 2024, we completed enrollment of the Phase 2a portion of the Phase 1/2a clinical trial (clinical trials.gov number NCT05199272) in adult patients with locally advanced or metastatic clear cell renal cell carcinoma, ovarian cancer, neuroendocrine tumors, small cell lung cancer, and tumors with high tumor mutation burden and/or microsatellite instability.

23ME-01473 is an immuno-oncology antibody program that was initiated as a collaboration program with GSK under the terms of the original GSK Agreement. 23ME-01473 targets the ULBP6 proteins in the NKG2D pathway. On March 20, 2024, we announced that the first participant has been dosed in a Phase 1 clinical trial evaluating the safety and tolerability in people with locally advanced or metastatic solid malignancies that have progressed after standard therapy. 23andMe is solely responsible for the continued development of this program.

23andMe had previously collaborated with GSK on an immuno-oncology program targeting CD96, GSK6097608, led by GSK. In January 2022, 23andMe announced that it was pursuing a development option to receive a royalty on this program if a successful therapy were to be developed and commercialized by GSK under the original GSK Agreement. GSK is solely responsible for the continued development of this program.

We operate in two reporting segments: (1) Consumer and Research Services and (2) Therapeutics. See "*Basis of Presentation*" section below for further details on segments.

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 this 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 76% and 68% of our total revenues for fiscal 2024 and fiscal 2023, respectively. Kit sales are a source of members to our membership service, which represented approximately 9% and 5% of our total revenue for fiscal 2024 and fiscal 2023, 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 membership 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, relating to 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 16% and 15% of our total revenue for fiscal 2024 and fiscal 2023, 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 March 31, 2024, 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. Over the course of the five-year exclusive target discovery collaboration under the original GSK Agreement which ended in July 2023, we had identified over 50 drug targets. We expect to continue to identify more targets 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. While our strategy includes continued investments in this area, we expect the investment level to be lower than in prior years. We have two internal product candidates in clinical development, as well as multiple discovery stage programs,

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 original GSK Agreement.

The exclusive target discovery term under the original GSK Agreement expired in July 2023. As discussed above, in October 2023, we entered into the 2023 GSK Amendment. See Note 6, "*Collaborations*" to our consolidated financial statements included elsewhere in this Form 10-K for details. 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.

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 and Customer Retention

We launched our 23andMe+ Premium membership service in October 2020, and through our acquisition of Lemonaid Health, Inc. ("Lemonaid Health"), we began providing access to telehealth services in November 2021. In November 2023, we launched Total Health, our comprehensive ongoing early detection health membership.

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 additional products and services.

The success of our membership service will depend upon our ability to acquire and retain members 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, members may not renew.

Similarly, the success of our telehealth business is dependent on our ability to attract and retain patients and members continuing to expand our offering in related products and services categories. 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 in new categories and revenue may not increase in the future.

Our Total Health product combines select features and services of our membership and telehealth offerings. As such, the success of the Total Health product will depend on factors similar to those described above.

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 plan to continue to invest in our 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 membership services, and design new offerings, including additional primary care offerings. In addition, we expect to continue 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, 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, we undertook a further reduction in force primarily intended to restructure and strategically align the Therapeutics workforce. The August reduction in force involved approximately 11% of the then-current workforce and 47% of the then-current Therapeutics segment.

On October 10, 2023, we reported that certain information was accessed from individual 23andMe.com accounts without the account users' authorization (the "incident"). In early December, we published our determination that the threat actor was able to access a very small percentage of user accounts ("Credential Stuffed Accounts"), and a significant number of DNA Relative profiles (approximately 5.5 million) and Family Tree profiles (approximately 1.5 million), each of which were connected to the Credential Stuffed Accounts. We believe that the threat actor activity is contained. Although we believe that the direct or indirect business impacts of the incident could negatively affect our financial results, and as of the filing date of this Form 10-K, we are not able to predict whether the direct or indirect impacts of this incident could have a material effect on our future financial condition and/or results of operations. See Note 13, "*Commitments and*

Contingencies — Cybersecurity Incident" to our consolidated financial statements included elsewhere in this Form 10-K for details.

On October 27, 2023, we entered into the 2023 GSK Amendment to provide GSK with a non-exclusive license to certain new, de-identified, aggregated New Data, as well as access to certain of our research services with respect to such New Data. See Note 6 "*Collaborations*" to our consolidated financial statements included elsewhere in this Form 10-K for details.

On November 10, 2023, we received a deficiency letter (the "Nasdaq Letter") from the Nasdaq Listing Qualifications Department, notifying us that we are not in compliance with Nasdaq Listing Rule 5450(a)(1), which requires us to maintain a minimum bid price of at least $1.00 per share for continued listing on The Nasdaq Global Select Market (the "Minimum Bid Requirement"). Pursuant to the Nasdaq Letter, we had an initial period of 180 calendar days from the date of the Nasdaq Letter to regain compliance. We did not regain compliance during the initial compliance period. On May 9, 2024, we received a notification letter from the staff of Nasdaq notifying us that we had been granted an additional 180 days, or until November 4, 2024, to regain compliance with the Minimum Bid Requirement In order to be eligible to receive the second compliance period, we applied to have our Class A common stock transferred from the Nasdaq Global Select Market to the Nasdaq Capital Market. See Note 2, "*Summary of Significant Accounting Policies — Liquidity*" to our consolidated financial statements included elsewhere in this Form 10-K for details.

During fiscal 2024, based on our quantitative assessments, we determined the carrying value of our Consumer and Research Services reporting unit exceeded its fair value. Consequently, we recorded goodwill impairment charges totaling $351.7 million during fiscal 2024, resulting in full impairment of our outstanding goodwill. See Note 10, "*Balance Sheet Components — Goodwill*" to our consolidated financial statements included elsewhere in this Form 10-K for details.

Basis of Presentation

The consolidated financial statements and accompanying notes of the Company included elsewhere in this Form 10-K 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 the Company's accounting predecessor, certain historical financial information presented in the consolidated financial statements represents the accounts of 23andMe, Inc. and its wholly owned subsidiary.

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 original GSK Agreement and 2023 GSK Amendment, 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. During fiscal 2024, 2023 and 2022, all our revenues are derived from our Consumer and Research Services segment. See "*Adjusted EBITDA*" section below for further details.

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 members of our 23andMe+ Premium membership service, especially if they consent to participate in our research. We had approximately 15.1 million and 14.1 million Customers as of March 31, 2024 and 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+ Premium membership service and to participation in further research studies, helping us to advance our research. As of March 31, 2024, over 80% of our Customers were Consenting Customers.

- ***Members.*** This metric represents the number of customers who have signed up for our 23andMe+ Premium membership service, which was launched in October 2020. We believe that 23andMe+ Premium, and any other future membership offerings, will position us for future growth, as the membership model, which is annual for 23andMe+ Premium, represents a previously untapped source of recurring revenue. We are continually investing in new reports and features to provide to members as part of the 23andMe+ Premium 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, 2024 and 2023, our 23andMe+ Premium membership base had approximately 562,000 and 640,000 members, respectively.

- ***Adjusted EBITDA.*** Adjusted EBITDA is the measure of segment profitability reported to our CEO, the CODM. See "— *Adjusted EBITDA*" below for further details and 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.

In our Consumer and Research Services segment, our service revenue is composed primarily of sales of PGS kits to customers, 23andMe+ Premium membership and telehealth services, which include online medical visits and memberships, as well as revenues from target discovery activities as part of our research collaborations. Our product revenue is composed primarily of telehealth pharmaceutical sales, as well as a portion of our telehealth membership revenue in our Consumer and Research Services segment. Additionally, revenue generated through our collaboration agreements in our Therapeutics segment primarily results from the out-licensing of intellectual property to collaboration partners.

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

Cost of Revenue, Gross Profit, and Gross Margin

Cost of service 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 service revenue for telehealth primarily consists of personnel-related expenses as described above that we incur for medical services and amortization of intangible assets. Cost of product revenue consists of personnel-related expenses, telehealth prescription drug costs, packaging and shipping, and allocated overhead. 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 and renewal rates of members within our membership 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 membership 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 original GSK Agreement, the exclusive target discovery term which expired in July 2023. In October 2023, we entered into the 2023 GSK Amendment to provide GSK with a non-exclusive license to certain new, de-identified, aggregated New Data, as well as access to certain of our research services with respect to such New Data. See

Note 6, "*Collaborations*" to our consolidated financial statements included elsewhere in this Form 10-K 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 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 our research and development efforts. We intend to make investments in therapeutics research and development efforts as we progress clinical trials for either our own proprietary or collaboration programs. 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, outside services and allocated overhead.

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, and allocated overhead.

We currently experience substantial general and administrative expenses in connection with operating as a public company, including expenses associated with compliance with SEC rules and regulations, and related legal, audit, insurance, investor relations, professional services, and other administrative expenses. 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.

Goodwill Impairment Charge

Goodwill impairment charge includes the impairment loss recognized on goodwill. Goodwill is assessed for impairment on an annual basis and whenever events and circumstances indicate that the asset may be impaired at the Consumer and Research Services reporting unit. We compare the fair value of our Consumer and Research Services reporting unit to its carrying value. If the carrying value exceeds our Consumer and Research Services reporting unit's fair value, we will recognize an impairment loss for the amount by which the carrying amount exceeds Consumer and Research Services reporting unit's fair value. See Note 10, "*Balance Sheet Components — Goodwill*."

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 change in fair value of warrants liabilities for fiscal 2022, effects of changes in foreign currency exchange rates, and other non-operating income and expenditures.

Provision for (Benefit from) Income Taxes

Provision for Income tax primarily consisted of separate state tax expense generated by one of variable interest entities for fiscal 2024, adjustments to deferred tax liabilities resulting from the impairment of a Lemonaid UK intangible asset for fiscal 2023, and a partial release in valuation allowance related to the Lemonaid Acquisition for fiscal 2022. 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 Fiscal 2024 and Fiscal 2023

The following table sets forth our consolidated statements of operations for the fiscal years indicated, and the dollar and percentage change between the two periods:

	Year Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Revenue				
Service	191,816	265,840	(74,024)	(28) %
Product	27,822	33,649	(5,827)	(17) %
Total revenue	219,638	299,489	(79,851)	(27) %
Cost of revenue [(1)]				
Service	108,116	150,595	(42,479)	(28) %
Product	12,145	14,398	(2,253)	(16) %
Total cost of revenue	120,261	164,993	(44,732)	(27) %
Gross profit	99,377	134,496	(35,119)	(26 %)
Operating expenses:				
Research and development [(1)]	205,361	222,596	(17,235)	(8 %)
Sales and marketing [(1)]	85,600	119,927	(34,327)	(29 %)
General and administrative [(1)]	129,772	115,984	13,788	12 %
Restructuring and other charges [(1)]	8,368	—	8,368	100 %
Goodwill impairment	351,744	—	351,744	100 %
Total operating expenses	780,845	458,507	322,338	70 %
Loss from operations	(681,468)	(324,011)	(357,457)	110 %
Other income (expense):				
Interest income, net	14,331	9,676	4,655	48 %
Other income (expense), net	506	(93)	599	(644 %)
Loss before income taxes	(666,631)	(314,428)	(352,203)	112 %
Provision for (benefit from) income taxes	73	(2,772)	2,845	(103 %)
Net loss	$ (666,704)	$ (311,656)	$ (355,048)	114 %

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

	Year Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Cost of revenue [(a)]	$ 6,234	$ 10,874	$ (4,640)	(43 %)
Research and development	37,765	48,837	(11,072)	(23 %)
Sales and marketing	6,567	8,635	(2,068)	(24 %)
General and administrative [(b)]	68,020	47,671	20,349	43 %
Restructuring and other charges	1,623	—	1,623	100 %
Total stock-based compensation expense	$ 120,209	$ 116,017	$ 4,192	4 %

(a) Stock-based compensation expense related to cost of product was immaterial for the fiscal years ended March 31, 2024, 2023, and 2022.

(b) Includes $32.8 million of stock-based compensation charges related to the termination of two Former Lemonaid Officers during fiscal 2024.

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the fiscal years indicated:

	Year Ended March 31,	
	2024	2023
Revenue		
Service	87 %	89 %
Product	13 %	11 %
Total revenue	100 %	100 %
Cost of revenue		
Service	49 %	50 %
Product	6 %	5 %
Total cost of revenue	55 %	55 %
Gross profit	45 %	45 %
Operating expenses:		
Research and development	93 %	74 %
Sales and marketing	39 %	40 %
General and administrative	59 %	39 %
Restructuring and other charges	4 %	—
Goodwill impairment	160 %	—
Total operating expenses	355 %	153 %
Loss from operations	(310 %)	(108 %)
Other income (expense):		
Interest income, net	6 %	3 %
Other income (expense), net	— %	— %
Loss before income taxes	(304 %)	(105 %)
Provision for (benefit from) income taxes	— %	(1 %)
Net loss	(304 %)	(104 %)

Revenue

Total revenue decreased by $79.9 million, or 27%, for fiscal 2024 compared to fiscal 2023. The decrease was due primarily to a decrease in consumer revenue of $44.9 million, which included a decrease of $40.5 million in PGS kit revenue driven mainly by lower PGS kit sales volume, partially offset by a slightly higher average selling price due to favorable price realization versus the prior year. Also contributing to the decrease in consumer revenue was a $4.4 million decrease in telehealth services revenue and a $5.8 million decrease in telehealth tangible product revenue primarily due to fewer medical visits and lower pharmacy sales, respectively, compared to the prior year. These decreases in consumer revenue were partially offset by a $5.8 million increase in PGS membership services revenue compared to the prior year period. The decrease in total revenue was also driven by a $35.0 million decrease in research services revenue, primarily attributable to a decrease of $35.6 million related to the original GSK Agreement due to approximately four months of original GSK Agreement revenue in fiscal 2024, as the agreement terminated in July 2023, compared to a full year of revenue in fiscal 2023. This decrease was partially offset by an increase in revenue under other research services contracts with third parties of $0.6 million. There was no therapeutics revenue for the years ended March 31, 2024 and 2023.

Cost of Revenue, Gross Profit and Gross Margin

Total cost of revenue decreased by $44.7 million, or 27%, for fiscal 2024 compared to fiscal 2023. Cost of revenue for consumer revenue decreased by $36.2 million, driven by a decrease in the cost of revenue for PGS of $23.3 million primarily due to lower lab supplies, shipping and fulfillment, lab processing, and PGS kit costs due to lower PGS kit sales volume, as well as a decrease in depreciation and equipment expenses. In addition, there was a $10.6 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 second quarter of the fiscal year ended March 31, 2024, as well as lower outside services expenses. There was also a $2.3 million reduction in telehealth tangible product cost of revenue primarily from lower shipping costs due to lower sales volume. Cost of revenue for research services decreased by $8.5 million primarily due to lower project hours incurred related to the original GSK Agreement, which concluded in July 2023.

Our overall gross profit decreased by $35.1 million, or 26%, to $99.4 million for fiscal 2024 from $134.5 million for fiscal 2023. The decrease in gross profit was primarily due to a decrease in research services gross profit of $26.5 million as a result of the conclusion of the original GSK Agreement in July 2023. There was also a decrease in consumer gross profit of $8.6 million due to decreases in PGS kit sales volume and telehealth pharmacy product sales volume, which were partially offset by positive contributions to gross profit from telehealth services and PGS membership services.

Our overall gross margin remained constant at 45% for fiscal 2024 and 2023. There was improvement in gross margin for consumer services due to continued growth of our PGS membership services, a slightly higher average selling price on PGS kits, and a decrease in telehealth cost of revenue following the June 2023 reduction in force and the disposition of Lemonaid Health Limited. This increase in gross margin was offset by a decrease in research services gross margin due to the conclusion of the original GSK Agreement in July 2023.

Gross margin has historically been higher for activities associated with research services than for consumer services, which includes PGS kits, PGS membership and telehealth tangible products and services.

Research and Development Expenses

The following table sets forth our research and development expenses for the fiscal years indicated, and the dollar and percentage change between the two periods:

	Year Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Personnel-related expenses	$ 107,929	$ 126,583	$ (18,654)	(15 %)
Lab-related research services	43,845	41,017	2,828	7 %
Depreciation, amortization, equipment, and supplies, net of capitalized internal-use software	6,018	6,717	(699)	(10 %)
Facilities, overhead allocations and other	47,569	48,279	(710)	(1 %)
Total research and development expenses	$ 205,361	$ 222,596	$ (17,235)	(8 %)

Research and development expenses for fiscal 2024 were $205.4 million, as compared to $222.6 million for fiscal 2023. The $17.2 million, or 8%, decrease was primarily attributable to a $18.7 million decrease in personnel-related expenses, including a decrease in non-cash stock-based compensation expense, primarily due to the June and August 2023 reductions in force, as well as a decrease in 2022 AIP fiscal 2024 achievement, compared to fiscal 2023. In addition, there was a $0.7 million decrease in depreciation, amortization, equipment, and supplies, net of capitalized internal-use software, primarily due to increased capitalization of internal-use software from higher labor rates and a greater number of project hours in development during the year ended March 31, 2024, as well as a $0.7 million decrease in facilities, overhead allocations and other expenses, due primarily to a reduction in overhead allocations resulting from the reductions in force. These decreases were partially offset by a $2.8 million increase in lab-related research services from advancing our proprietary and collaboration therapeutics programs, although there was a significant reduction in lab-related research services in the latter half of fiscal 2024 due to the conclusion of the original GSK agreement in July 2023.

For fiscal 2024 and fiscal 2023, 49% and 50% of total research and development expenses were attributable to the Consumer and Research Services segment, respectively, and 51% and 50% were attributable to our Therapeutics segment, respectively.

Sales and Marketing Expenses

The following table sets forth our sales and marketing expenses for the fiscal years indicated, and the dollar and percentage change between the two periods:

	Year Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Advertising and brand	$ 45,627	$ 61,281	$ (15,654)	(26 %)
Personnel-related expenses	18,557	21,494	(2,937)	(14 %)
Intangibles amortization and impairment, depreciation, equipment, and supplies	9,628	24,759	(15,131)	(61 %)
Facilities, overhead allocations and other	11,788	12,393	(605)	(5 %)
Total sales and marketing expenses	$ 85,600	$ 119,927	$ (34,327)	(29 %)

Sales and marketing expenses for fiscal 2024 were $85.6 million, as compared to $119.9 million for fiscal 2023. The decrease of $34.3 million, or 29%, was primarily driven by a $15.7 million decrease in advertising and brand-related expenses due to a reduction in marketing campaigns and spending. There was also a decrease of $15.1 million in intangible asset amortization and impairment, depreciation, equipment, and supplies which included a $10.0 million write-off of the U.K. partnership asset in fiscal 2023 that was acquired as part of the Lemonaid Acquisition. In addition, there was a $2.9 million decrease in personnel-related expenses, including a decrease in non-cash stock-based compensation expense, primarily due to a modification charge during fiscal 2023, as well as a decrease in 2022 AIP fiscal 2024 achievement compared to fiscal 2023.

General and Administrative Expenses

General and administrative expenses increased by $13.8 million, or 12%, from $116.0 million in fiscal 2023 to $129.8 million in fiscal 2024. The increase in general and administrative expenses was primarily due to $32.8 million of non-cash stock-based compensation charges as a result of the departure of both Former Lemonaid Officers. See Note 13, "*Equity Incentive Plans and Stock-Based Compensation*" to our consolidated financial statements for details. These charges were offset by a $12.7 million decrease in payroll-related expenses, including a decrease in other stock-based compensation, due to the June 2023 reduction in force and a decrease in 2022 AIP fiscal 2024 achievement compared to fiscal 2023. In addition, there was a $3.3 million decrease in insurance premiums, a $1.8 million reduction in overhead allocations resulting from the reductions in force, and a $1.2 million decrease in outside services and other expenses.

Restructuring and Other Charges

Restructuring and other charges for fiscal 2024 were $8.4 million, which consisted primarily of employee severance and termination benefits primarily related to the June 2023 and August 2023 reductions in force, of which $1.6 million was non-cash stock-based compensation expense. See Note 11, "*Restructuring*" to our consolidated financial statements for details.

There were no restructuring and other charges incurred during fiscal 2023.

Goodwill Impairment

We recognized goodwill impairment charges totaling $351.7 million during fiscal 2024 as the carrying value of our Consumer and Research Services reporting unit exceeded its fair value. We did not have any goodwill impairment charges during fiscal 2023. See Note 10, "*Balance Sheet Components — Goodwill*" to our consolidated financial statements for details.

Interest Income, net

Interest income, net increased by $4.7 million from $9.7 million for fiscal 2023 to $14.3 million for fiscal 2024 primarily due to increased interest yields earned on cash equivalents held in money market funds.

Provision for (Benefit from) Income Taxes

A tax benefit of $2.8 million was recognized for fiscal 2023, which primarily consisted of adjustments to deferred tax liabilities resulting from the impairment of a Lemonaid U.K. intangible asset. Provision for (benefit from) income taxes was immaterial for fiscal 2024.

Segment 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, litigation settlements, gains or losses on dispositions of subsidiaries, acquisition transaction-related costs, and cybersecurity incident expenses, net of probable insurance recoveries, 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 fiscal years indicated on a Company-wide basis and for each of our segments:

	Year Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentages)			
Segment Revenue: [1]				
Consumer and Research Services	219,638	299,489	(79,851)	(27)%
Total revenue	219,638	299,489	(79,851)	(27)%
Segment Adjusted EBITDA:				
Consumer and Research Services Adjusted EBITDA	(36,769)	(17,997)	(18,772)	104 %
Therapeutics Adjusted EBITDA	(91,025)	(88,503)	(2,522)	3 %
Unallocated Corporate [2]	(48,002)	(54,801)	6,799	(12)%
Total Adjusted EBITDA	(175,796)	(161,301)	(14,495)	9 %
Reconciliation of net loss to Adjusted EBITDA:				
Net loss	(666,704)	(311,656)	(355,048)	114 %
Adjustments				
Interest income, net	(14,331)	(9,676)	(4,655)	48 %
Other (income) expense, net	(506)	93	(599)	(644)%
Provision for (benefit from) income taxes	73	(2,772)	2,845	(103)%
Depreciation and amortization	18,033	20,239	(2,206)	(11)%
Amortization of acquired intangible assets	11,448	16,486	(5,038)	(31)%
Impairment of acquired intangible asset	—	9,968	(9,968)	(100)%
Stock-based compensation expense	120,209	116,017	4,192	4 %
Litigation settlement[3]	98	—	98	100 %
Loss on disposition of Lemonaid Health Limited and transaction-related costs [4]	2,375	—	2,375	100 %
Goodwill impairment [5]	351,744	—	351,744	100 %
Cybersecurity incident expenses, net of probable insurance recoveries [6]	1,765	—	1,765	100 %
Total Adjusted EBITDA	(175,796)	(161,301)	(14,495)	9 %

(1) All product and service revenue is associated with the Consumer and Research Services segment and there was no Therapeutics segment revenue for fiscal 2024, 2023 and fiscal 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) Litigation settlement is not expected to occur on a recurring basis and not part of the Company's normal and continued business activity.

(4) Refer to Note 19, "*Disposition of Subsidiary*" for additional information.

(5) Refer to Note 10, "*Balance Sheet Components — Goodwill*" for additional information.

(6) Refer to Note 13, "*Commitments and Contingencies — Cybersecurity Incident*" for additional information.

Consumer and Research Services

Adjusted EBITDA for the Consumer and Research Services segment declined by $18.8 million, or 104%, for fiscal 2024, as compared to fiscal 2023, due to a decrease of $79.9 million, or 27%, in Consumer and Research Services revenue, partially offset by a decrease in expenses of $61.1 million, or 19%.

Consumer and Research Services revenue decreased due primarily to a decrease in consumer revenue of $44.9 million, which included a decrease of $40.5 million in PGS kit revenue driven mainly by lower PGS kit sales volume, partially offset by a slightly higher average selling price due to favorable price realization versus the prior year. Also contributing to the decrease in consumer revenue was a $4.4 million decrease in telehealth services revenue and a $5.8

million decrease in telehealth tangible product revenue primarily due to fewer medical visits and lower pharmacy sales, respectively, compared to the prior year. These decreases in consumer revenue were partially offset by a $5.8 million increase in PGS membership services revenue compared to the prior year. The decrease in Consumer and Research Services revenue was also driven by a $35.0 million decrease in research services revenue, primarily attributable to a decrease of $35.6 million related to the original GSK Agreement due to approximately four months of original GSK Agreement revenue in fiscal 2024, as the agreement terminated in July 2023, compared to a full year of revenue in fiscal 2023. This decrease was partially offset by an increase in revenue under other research services contracts with third parties of $0.6 million.

Consumer and Research Services expenses decreased due to a $21.8 million decrease in shipping and fulfillment, lab supplies and processing, and PGS kit costs due to lower PGS kit sales volume, as well as a $15.7 million decrease in advertising and brand-related expenses due to a reduction in marketing campaigns and spending. In addition, there was a $12.8 million decrease in payroll-related expenses primarily related to the June 2023 reduction in force and the disposition of Lemonaid Health Limited. There was also a $3.3 million decrease in outside services, a $2.8 million decrease in allocations, and a $4.7 million decrease in various other expenses.

Therapeutics

Adjusted EBITDA for the Therapeutics segment declined by $2.5 million, or 3%, for fiscal 2024 as compared to fiscal 2023 resulting from a net increase in expenses. Due to the termination of the original GSK Agreement in July 2023, expenses that were historically allocated to the Consumer and Research Services segment were reduced, resulting in an increase of $3.9 million in net allocations for the Therapeutics segment. In addition, there was a $1.4 million increase in lab-related research services and a $1.3 million increase in outside services from advancing our proprietary and collaboration therapeutics programs, although there was a significant reduction in lab-related research services in the latter half of fiscal 2024 due to the conclusion of the original GSK Agreement in July 2023, as well as a $1.0 million increase in other expenses. These increases were partially offset by a $4.7 million decrease in payroll-related expenses related to the August 2023 reduction in force and a $0.4 million decrease in other expenses. There was no revenue for the Therapeutics segment during fiscal 2024 or fiscal 2023.

Liquidity and Capital Resources

We have financed our operations primarily through sales of equity securities and 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 March 31, 2024, our principal source of liquidity was our cash and cash equivalents balance of $216.5 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 $2.2 billion as of March 31, 2024. Based on our current cash resources and the reductions in force undertaken in June and August 2023, we believe that our cash as of March 31, 2024 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 consolidated financial statements and accompanying notes included elsewhere in this Form 10-K.

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 $150.0 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 our 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 our 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-K, we have 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 by our customers and other risks set forth in Part I, Item 1A, "*Risk Factors,*" of this Form 10-K. We will require additional financing to execute our ongoing and future operations and expect to continue to maintain financing flexibility in the current market conditions. 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.

On November 10, 2023, we received a deficiency letter (the "Nasdaq Letter") from the Nasdaq Listing Qualifications Department, notifying us that we are not in compliance with Nasdaq Listing Rule 5450(a)(1), which requires us to maintain a minimum bid price of at least $1.00 per share for continued listing on The Nasdaq Global Select Market (the "Minimum Bid Requirement"). We did not regain compliance during the initial compliance period. On May 9, 2024, we received a notification letter from the staff of Nasdaq notifying us that we had been granted an additional 180 days, or until November 4, 2024, to regain compliance with the Minimum Bid Requirement, See Note 2, "*Summary of Significant Accounting Policies — Liquidity*" included elsewhere in this Form 10-K for details.

For the fiscal year ended March 31, 2024, there were no material changes outside of the ordinary course of business in our commitments and contractual obligations. See Note 13, "*Commitments and Contingencies*" to our consolidated financial statements included elsewhere in this Form 10-K for additional details.

Cash Flows

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

	Year Ended March 31,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	$ (164,319)	$ (165,390)
Net cash used in investing activities	$ (9,626)	(11,305)
Net cash provided by financing activities	$ 3,584	$ 9,777

Cash Flows from Operating Activities

Net cash used in operating activities of $164.3 million for fiscal 2024 was primarily related to a net loss of $666.7 million, partially offset by non-cash charges for goodwill impairment of $351.7 million, stock-based compensation of $120.2 million, depreciation and amortization of $23.2 million, amortization and impairment of internal-use software of $6.3 million, and loss on the disposition of Lemonaid Health of $2.0 million. The net changes in operating assets and liabilities of $0.5 million were primarily related to an increase in inventories of $2.2 million primarily due to lower than expected sales during the holiday season, an increase in accounts receivable of $1.4 million primarily due to timing of customer billing, and an increase in prepaid expenses and other current assets of $1.2 million primarily due to an increase in estimated insurance recovery related to the cybersecurity incident, a decrease in operating lease liabilities of $8.8 million primarily due to lease payments, a decrease in accrued and other current liabilities of $7.1 million primarily due to timing of vendor invoice receipts and decrease in employee compensation and vacation, and a decrease in accounts payable of $1.0 million primarily due to timing of vendor payments. These were partially offset by an increase in deferred revenue of $12.3 million as a result of an increase in research services deferred revenue related to the 2023 GSK Amendment and increases in PGS deferred revenue, a decrease in operating right-of-use assets of $7.2 million primarily due to right-of-use assets amortization, and a decrease in other assets of $1.2 million as a result of spending reduction on long-term contracts.

Net cash used in operating activities of $165.4 million for fiscal 2023 was primarily related to a net loss of $311.7 million, partially offset by non-cash charges for stock-based compensation of $116.0 million, depreciation and amortization of $32.1 million, impairment of long-lived assets of $10.1 million, and amortization and impairment of internal-use software of $4.4 million. The net changes in operating assets and liabilities of $16.5 million were primarily related to a decrease in accounts payable of $24.6 million primarily due to timing of vendor payments, a decrease in operating lease liabilities of $8.9 million primarily due to lease payments, a decrease in other liabilities of $3.2 million primarily due to the reversal of a deferred tax liability related to U.K. intangibles, and a decrease in deferred revenue of $0.4 million as a result of decreases in PGS deferred revenue primarily due to more revenue recognized than kit sales during the period, largely offset by increased deferred revenue related to the original GSK Agreement. These were partially offset by a decrease in accounts receivable of $1.5 million primarily due to timing of customer billing, a decrease in prepaid expenses and other current assets of $6.7 million primarily due to the receipt of insurance claim payments, a decrease in deferred cost of revenue of $2.3 million primarily due to a decrease in PGS kit sales, a decrease in operating right-of-use assets of $7.4 million primarily due to right-of-use assets amortization, and an increase in accrued and other current liabilities of $2.7 million due to timing of vendor invoice receipts.

Cash Flows from Investing Activities

Net cash used in investing activities was $9.6 million for fiscal 2024, which primarily consisted of capitalized internal-use software costs of $8.5 million and purchases of property and equipment of $1.1 million.

Net cash used in investing activities was $11.3 million for fiscal 2023, which primarily consisted of capitalized internal-use software costs of $7.3 million and purchases of property and equipment of $4.0 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was $3.6 million for fiscal 2024, which consisted of $0.9 million in proceeds from the exercise of stock options, $3.3 million in proceeds from the issuance of Class A common stock under the ESPP, partially offset by $0.4 million in payments of deferred offering costs, and $0.2 million in payments for taxes related to net share settlement of equity awards.

Net cash provided by financing activities was $9.8 million for fiscal 2023, which consisted of $10.7 million in proceeds from the issuance of common stock under employee equity plans, partially offset by $0.7 million in payments of deferred offering costs, and $0.2 million in payments for taxes related to net share settlement of equity awards.

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 1.8 years to 7.3 years. Refer to Note 12, "*Leases,*" to our consolidated financial statements included elsewhere in this Form 10-K 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 13, "*Commitments and Contingencies,*" and Note 21, "*Subsequent Events — Purchase Obligations*" to our consolidated financial statements included elsewhere in this Form 10-K for a summary of our commitments as of March 31, 2024.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the related notes thereto included elsewhere in this Form 10-K are prepared in accordance with GAAP. The preparation of 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 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 consolidated financial statements and related notes included in this Form 10-K.

Our significant accounting policies are described in Note 2 to our consolidated financial statements included elsewhere in this Form 10-K. These are the policies that we believe are the most critical to aid in fully understanding and evaluating our 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, as well as 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 $22.1 million and $27.7 million for the fiscal 2024 and fiscal 2023, respectively. A hypothetical ten percent change in our breakage rate estimate would not have a material impact on total revenue recognized during fiscal 2024.

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 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. After the measurement period, not to exceed one year from the date of acquisition, any adjustments to fair value are reflected in the 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.

We estimate the fair value of the Consumer and Research Services reporting unit considering the use of various valuation techniques, with the primary being an income approach (discounted cash flow method) and market approach (guideline public company method), which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. The results from each of these approaches are weighted appropriately taking into account the relevance and availability of data at the time we perform the valuation. The estimate of the fair value of the reporting unit includes several judgments, each with inherent uncertainties such as projections of revenue growth rates, gross margin, and projected future cash flows of the reporting unit and the discount rate applied to those projected future cash flows.

The discount rate used in the income approach is based on our weighted-average cost of capital and may be adjusted for the relevant risks associated with business-specific characteristics and any uncertainty related to the reporting unit's ability to execute on the projected future cash flows. Under the market approach, the fair value is determined using certain financial metrics of publicly traded companies. The selection of comparable businesses requires judgment and is based on the markets in which we operate giving consideration to, among other things, risk profiles, size, and geography.

The carrying value of the long-lived assets in the asset group, including definite-lived intangible assets, is reviewed whenever events or changes in circumstances indicate the carrying amount of the assets might not be recoverable. If such facts indicate a potential impairment, we would assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life. If the recoverability test indicates the carrying value of the asset group is not recoverable, we would estimate the fair value of the asset group using the discounted cash flow method. Any impairment would be measured as the difference between the asset group's carrying amount and its estimated fair value. Significant judgments and estimates are required in assessing impairment of these assets, including estimating future cash flows, determining appropriate discount rates and estimating the residual value of the assets.

Determining the fair value of the Consumer and Research Services reporting unit requires judgment and the use of significant estimates and assumptions. Given the current competitive and macroeconomic environment and the uncertainties regarding the related impact on the business, there can be no assurance that the estimates and assumptions made for purposes of our interim and annual goodwill and long-lived asset impairment tests will prove to be accurate predictions of the future.

In connection with our annual goodwill impairment assessment as of January 1, 2024, we identified a sustained decline in market capitalization, based on our publicly quoted share price, lower than expected financial performance and macroeconomic conditions that existed as of December 31, 2023. As of December 31, 2023, we concluded that it was more likely than not that the estimated fair value of the Consumer and Research Services reporting unit was less than its carrying value. Accordingly, we performed our annual goodwill impairment assessment. Given our quantitative assessment resulted in the fair value of our Consumer and Research Services reporting unit being less than our Consumer and Research Services reporting unit's carrying value, we recorded a goodwill impairment charge of $198.8 million in the third quarter of the fiscal year ended March 31, 2024. We performed a long-lived asset recoverability test for the Consumer and Research Services segment as of December 31, 2023 and determined that undiscounted future cash flows exceeded the carrying amount of the asset group and were recoverable.

Subsequent to our annual impairment testing, in connection with the preparation of the financial statements for fiscal 2024 included in this Annual Report on Form 10-K, we identified a further sustained decline in market capitalization, based on our publicly quoted share price, requiring an interim impairment test for goodwill as of March 31, 2024. The Company performed an interim step one quantitative test for its Consumer and Research Services reporting unit and determined that the estimated fair value of the reporting unit was less than its carrying value. Based on the result of our interim goodwill impairment test as of March 31, 2024, we recorded an additional impairment charge of $152.9 million to write off the remaining balance of the Consumer and Research Services reporting unit's goodwill resulting in a total goodwill impairment charge of $351.7 million for fiscal 2024. As of March 31, 2024, our goodwill balance was fully impaired with no balance remaining. We performed a long-lived asset recoverability test for the Consumer and Research Services segment as of March 31, 2024 and determined that undiscounted future cash flows exceeded the carrying amount of the asset group and were recoverable.

These goodwill impairment charges were included in goodwill impairment in the consolidated statements of operations and comprehensive loss in the Consumer and Research Services segment. There were no impairment charges to goodwill for fiscal 2023 and fiscal 2022.

Recently Issued Accounting Pronouncements

See Note 2 "*Summary of Significant Accounting Policies - Recently Issued Accounting Pronouncements*" in our financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7A. 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 March 31, 2024, we had $216.5 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 fiscal 2024, fiscal 2023 and fiscal 2022 would not have had a material impact on our historical 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 consolidated financial statements for fiscal 2024 fiscal 2023 and fiscal 2022. To date, we have not engaged in any hedging strategies. If our international activities grow, we will continue to reassess our approach to manage the risk relating to fluctuations in currency rates.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors

23andMe Holding Co.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of 23andMe Holding Co. and subsidiaries (the Company) as of March 31, 2024 and March 31, 2023, the related consolidated statements of operations and comprehensive loss, redeemable convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended March 31, 2024, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of March 31, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and March 31, 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2024, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Sufficiency of audit evidence over revenue recognition

As noted in Note 5, the consolidated financial statements, the Company generated $145.1 million of point-in-time revenue related to its Personal Genome Service (PGS) for the year-ended March 31, 2024. The processing and recording of PGS revenue are reliant upon multiple information technology (IT) systems.

We identified the evaluation of the sufficiency of audit evidence over the PGS revenue recognition as a critical audit matter. The Company's PGS revenue recognition process is highly automated and is reliant upon multiple IT systems. Subjective auditor judgment was required to evaluate the sufficiency of audit evidence obtained because of the complexity of the IT environment related to the revenue recognition process and required the involvement of IT professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the IT elements of PGS revenue recognition, including the determination of IT systems for which those procedures were performed based on the information processed by the systems. We evaluated the design and tested the operating effectiveness of certain internal controls within the Company's PGS revenue recognition process. We involved IT professionals with specialized skills and knowledge, who assisted in (i) gaining an understanding of IT systems and (ii) testing certain general IT controls, IT application controls, and key reports within the Company's PGS revenue recognition process. For a sample of PGS revenue, we traced the recorded amounts to third party source documents and system records. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence.

Goodwill Impairment Assessment of the Consumer and Research Services Reporting Unit

As discussed in Notes 2 and 10 to the consolidated financial statements, goodwill is tested each fiscal year 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. In connection with a sustained decline in market capitalization, lower than expected financial performance and macroeconomic conditions, the Company recorded goodwill impairment charges totaling $351.7 million during the fiscal year ended March 31, 2024, which represented the entire goodwill balance of the Consumer and Research Services reporting unit. Estimating the fair value of the Consumer and Research Services reporting unit involved use of the market approach method.

We identified the evaluation of the goodwill impairment of the Company's Consumer and Research Services reporting unit as a critical audit matter. A high degree of subjective auditor judgment was required to evaluate the method and assumptions used in the Company's estimate of the fair value of the Consumer and Research Services reporting unit. Specifically, utilization of the market approach as a method for determining the fair value of the Consumer and Research Services reporting unit, and the evaluation of the allocation of enterprise value between the Therapeutics and Consumer and Research Services reporting units, based on guideline public company assumptions and information, required subjective auditor judgement and specialized skills and knowledge. Changes to the method or assumptions could have had a significant effect on the Company's assessment of the carrying value of the goodwill.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the goodwill impairment process. This included controls related to the selection and application of the market approach and the allocation of the Company's enterprise value between the Therapeutics and Consumer and Research Services reporting units. We evaluated the appropriateness of the criteria used to select guideline public companies (GPCs) for the Therapeutics reporting unit by considering the stage of development, therapeutic area, and geographic location of the GPCs. We evaluated the allocation of enterprise value made by the Company to the Therapeutics reporting unit by comparing such value to a range of the market capitalization of the selected GPCs as of March 31, 2024. We involved valuation professionals with specialized skills and knowledge, who assisted in (1) assessing the appropriateness of the valuation approach utilized, (2) independently generating a list of GPCs using the selected criteria and (3) comparing the market capitalization data for the selected GPCs used by management to third-party industry information, as of March 31, 2024.

/s/ KPMG LLP

We have served as the Company's auditor since 2020.

Santa Clara, California
May 30, 2024

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

	March 31, 2024	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 216,488	$ 386,849
Restricted cash	1,399	1,399
Accounts receivable, net	3,324	1,897
Inventories	12,465	10,247
Deferred cost of revenue	4,792	5,376
Prepaid expenses and other current assets	16,841	19,224
Total current assets	255,309	424,992
Property and equipment, net	28,351	38,608
Operating lease right-of-use assets, net	48,894	56,078
Restricted cash, noncurrent	6,974	6,974
Internal-use software, net	20,516	15,661
Intangible assets, net	33,255	45,520
Goodwill	—	351,744
Other assets	1,868	3,021
Total assets	$ 395,167	$ 942,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (includes related party amounts of $3,809 and $3,186, respectively)	$ 11,571	$ 12,924
Accrued expenses and other current liabilities (includes related party amounts of $6,752 and $8,738, respectively)	42,263	66,430
Deferred revenue (includes related party amounts of $10,999 and $11,753, respectively)	64,827	62,521
Operating lease liabilities	8,670	7,541
Total current liabilities	127,331	149,416
Deferred revenue, noncurrent (includes related party amounts of $10,000 and nil, respectively)	10,000	—
Operating lease liabilities, noncurrent	67,845	77,763
Other liabilities	1,471	1,480
Total liabilities	206,647	228,659
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock — par value $0.0001, 10,000,000 shares authorized as of March 31, 2024 and 2023; zero shares issued and outstanding as of March 31, 2024 and 2023	—	—
Common stock, par value $0.0001 — Class A shares, 1,140,000,000 shares authorized, 323,394,807 and 293,020,474 shares issued and outstanding as of March 31, 2024 and March 31, 2023, respectively; Class B shares, 350,000,000 shares authorized, 166,724,586 and 168,179,488 shares issued and outstanding as of March 31, 2024 and 2023, respectively	49	46
Additional paid-in capital	2,361,559	2,220,897
Accumulated other comprehensive income (loss)	—	(620)
Accumulated deficit	(2,173,088)	(1,506,384)
Total stockholders' equity	188,520	713,939
Total liabilities and stockholders' equity	$ 395,167	$ 942,598

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

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

	Year Ended March 31,		
	2024	**2023**	**2022**
Revenue:			
Service (includes related party revenue of $12,004, $47,448, and $46,064, respectively)	$ 191,816	$ 265,840	$ 257,749
Product	27,822	33,649	14,144
Total revenue	219,638	299,489	271,893
Cost of revenue:			
Service (includes related party cost of $295, $530, and $299, respectively)	108,116	150,595	135,027
Product	12,145	14,398	3,921
Total cost of revenue	120,261	164,993	138,948
Gross profit	99,377	134,496	132,945
Operating expenses:			
Research and development (includes related party expenses of $12,771, $10,709 and $23,954, respectively)	205,361	222,596	189,377
Sales and marketing	85,600	119,927	100,338
General and administrative	129,772	115,984	97,383
Restructuring and other charges	8,368	—	—
Goodwill impairment	351,744	—	—
Total operating expenses	780,845	458,507	387,098
Loss from operations	(681,468)	(324,011)	(254,153)
Other income (expense):			
Interest income, net	14,331	9,676	277
Change in fair value of warrant liabilities	—	—	32,989
Other income (expense), net	506	(93)	(83)
Loss before income taxes	(666,631)	(314,428)	(220,970)
Provision for (benefit from) income taxes	73	(2,772)	(3,480)
Net loss	(666,704)	(311,656)	(217,490)
Other comprehensive income (loss), net of tax	620	(799)	179
Total comprehensive loss	$ (666,084)	$ (312,455)	$ (217,311)
Net loss per share of Class A and Class B common stock attributable to common stockholders:			
Basic and diluted	$ (1.40)	$ (0.69)	$ (0.60)
Weighted-average shares used to compute net loss per share:			
Basic and diluted	475,982,265	451,504,377	361,528,119

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

23ANDME HOLDING CO.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share and per share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of March 31, 2021	209,181,855	$ 837,351	124,529,784	$ 12	$ 381,607	$ —	$ (977,238)	$ (595,619)
Preferred stock conversion	(209,181,855)	(837,351)	209,181,855	21	837,330	—	—	837,351
Issuance of common stock upon Merger (net of transaction costs of $33,726)	—	—	46,901,747	5	200,574	—	—	200,579
Issuance of PIPE shares (related party amount of $25,000)	—	—	25,000,000	3	249,997	—	—	250,000
Issuance of common stock upon exercise of stock options	—	—	5,808,526	—	16,831	—	—	16,831
Issuance of common stock for acquisition of business	—	—	30,572,268	3	322,842	—	—	322,845
Issuance of common stock for Class A common stock warrant exercise	—	—	6,016,347	1	42,355	—	—	42,356
Stock-based compensation expense	—	—	—	—	58,624	—	—	58,624
Issuance of common stock upon release of RSUs	—	—	801,794	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	179	—	179
Net loss	—	—	—	—	—	—	(217,490)	(217,490)
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	—	—	2,748,796	—	4,203	—	—	4,203
Issuance of common stock upon release of RSUs	—	—	7,062,152	1	(1)	—	—	—
Net share settlements for stock-based minimum tax withholdings	—	—	(65,620)	—	(197)	—	—	(197)
Issuance of common stock under employee stock purchase plan			2,642,313	—	6,463	—	—	6,463
Stock-based compensation expense	—	—	—	—	100,269	—	—	100,269
Other comprehensive loss	—	—	—	—	—	(799)	—	(799)
Net loss	—	—	—	—	—	—	(311,656)	(311,656)
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	—	—	2,082,713	—	909	—	—	909
Issuance of common stock upon release of RSUs	—	—	12,684,049	1	(1)	—	—	—
Issuance of common stock upon release of RSUs under the 2022 Annual Incentive Plan	—	—	9,019,049	1	18,729	—	—	18,730
Net share settlements for stock-based minimum tax withholdings	—	—	(195,951)	—	(230)	—	—	(230)
Issuance of common stock under employee stock purchase plan	—	—	5,329,571	1	3,262	—	—	3,263
Stock-based compensation expense	—	—	—	—	117,993	—	—	117,993
Other comprehensive income	—	—	—	—	—	620	—	620
Net loss	—	—	—	—	—	—	(666,704)	(666,704)
Balance as of March 31, 2024	—	$ —	490,119,393	$ 49	$ 2,361,559	$ —	$ (2,173,088)	$ 188,520

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

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

	Year Ended March 31, 2024	2023	2022
Cash flows from operating activities:			
Net loss	$ (666,704)	$ (311,656)	$ (217,490)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	23,227	32,071	23,699
Amortization and impairment of internal-use software	6,255	4,427	2,449
Stock-based compensation expense	120,209	116,017	57,933
Changes in fair value of warrant liabilities	—	—	(32,989)
Impairment of long-lived assets	—	10,126	—
Goodwill impairment	351,744	—	—
Loss on disposition of Lemonaid Health Limited	2,026	—	—
Other operating activities	(529)	77	85
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,427)	1,483	(899)
Inventories	(2,218)	542	(4,262)
Deferred cost of revenue	584	2,325	(2,219)
Prepaid expenses and other current assets	(1,231)	6,653	(10,077)
Operating lease right-of-use assets	7,185	7,393	7,078
Other assets	1,152	(429)	(1,820)
Accounts payable (includes related party amounts of $623, $(9,381) and $8,145, respectively)	(996)	(24,573)	22,856
Accrued expenses and other current liabilities (includes related party amounts of $(1,986), $2,966 and $(1,293), respectively)	(7,104)	2,671	8,316
Deferred revenue (includes related party amounts of $9,246, $2,572 and $(20,959), respectively)	12,307	(418)	(8,799)
Operating lease liabilities	(8,790)	(8,934)	(7,054)
Other liabilities	(9)	(3,165)	(3,635)
Net cash used in operating activities	(164,319)	(165,390)	(166,828)
Cash flows from investing activities:			
Purchases of property and equipment	(1,129)	(4,048)	(3,968)
Proceeds from sale of property and equipment	30	5	1
Purchases of intangible assets	—	—	(5,500)
Capitalized internal-use software costs	(8,527)	(7,262)	(4,505)
Cash paid for acquisitions, net of cash acquired	—	—	(94,165)
Net cash used in investing activities	(9,626)	(11,305)	(108,137)
Cash flows from financing activities:			
Proceeds from exercise of stock options	909	4,203	16,998
Proceeds from issuance of common stock under employee stock purchase plan	3,262	6,464	—
Payments for taxes related to net share settlement of equity awards	(230)	(197)	—
Payments of deferred offering costs	(357)	(693)	(30,642)
Proceeds from issuance of common stock upon merger	—	—	309,720
Proceeds from PIPE (includes related party amounts of nil, nil and $25,000, respectively)	—	—	250,000
Proceeds from exercise of merger warrants	—	—	44
Payment for warrant redemptions	—	—	(116)
Net cash provided by financing activities	3,584	9,777	546,004
Effect of exchange rates on cash and cash equivalents	—	385	(146)
Net (decrease) increase in cash, cash equivalents and restricted cash	(170,361)	(166,533)	270,893
Cash, cash equivalents and restricted cash — beginning of period	395,222	561,755	290,862
Cash, cash equivalents and restricted cash — end of period	$ 224,861	$ 395,222	$ 561,755
Supplemental disclosures of non-cash investing and financing activities:			
Purchases of property and equipment included in accounts payable and accrued expenses	$ 97	$ 473	$ 722
Stock-based compensation capitalized for internal-use software costs	$ 3,606	$ 3,191	$ 1,166
Reclassification of deferred offering costs	$ —	$ —	$ 3,971
Assumption of merger warrants liability	$ —	$ —	$ 75,415
Deferred offering costs during the period included in accounts payable and accrued expenses	$ 1	$ 45	$ —
Conversion of redeemable convertible preferred stock to common stock	$ —	$ —	$ 837,351
Redemption/exercise of Class A common stock warrants	$ —	$ —	$ 42,354
Stock consideration in acquisition of businesses, including fair value of common stock issued and stock-based awards that were vested	$ —	$ —	$ 322,842
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown in the consolidated statements of cash flows above:			
Cash and cash equivalents	$ 216,488	$ 386,849	$ 553,182
Restricted cash, current	1,399	1,399	1,599
Restricted cash, noncurrent	6,974	6,974	6,974
Total cash, cash equivalents and restricted cash	$ 224,861	$ 395,222	$ 561,755

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

23ANDME HOLDING CO.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 optimize their health by providing consumers direct access to their genetic information, personalized reports, actionable insights and digital access to affordable healthcare professionals through our telehealth platform, Lemonaid Health, Inc.

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: (1) Consumer, and Research Services, and (2) Therapeutics.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principle of Consolidation

The Company’s 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 fiscal years ended March 31, 2024, 2023 and 2022, the Company’s operations were primarily in the United States. For the fiscal years ended March 31, 2024, 2023 and 2022, the Company had immaterial operations in the United Kingdom (“U.K.”) prior to the disposition of its U.K. subsidiary on August 1, 2023.

Reclassification

Beginning in fiscal year 2024, the amounts previously presented as revenue and cost of revenue in the consolidated statements of operations and comprehensive loss have been updated to present tangible product and services separately. Prior periods have been reclassified to conform to the current period presentation. The reclassification did not have any impact on total revenue, total cost of revenue, gross profit or net income.

Fiscal Year

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

Use of Estimates

The preparation of 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 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 fair value of reporting units relative to the carrying amount of goodwill; the incremental borrowing rate for operating leases; the fair value of private warrants; 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 fair value of the Company's common stock prior to the Closing Date of the Merger; the assumptions used in going concern assessments; 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 consolidated financial statements.

During the fiscal year ended March 31, 2022, the Company recorded an adjustment to revenue related to a change in estimate in connection with the collaboration agreement with GlaxoSmithKline plc ("GSK"). The change in estimate was driven by a change in the total project resources resulting in a reduction in the total estimated project hours, which impacted the measurement of progress of the arrangement using the input method. The adjustment increased revenue by $9.0 million, decreased net loss by $9.0 million and decreased the Company's basic and diluted net loss per share by $0.02 for the fiscal year ended March 31, 2022.

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 consolidated financial statements as soon as they become known.

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 one separate single supplier accounted for 100% of the Company's total purchases of Kits for the fiscal years ended March 31, 2024, 2023 and 2022. One laboratory service provider accounted for 100% of the Company's processing of customer samples for the fiscal years ended March 31, 2024, 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 5, "*Revenue,*" for additional information regarding geographical disaggregation of revenue. The Company grants credit to its customers in the normal course of business, performs credit evaluations of its significant customers on an as-needed basis, and does not require collateral. Concentrations of credit risk are limited as the Company's trade receivables are primarily related to third parties, which collect its credit card receivables, and large multinational corporations. The Company regularly monitors the aging of accounts receivable balances.

Significant customer information is as follows:

	March 31, 2024	March 31, 2023
Percentage of accounts receivable:		
Customer C [(1)]	59 %	69 %
Customer F	— %	27 %
Customer I	30 %	— %

(1) Customer C is a reseller

	Year Ended March 31,		
	2024	2023	2022
Percentage of revenue:			
Customer C [(1)]	22 %	22 %	20 %
Customer B	5 %	16 %	17 %

(1) Customer C is a reseller

Cash, Cash Equivalents and Restricted Cash

Cash consists of bank deposits held at financial institutions. Cash in U.S. banks is insured to the extent defined by the Federal Deposit Insurance Corporation. Cash equivalents consist primarily of short-term money market funds. The Company maintains certain cash amounts restricted as to its withdrawal or use. The Company held total restricted cash of $8.4 million as of March 31, 2024 and 2023, which are related to letters of credit in connection with operating lease agreements, as well as collateral held against the Company's corporate credit cards.

Fair Value Measurements

Fair value is defined as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy, which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Three levels of inputs may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Accounts Receivable, Net

Accounts receivable is recorded at the invoiced amount, net of estimated reserves for customer refunds, sales incentives, and bad debt, and is not interest-bearing. Accounts receivable represent amounts billed to the customers for bulk order and retail sales, and amounts billed under research services arrangements. Receivables are stated at amounts estimated by management to be equal to their net realizable values. The allowance for doubtful accounts is the Company's best estimate of the amount of expected credit losses on its accounts receivable. The Company's expectation of collectability is based on the financial condition of the customer and the amount of any receivables in dispute. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and an allowance is recorded accordingly. The reserves for customer refunds, sales incentives and bad debt were immaterial for all periods presented.

Inventories

Inventories consist primarily of raw material of Kits and DNA microarrays and are stated at the lower of cost or net realizable value. Kits are shipped to and stored at third-party warehouses and retail consignment sites. DNA microarrays are shipped and stored at third-party laboratories. All inventories are expected to be delivered to the Company's customers within a normal operating cycle for the Company, which is 12 months. Accordingly, all the Company's Kits and DNA microarrays are classified as current assets in the consolidated balance sheets. Cost is determined using standard cost, which approximates the average cost of the inventory items, including shipping and taxes. The Company has determined that all of its inventories would be sold above cost, and that no reserve for lower of cost or net realizable value is required for the Company's inventories as of March 31, 2024 and 2023.

Deferred Cost of Revenue

Deferred cost of revenue consists primarily of the purchase costs and shipping and fulfillment costs of Kits that have been shipped to consumers and non-consigned retail sites. Deferred cost of revenue is recognized as cost of revenue when the performance obligation to which it relates is fulfilled, which is when the Kit is processed and initial results are made available to the customer, and the respective deferred revenue is recognized.

Property and Equipment, Net

Property and equipment are stated at cost net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets, and any resulting gain or loss is reflected in consolidated statements of operations and comprehensive loss in the period realized.

The estimated useful lives of the Company's property and equipment are as follows:

Computer equipment and software	3 years
Laboratory equipment and software	5 years
Furniture and office equipment	5 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

Internal-Use Software

The Company capitalizes certain costs related to the development of its customer platform and other internal-use software, primarily consisting of employee-related costs. Costs incurred during the application development phase are capitalized only when the Company believes it is probable the development will result in new or additional functionality. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Internal-use software is amortized using the straight-line method over the estimated useful life, which is generally two to four years.

Goodwill and Intangible Assets

Goodwill represents the excess purchase price of acquired businesses over the fair values attributed to underlying net tangible assets and identifiable intangible assets. The Company tests 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 the Consumer and Research Services reporting unit. If, after assessing the totality of these qualitative factors, the Company determines 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, the Company will perform a 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. For results of the Company's goodwill impairment analysis performed during the fiscal year ended March 31, 2024, see Note 10, "*Balance Sheet Components — Goodwill*."

Acquired intangible assets consist of identifiable intangible assets resulting from business combinations. Acquired finite-lived intangible assets are initially recorded at fair value and are amortized on a straight-line basis over their estimated useful lives. Amortization expense is recognized within cost of revenue for developed technology, sales and marketing expense for customer relationships, partnerships, and trademark, and general and administrative expense for non-compete agreements, in the consolidated statements of operations and comprehensive loss. Other intangible assets consist of purchased patents.

Intangible assets are carried at cost less accumulated amortization and are amortized over the period of estimated benefit using the straight-line method and their estimated useful lives. Amortization for patents is recognized in research and development and general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, such as property and equipment, internal-use software, acquired intangible assets, and right of use assets related to operating leases for impairment whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable. The recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows these assets are expected to generate. If the undiscounted cash flows are less than the asset group's carrying amount, the Company then determines the asset group's fair value by using a discounted cash flow analysis. If the recoverability test indicates the carrying value of the asset group is not recoverable, the Company would estimate the fair value of the asset group using the discounted cash flow method. An impairment would be recognized in the event the carrying amount of such assets exceeds the fair value attributable to such assets. The useful lives of long-lived assets are evaluated whenever events or circumstances warrant a revision to the remaining amortization period.

Leases

The Company determines if an arrangement is or contains a lease at inception. The Company evaluates classification of leases as either operating or finance at commencement and, as necessary, at modification. Operating leases are included in operating lease right-of-use ("ROU") assets, other accrued liabilities, and operating lease liabilities on the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments under the lease. Operating lease ROU assets and liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. As the Company's leases generally do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes initial direct costs incurred and lease payments made prior to lease commencement less lease incentives received. Variable lease payments not dependent on an index or a rate are expensed as incurred and are not included within the ROU asset and lease liability calculation. Variable lease payments primarily include property taxes and costs incurred by lessors for common area maintenance. The Company's lease terms are the non-cancelable period stated in the contract, including any rent-free periods provided by the lessor, adjusted for any options to extend or terminate when it is reasonably certain that the Company will exercise that option. The Company accounts for lease and non-lease components in its lease agreements as a single lease component in determining lease assets and liabilities. In addition, the Company does not recognize the right-of-use assets and liabilities for leases with lease terms of twelve months or less.

Revenue Recognition

The Company generates revenue primarily from its Consumer & Research Services segment, which includes revenue from its Personal Genome Service® ("PGS"), telehealth, and research services. In accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Company expects to receive in exchange for transferring the products or services to a customer (the "transaction price"). The transaction price includes various forms of variable consideration, as discussed below. In general, the transaction price is evaluated at contract inception.

For contracts with multiple performance obligations, the transaction price is allocated to each performance obligation on a relative stand-alone selling price ("SSP") price basis. The SSP is determined at contract inception and is not updated to reflect changes between contract inception and when the performance obligations are satisfied. Determining the

SSP for performance obligations requires significant judgment. The SSP for each performance obligation is based on the prices at which the Company separately sells the products and services. If an observable price from stand-alone sales is not available, the Company uses the adjusted market assessment approach, using reasonably available information and applicable inputs, to estimate the selling price of each performance obligation.

PGS

The Company generates PGS revenue by providing customers with a broad suite of genetic reports, including information on customers' genetic ancestral origins, personal genetic health risks, and chances of passing on certain rare carrier conditions to their children, as well as reports on how genetics can impact responses to medication.

The Company's contracts with customers for PGS services include multiple performance obligations: (1) initial ancestry reports, (2) ancestry updates, (3) initial health reports, (4) health updates, and (5) membership for extended health insights with access to exclusive reports and features. The transaction price for PGS revenue includes the amount of fixed consideration the Company expects to receive, as well as variable consideration related to refunds.

The Company bases its estimates of variable consideration related to refunds on historical data and other information. Estimates include: (i) timing of the returns and fees incurred, (ii) pricing adjustments related to returns and fees, and (iii) the quantity of product that will be returned in the future. Significant judgment is used in determining the appropriateness of these assumptions at each reporting period. Provisions for returns are based on service-level return rates and recent unprocessed return claims, as well as relevant market events and other factors.

The Company estimates the amount of sales that may be refunded and records the estimate as a reduction of revenue and a refund liability in the period the related PGS revenue is recognized. Based on the distribution model for PGS services and the nature of the services being provided, the Company believes there will be minimal refunds and has not experienced material historical refunds.

Revenue is recognized at a point in time upon delivery of the initial ancestry reports and initial health reports to the customer, as the customer obtains control when the report is received.

Revenue is recognized over time for ancestry updates and health updates over the period the customer is estimated to remain active. The Company estimates this period based on the historical average period that the customer continues to engage with the available report updates after the delivery of the initial reports. These updates are provided to the customer, when and if available, throughout the estimated period of activity during which the customer interacts with the PGS service. The Company re-evaluates these estimates annually and adjusts accordingly. The Company has determined that access to the updates, when and if available, that are provided over the estimated period qualifies as a series of distinct goods or services, for which revenue is recognized ratably over the period estimated by the Company.

PGS membership revenue for extended health insights is recognized ratably over the contractual membership period as the customer benefits from having access to these insights evenly throughout this period.

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. To estimate breakage, the Company applies the practical expedient available under ASC 606 to assess its customer contracts on a portfolio basis as opposed to individual customer contracts, due to the similarity of customer characteristics, at the sales channel level. The Company recognizes the breakage amounts as revenue, proportionate to the pattern of revenue recognition of the returning Kits in these respective sales channel portfolios. The Company estimates breakage for the portion of Kits not expected to be returned using an analysis of historical data and considers other factors that could influence customer Kit return behavior. The Company updates its breakage rate estimate periodically and, if necessary, adjusts the deferred revenue balance accordingly. If actual Kit return patterns vary from the estimate, actual breakage revenue may differ from the amounts recorded.

Fees paid to certain sales channel partners include, in part, compensation for obtaining PGS contracts. Such contracts have an amortization period of one year or less, and the Company has applied the practical expedient to recognize these costs as sales and marketing expenses when incurred.

Research Services

The Company generates research services revenue by performing research services under agreements with third parties relating to the use of the Company's genotypic and phenotypic data to perform various research activities, including identifying promising drug targets and further researching specific ailments or patient treatment areas.

The Company's contracts with customers for research services can include multiple performance obligations: (1) genotyping, (2) survey, (3) data analysis, (4) recruitment, (5) web development, (6) project management, and (7) dedicated research time. The transaction price for research services revenue includes the amount of fixed consideration the Company expects to receive, as well as variable consideration including, but not limited to, per participant fees, additional compensation for certain industry approvals, payments for milestones achieved early, and penalties for customer delays. The Company estimates the amount of variable consideration that should be included in the transaction price using either the most likely amount method or the expected amount method.

The Company bases its estimates of variable consideration on historical data and other available information. The Company includes an estimated amount of variable consideration in the transaction price only if it is probable that a subsequent change in the estimate would not result in a significant revenue reversal. Based on the historical data available, the Company believes that there will be minimal amounts of variable consideration earned and, as such, the transaction price for research services is not materially impacted. Variable consideration estimates are revisited at the end of each reporting period and adjustments are made accordingly.

For the majority of research services, to recognize revenue, the Company compares actual hours incurred to date to the overall total expected hours that will be required to satisfy the performance obligation. The use of personnel hours is a reasonable measure of progress as the Company fulfills its contractual obligations through research performed by the Company's personnel. Revenues are recognized over time as the hours are incurred. All estimates are reviewed by the Company at the end of each reporting period and adjustments are made accordingly.

Telehealth

The Company generates telehealth revenues from pharmacy fees, patient fees, and membership fees. The transaction price for telehealth services includes the amount of fixed consideration the Company expects to receive, as well as variable consideration related to sales deductions, including (1) product returns, including return estimates and (2) fees for transaction processing and chargebacks. The Company estimates the amount of variable consideration that should be included in the transaction price using the expected value method.

The Company estimates the amount of sales that may be refunded and records the estimate as a reduction of revenue and a refund liability in the period the related telehealth revenue is recognized. The Company's customers have limited return rights related to the telehealth services. The Company has not historically experienced material returns and believes that there will be minimal returns in the future. As such, the transaction price for telehealth services is not materially impacted.

Provisions for transaction fees and chargebacks are primarily based on customer-level contractual terms. Accruals and related reserves are adjusted as new information becomes available, which generally consists of actual transaction fees and chargebacks processed relating to sales recognized.

Pharmacy fees, net – The Company primarily generates revenue through sale and delivery of prescription medications from the Affiliated Pharmacies (as defined below). A contract is entered into with a patient when the patient accepts the Company's terms and conditions, requests a prescription, or chooses to refill, and provides access to payment. The Company has determined that these contracts contain one performance obligation. Revenue is recognized at the point in time in which prescription services are rendered for these transactions. Fees are charged as prescription services are rendered. Revenue is recorded net of refunds.

Patient fees, net – The Company primarily generates revenue through the PMCs (as defined below) from patient visit fees, which include healthcare professional consultations, lab testing, and ordering prescriptions. A contract is entered into with a patient when the patient accepts the Company's terms and conditions and provides access to payment. The Company has determined that each service event is a distinct performance obligation. Revenue is recognized at the point in time in which services are rendered for these transactions. Fees are charged upfront prior to services being rendered and are allocated to each obligation to provide services to the patient. Revenue is recorded net of refunds and pass-through lab and prescription costs.

Membership fees, net – The Company generates revenue through membership fees from patients, which includes a membership for unlimited medical visits and unlimited prescriptions during the membership period (generally one, three or twelve months). A contract is entered into with a patient when the patient accepts the Company's terms and conditions and makes a pre-payment for the membership term. The Company has determined that access to the services over the membership period qualifies as a series of distinct goods or services for which revenue is recognized ratably over the respective membership period. Revenue is recorded net of refunds. Deferred revenue consists of advance payments from members related to membership performance obligations that have not been satisfied for memberships.

In providing telehealth services that include professional medical consultations, the Company maintains relationships with various affiliated professional medical corporations ("PMCs"). PMCs are organized under state law as professional entities that are owned by physicians licensed in the applicable state and that engage licensed healthcare professionals (each, a "Provider" and collectively, the "Providers") to provide consultation services. See Note 8, "*Variable Interest Entities*," for additional details. The Company accounts for service revenue as a principal in the arrangement with its patients.

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 accounts for prescription product revenue as a principal in the arrangement with its patients.

Collaborations

From time to time the Company enters into collaboration arrangements in which both parties are active participants in the arrangement and are exposed to the significant risks and rewards of the collaboration, in which case the collaboration is within the scope of ASC Topic 808, *Collaborative Arrangements*. Within such collaborations, the Company determines if any obligations are an output of the Company's ordinary activities in exchange for consideration, and if so, the Company applies ASC 606 to such activities.

For other payments received from the other party for other collaboration activities related to various development, launch and sales milestones of licensed products, or royalties related to net sales of licensed products, the Company analogizes to ASC 606. Such payments will be recognized when the related activities occur as they are determined to relate predominantly to the license of intellectual property transferred to the other party and therefore have also been excluded from the transaction price allocated to the performance obligations determined under ASC 606. To date, no consideration in this regard has been received under the Company's collaboration agreements.

Cost of Revenue

Cost of revenue for PGS primarily consists of cost of raw materials, lab processing fees, personnel-related expenses, including salaries and benefits and stock-based compensation, shipping and handling, and allocated overhead. Shipping costs for the Kits are incurred prior to fulfillment of consumer services obligations and the corresponding shipping and handling expense is reported in cost of revenue.

Cost of revenue for research services primarily consists of personnel-related expenses, including salaries, benefits and stock-based compensation, and allocated overhead.

Research and Development

Research and development costs primarily consist of personnel-related expenses, including salaries, benefits and stock-based compensation, associated with the Company's research and development personnel, collaboration expenses, laboratory services and supplies costs, third-party data services, and allocated overhead. Research and development costs are expensed as incurred.

Advertising Costs

Advertising costs consist primarily of direct expenses related to television and radio advertising, including production and branding, paid search, online display advertising, direct mail, and affiliate programs. Advertising production costs are expensed the first time the advertising takes place, and all other advertising costs are expensed as incurred. Advertising costs amounted to $37.5 million, $49.1 million and $54.7 million for the years ended March 31, 2024, 2023 and 2022, respectively, and are included in sales and marketing expense in the consolidated statements of operations and comprehensive loss.

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 not expensed until first used. The deferred advertising costs were $0.4 million and $1.6 million as of March 31, 2024 and 2023, respectively. Deferred advertising costs are included in prepaid expenses and other current assets in the consolidated balance sheets.

Stock-Based Compensation

Stock-based compensation expense related to stock-based awards for employees and non-employees is recognized based on the fair value of the awards granted. The fair value of each stock option and employee stock purchase plan ("ESPP") are estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected term of the stock-based award, the expected volatility of the price of the Company's common stock, risk-free interest rates, and the expected dividend yield of common stock. Given the Company does not have sufficient historical exercise data as a public company, the expected term of stock options granted is estimated using the simplified method, which represents the average of the contractual term of the stock option and its weighted-average vesting period. The expected term of the ESPP rights equals the six-month and twelve-month look-back periods. Since inception, the expected volatility was based upon the historical volatility of comparable companies from a representative peer group. The Company has historically not declared or paid any dividends and does not currently expect to do in the foreseeable future. The risk-free interest rates used are based on the U.S. Department of Treasury ("U.S. Treasury") yield in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the expected term. The fair value of each RSU is estimated based on the fair value of the common stock on the grant date.

Prior to the Merger, the Company determined the fair value of its common stock for financial reporting as of each grant date based on numerous objective and subjective factors and management's judgment. Subsequent to the Merger, the Company determines the fair value using the market closing price of its common stock on the date of grant. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the awards, including awards with graded vesting and no additional conditions for vesting other than service conditions. The Company accounts for forfeitures as they occur. See Note 15, "*Equity Incentive Plans and Stock-Based Compensation,*" for additional details.

The Company's fiscal 2024 annual incentive bonuses will be paid in the form of RSUs based upon the Company's achievement of certain pre-established financial, operational, and strategic performance metrics. The number of the RSUs is determined by dividing the dollar amount of the incentive bonus by the trailing average closing price of the Company's Class A common stock for a defined period of time determined by the Compensation Committee of the Board of Directors. The Company accounts for the 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 liability of the awards is included in other current liabilities on the Company's consolidated balance sheet. See Note 15, "*Equity Incentive Plans and Stock-Based Compensation*," for additional details.

Income Taxes

The Company applies the provisions of ASC Topic 740, *Income Taxes* ("ASC 740"). Under ASC 740, the Company accounts for income taxes using the asset and liability method whereby deferred tax assets and liabilities are determined based on temporary differences between the bases used for financial reporting and income tax reporting purposes. Deferred income taxes are provided based on the enacted tax rates and laws that will be in effect at the time such temporary differences are expected to reverse. A valuation allowance is provided for deferred tax assets if it is more likely than not that the Company will not realize those tax assets through future operations.

The Company also utilizes the guidance in ASC 740 to account for uncertain tax positions. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more likely than not of being realized and effectively settled. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments, and which may not accurately reflect actual outcomes. The Company recognizes interest and penalties on unrecognized tax benefits as a component of provision for income taxes in the consolidated statements of operations and comprehensive loss. See Note 18, "*Income Taxes,*" for additional details.

Business Combinations

The Company accounts for its 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 the Company's 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. The Company's 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, the Company 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 consolidated statements of operations and comprehensive loss.

When the Company issues stock-based or cash awards to an acquired company's stockholders, the Company evaluates 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.

Uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. The Company continues to collect information and reevaluate these estimates and assumptions quarterly. The Company will record any adjustments to its preliminary estimates to goodwill, provided that it is within the one-year measurement period.

Variable Interest Entities

The Company evaluates its ownership, contractual, and other interests in entities to determine if it has any variable interest in a variable interest entity ("VIE") and if it is the primary beneficiary. These evaluations are complex and involve judgment. If the Company determines that an entity in which it holds a contractual or ownership interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE, and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively.

Foreign Currency

The reporting currency of the Company is the United States dollar. The Company determines the functional currency of each subsidiary based on the currency of the primary economic environment in which each subsidiary operates. Items included in the financial statements of such subsidiaries are measured using that functional currency. Prior to the disposition of its U.K. subsidiary on August 1, 2023, the functional currency of the Company's foreign subsidiary was the British Pound. Foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at period-end exchange rates and foreign currency denominated non-monetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Equity transactions are translated using historical exchange rates. Revenue and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded in accumulated other comprehensive income as a component of stockholders' equity (deficit). Foreign currency transaction gains and losses are recognized in other (expense) income, net in the consolidated statements of operations and comprehensive loss, and have not been material for any of the periods presented.

Comprehensive Loss

Comprehensive loss is composed of two components: net loss and other comprehensive income (loss). The Company's changes in foreign currency translation represents the components of other comprehensive income (loss) that are excluded from the reported net loss.

Net Loss Per Share Attributable to Common Stockholders

The Company computes net loss per share using the two-class method required for participating securities. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company determined that it had participating securities in the form of redeemable convertible preferred stock prior to the date of conversion and shares subject to vesting as holders of such securities had non-forfeitable dividend rights in the event of a declaration of a dividend for shares of common stock prior to the vesting date. These participating securities do not contractually require the holders of such stocks to participate in the Company's losses. As such, net loss for the period presented was not allocated to the Company's participating securities.

The Company's basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potentially dilutive securities. The diluted net loss per share is calculated by giving effect to all potentially dilutive securities outstanding for the period using the treasury share method or the if-converted method based on the nature of such securities. Diluted net loss per share is the same as basic net loss per share in periods when the effects of potentially dilutive shares of ordinary shares are anti-dilutive. See Note 16, "*Net Loss Per Share Attributable to Common Stockholders*," for additional details.

Related Parties

A party is considered to be related to the Company if the party, directly or indirectly, controls, is controlled by, or is under common control with the Company, including principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management, and other parties with which the Company may deal and can significantly influence the management or operating policies to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. See Note 20, "*Related Party Transactions*," for additional details.

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.

Contingencies

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 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.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed. Legal fees related to potential loss contingencies are expensed as incurred. Insurance recoveries associated with loss contingencies are recognized when realization becomes probable and estimable, the associated costs have been recognized in the financial statements, and the losses are clearly attributable to the insured event.

Liquidity

The Company's operations have been financed primarily through the sales of equity securities and sales of PGS, telehealth, and research services. During the fiscal year ended March 31, 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 to capitalize on market opportunities and drive long-term growth, as well as operating expenses incurred within general and administrative, and sales and marketing.

The Company will require additional financing to execute ongoing and future operations. 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. The Company is dependent upon future financing to provide the cash necessary to execute our ongoing and future operations. Management will continue to monitor the Company's liquidity position.

In connection with preparing consolidated financial statements for each annual and interim reporting period, the Company is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. As of March 31, 2024, the Company had cash and cash equivalents of $216.5 million. Based on current cash resources and the implementation of the previously-disclosed reductions in force in June 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 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 consolidated financial statements are issued.

On November 10, 2023, the Company received a deficiency letter (the "Nasdaq Letter") from the Nasdaq Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq"), notifying the Company that it is not in compliance with Nasdaq Listing Rule 5450(a)(1), which requires the Company to maintain a minimum bid price of at least $1.00 per share for continued listing on The Nasdaq Global Select Market (the "Minimum Bid Requirement"). The Company's failure to comply with the Minimum Bid Requirement was based on its Class A common stock per share price being below the $1.00 threshold for a period of 30 consecutive trading days. Pursuant to the Nasdaq Letter, the Company had an initial 180 calendar days from the date of the Nasdaq Letter to regain compliance. The Company did not regain compliance during the initial compliance period.

On May 9, 2024, the Company received a notification letter from the Staff of Nasdaq notifying the Company that it had been granted an additional 180 days, or until November 4, 2024, to regain compliance with the Minimum Bid Requirement, based on the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market with the exception of the bid price requirement, and the Company's written notice of its intention to cure the deficiency during the second compliance period. In order to be eligible to receive the second compliance period, the Company applied to have its Class A common stock transferred from the Nasdaq Global Select Market to the Nasdaq Capital Market.

If at any time before November 4, 2024, the bid price of the Class A common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days, the Staff will provide written confirmation that the Company has achieved compliance. If the Company does not regain compliance with the Minimum Bid Requirement by the end of the second compliance period, the Class A common stock will become subject to delisting. In the event that the Company receives notice that the Class A common stock is being delisted, the Nasdaq listing rules permit the Company to appeal a delisting determination by the Staff to a hearings panel.

The Company intends to monitor the closing bid price of its common stock between now and November 4, 2024, and will consider available options to regain compliance with the Minimum Bid Requirement, including initiating a reverse stock split. However, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Requirement or will otherwise be in compliance with other Nasdaq Listing Rules. Neither the Nasdaq Letter nor the

Company's noncompliance with the Minimum Bid Requirement have an immediate effect on the listing or trading of the Class A common stock, which will continue to trade on The Nasdaq Stock Market under the symbol "ME."

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Updated ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of incremental segment information on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. Early adoption is permitted. We are currently evaluating the impacts of the new standard.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity's income tax rate reconciliation table and income taxes paid information. This ASU is effective for fiscal years beginning after December 15, 2024 and may be adopted on a prospective or retrospective basis. Early adoption is permitted. We are currently evaluating the impacts and method of adoption.

In March 2024, the FASB issued ASU No. 2024-02, Codification Improvements — Amendments to Remove References to the Concepts Statements, which amends the Codification to remove various references to various concepts statements and impacts a variety of topics in the Codification. This amendment applies to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in this ASU are not intended to result in significant accounting changes for most entities. This ASU is effective for fiscal years beginning after December 15, 2024, including interim periods with those year. This ASU is not expected to have a significant impact on the Company's financial statements.

3. Recapitalization

As discussed in Note 1, "*Organization and Description of Business*," on the Closing Date, VGAC completed the acquisition of 23andMe, Inc. and acquired 100% of 23andMe, Inc.'s shares. 23andMe, Inc. received gross proceeds of $559.7 million, which includes $309.7 million in proceeds from issuance of common stock upon the consummation of the Merger and $250.0 million in proceeds from the PIPE Investment (as defined below). The Company recorded $33.7 million of transaction costs, which consisted of legal, accounting, and other professional services directly related to the Business Combination. These costs were included in additional paid-in capital on the Company's consolidated balance sheet. The cash outflows related to these costs were presented as financing activities on the Company's consolidated statement of cash flows. These deferred offering costs are offset against proceeds upon accounting for the consummation of the Merger. On the Closing Date, each holder of 23andMe, Inc. Class A common stock received approximately 2.293698169 shares of the Company's Class A common stock, par value $0.0001 per share, and each holder of 23andMe, Inc. Class B common stock received approximately 2.293698169 shares of the Company's Class B common stock, par value $0.0001 per share. See Note 14, *"Stockholders' Equity,"* for additional details of the Company's stockholders' equity prior to and subsequent to the Merger.

All equity awards of 23andMe, Inc. were assumed by the Company and converted into comparable equity awards that are settled or exercisable for shares of the Company's Class A common stock. As a result, each outstanding 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, and each outstanding restricted stock unit was converted into restricted stock units of the Company that, upon vesting, may be settled for shares of the Company's Class A common stock based on an exchange ratio of 2.293698169.

Each public and private warrant of VGAC that was unexercised at the time of the Merger was assumed by the Company and represented the right to purchase one share of the Company's Class A common stock upon exercise of such warrant.

The Merger was accounted for as a reverse recapitalization with 23andMe, Inc. as the accounting acquirer and VGAC as the acquired company for accounting purposes. 23andMe, Inc. was determined to be the accounting acquirer since 23andMe, Inc.'s stockholders prior to the Merger had the greatest voting interest in the combined entity, 23andMe, Inc.'s stockholders appointed the initial directors of the combined Board of Directors and control future appointments, 23andMe, Inc. comprises all of the ongoing operations, and 23andMe, Inc.'s senior management directs operations of the combined entity. Accordingly, all historical financial information presented in these consolidated financial statements represents the accounts of 23andMe, Inc. and its wholly owned subsidiary. Net assets were stated at historical cost consistent with the treatment of the transaction as a reverse recapitalization of 23andMe, Inc.

Lock-Up and Earn-Out Shares

Pursuant to the Company's Bylaws, shares of Class A common stock received as consideration in connection with the Merger (or securities convertible into or exchangeable for shares of Class A common stock) could not be sold or otherwise disposed of or hedged by its stockholders for a period of 180 days after the Closing Date (the "Lock-Up Period"). Except with respect to securities subject to the Sponsor Letter Agreement (as defined below) or as otherwise restricted by applicable securities laws or Company policies, following the expiration of the Lock-Up Period on December 14, 2021, the Company's stockholders were no longer restricted from selling securities held by them.

Pursuant to a Letter Agreement (the "VGAC IPO Letter Agreement") entered into on October 1, 2020 by and among VGAC, VG Acquisition Sponsor LLC (the "Sponsor"), and the then officers and directors of VGAC (collectively, the "VGAC Insiders"), as amended by a Sponsor Letter Agreement (the "Sponsor Letter Agreement"), dated as of February 4, 2021, by and among 23andMe, Inc., VGAC, the Sponsor, the VGAC Insiders and Credit Suisse Securities (USA) LLC as representative of the several underwriters named in the underwriting agreement with respect to the initial public offering of VGAC (the "Underwriters"), the VGAC Insiders agreed to certain transfer restrictions applicable to 12,713,750 of the Class B ordinary shares of VGAC held by the Sponsor and VGAC Insiders (the "Founder Shares"), which were converted in the Business Combination to a like number of shares of Class A common stock of the Company. Pursuant to the VGAC IPO Letter Agreement, as amended by the Sponsor Letter Agreement, 70% of the Founder Shares cannot be transferred (subject to certain limited exceptions) until the earlier to occur of (i) one year after the Closing Date, or (ii) the date following the completion of the Business Combination on which the Company completes a liquidation, merger, share exchange, or other similar transaction that results in all of the stockholders having the right to exchange their ordinary shares for cash, securities, or other property. Notwithstanding the foregoing, if the closing price of the Company's Class A common stock equals or exceeds $12.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading-day period commencing at least 150 days after the Business Combination, 70% of the Founder Shares will be released from the lock-up. Following the one-year anniversary of the Closing Date, the Founder Shares were released and distributed to the Sponsors and VGAC Insiders in August 2022. The Founder 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* ("ASC 505").

Following the closing of the Merger, 3,814,125 of the Class B ordinary shares of VGAC held by the Sponsor as of the date of the Sponsor Letter Agreement (the "Earn-Out Shares"), which constitute the remaining 30% of the Founder Shares, and were converted in the Business Combination into a like number of shares of the Company's Class A common stock, are subject to a lock-up of seven years. 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 March 31, 2024, 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.

PIPE Investment

On February 4, 2021, concurrently with the execution of the Merger Agreement, VGAC entered into subscription agreements with certain investors (the "PIPE Investors") to which such investors collectively subscribed for an aggregate of 25,000,000 shares of the Company's Class A common stock at $10.00 per share for aggregate gross proceeds of $250.0 million (the "PIPE Investment"). The Anne Wojcicki Foundation, which subscribed for 2,500,000 shares of the Company's Class A common stock, is affiliated with the Company's CEO and therefore a related party. The PIPE Investment was consummated concurrently with the closing of the Merger.

4. Acquisition

On November 1, 2021, the Company completed its acquisition (the “Lemonaid Acquisition”) of Lemonaid Health, Inc. (“Lemonaid” or “Lemonaid Health”) and acquired all of the outstanding equity of Lemonaid Health. The purchase price consideration was $424.7 million, which includes the value of 26,825,241 shares of the Company’s Class A common stock valued at $314.4 million as of the acquisition date, the fair value of the pre-acquisition service portion of stock-based awards that were vested as of the Lemonaid Acquisition of $8.4 million, and cash payment of approximately $101.9 million, of which $13.0 million was placed in escrow to cover a potential purchase price adjustment and to secure the indemnification obligations of the former equity holders of Lemonaid Health. In May 2023, $6.0 million of the escrow amount was released and the remaining escrow amount will be released during the first quarter of the fiscal year ended March 31, 2025.

The purchase price consideration excluded stock consideration of 3,747,027 shares issued by the Company to certain holders that are subject to vesting restrictions tied to continuing employment with the Company, which was recognized as selling, general, and administrative expenses post-acquisition. See Note 15, “*Equity Incentive Plans and Stock-Based Compensation*,” for additional details. The Company also incurred acquisition costs of $9.4 million directly related to the Lemonaid Acquisition, which were recorded within general and administrative expenses on the consolidated statements of operations and comprehensive loss.

The Company accounts for acquisitions using the acquisition method with the purchase price being allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their respective estimated fair values on the acquisition date. The following is the allocation of the consideration transferred to acquired identifiable assets and assumed liabilities, net of cash acquired, in the Lemonaid Acquisition as of the acquisition date:

	Amount (in thousands)
Cash	$ 7,711
Prepaid expenses and other current assets	3,388
Property and equipment, net	1,019
Intangible Assets:	
Customer relationships	14,900
Partnerships	23,200
Trademark	11,000
Developed technology	24,100
Non-compete agreements	2,800
Operating lease right-of-use asset	848
Other assumed assets	407
Accounts payable	(3,106)
Accrued liabilities	(4,218)
Operating lease liability	(971)
Deferred tax liability	(6,645)
Other assumed liabilities	(1,311)
Total acquired identifiable assets and liabilities	73,122
Goodwill	351,598
Total consideration transferred	$ 424,720

Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The fair value measurements of the identified intangible assets were based primarily on significant unobservable inputs and thus represent a Level 3 measurement as defined in ASC Topic 820, *Fair Value Measurement* ("ASC 820"). The fair values of the trade name and the developed technology were determined using the relief-from-royalty method under the income approach. This involves forecasting avoided royalties, reducing them by taxes, and discounting the resulting net cash flows to a present value using an appropriate discount rate. Judgment was applied for a number of assumptions in valuing the identified intangible assets, including revenue and cash flow forecasts, survival rates, technology life, royalty rate, obsolescence and discount rate. The fair value of customer relationships was determined using the replacement cost approach. This approach consists of developing an estimate of the current cost of a similar new asset having the nearest equivalent utility to the asset or group of assets being valued and involves the estimation of all the costs incurred and accumulated in the development effort and application of any related obsolescence factors. The fair value of partnerships was determined using the multi-period excess earnings method. This involves forecasting the net earnings expected to be generated by the asset, reducing them by appropriate returns on contributory assets, and then discounting the resulting net cash flows to a present value using an appropriate discount rate. The fair value of the non-compete agreements was determined using the with and without method, a variation of the income approach. The with and without method is based on the difference between cash flows for two different scenarios. For the first scenario, the prospective cash flows for the business are projected assuming the non-compete agreements are in place, and for the second scenario, the prospective cash flows for the business are estimated assuming that the non-compete agreements are not in place.

Amortization expense related to identified intangible assets is recognized on a straight-line basis over the assets' useful lives of two to seven years. Amortization expense is recognized within cost of revenue for developed technology, sales and marketing expense for customer relationships, partnerships and trademark, and general and administrative expense for non-compete agreements, in the consolidated statements of operations and comprehensive loss. Amortization related to Lemonaid Acquisition intangible assets for years ended March 31, 2024, 2023, and 2022 was $11.4 million, $16.5 million, and $7.3 million, respectively. See Note 10, "*Balance Sheet Components — Intangible Assets*" for additional information regarding the impairment of intangible assets.

The excess of the consideration paid over the fair value of the net assets acquired was recorded as goodwill. The acquired goodwill of $351.7 million is assigned to the Consumer and Research Services segment and represented future economic benefits expected to arise from synergies from combining operations and commercial organizations to increase market presence and the extension of existing customer relationships. For results of the Company's goodwill impairment analysis performed during the fiscal year ended March 31, 2024, see Note 10, "*Balance Sheet Components — Goodwill.*" The goodwill recognized upon acquisition is not expected to be deductible for income tax purposes.

As a result of the acquisition and due to basis differences created from the accounting for the combination, the Company acquired a net deferred tax liability of $6.6 million. The Company's deferred tax liabilities were partially offset with its deferred tax assets causing a release of the Company's income tax valuation allowance. The release resulted in an income tax benefit of $3.5 million for the fiscal year ended March 31, 2022. The Company had a remaining foreign deferred tax liability of $3.1 million as of March 31, 2022, which was reversed in the fiscal year ended March 31, 2023 due to impairment charges related to an acquired intangible asset.

From the closing of the Lemonaid Acquisition date through March 31, 2022, the Company recognized revenue of $19.2 million and net loss of $22.3 million related to Lemonaid Health. The pro forma financial information in the table below summarizes the combined results of operations for the Company and Lemonaid Health as if the companies had been combined as of April 1, 2020. The pro forma revenue and net loss is presented for informational purposes only and does not purport to be indicative of the results of future operations or the results that would have occurred had the transaction taken place on April 1, 2020.

	Year Ended March 31, 2022 (in thousands)
Pro forma revenue[(1)]	$ 295,025
Pro forma net loss[(1)]	$ (241,382)

(1) As if the Lemonaid Acquisition was consummated on April 1, 2020.

The pro forma financial information includes pro forma adjustments related to the valuation and allocation of the purchase price, primarily amortization of acquired intangible assets, additional stock-based compensation expense related to accelerated vesting of options in connection with the acquisition, additional stock-based compensation expense related to replacement awards issued in connection with the acquisition, amortization of representation and warranty insurance procured in connection with the acquisition, and direct transaction costs reflected in the historical financial statements.

5. Revenue

Disaggregation of Revenue

The following table presents revenue by category:

	Year Ended March 31,					
	2024		2023		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands, except percentages)					
Point in Time [1]						
PGS	$ 145,113	66 %	$ 182,866	61 %	$ 189,703	70 %
Telehealth	26,486	12 %	34,961	12 %	15,299	6 %
Consumer services	171,599	78 %	217,827	73 %	205,002	76 %
Research services	3,997	2 %	—	— %	—	— %
Total	$ 175,596	80 %	$ 217,827	73 %	$ 205,002	76 %
Over Time [1]						
PGS	$ 22,631	10 %	$ 19,548	7 %	$ 12,978	5 %
Telehealth	8,081	4 %	9,761	3 %	3,908	1 %
Consumer services	30,712	14 %	29,309	10 %	16,886	6 %
Research services	13,330	6 %	52,353	17 %	50,005	18 %
Total	$ 44,042	20 %	$ 81,662	27 %	$ 66,891	24 %
Revenue by Category [1]						
PGS	$ 167,744	76 %	$ 202,414	68 %	$ 202,681	75 %
Telehealth	34,567	16 %	44,722	15 %	19,207	7 %
Consumer services	202,311	92 %	247,136	83 %	221,888	82 %
Research services	17,327	8 %	52,353	17 %	50,005	18 %
Total	$ 219,638	100 %	$ 299,489	100 %	$ 271,893	100 %

(1) There was no Therapeutics revenue for the fiscal years ended March 31, 2024, 2023 and 2022.

The following table summarizes revenue by region based on the shipping address of customers:

	Year Ended March 31,					
	2024		2023		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands, except percentages)					
United States	$ 180,153	82 %	$ 217,242	73 %	$ 192,438	71 %
UK	24,280	11 %	63,023	21 %	58,477	22 %
Canada	10,565	5 %	13,581	4 %	14,293	5 %
Other regions	4,640	2 %	5,643	2 %	6,685	2 %
Total	$ 219,638	100 %	$ 299,489	100 %	$ 271,893	100 %

Breakage Revenue

The Company recognized breakage revenue from unreturned Kits of $22.1 million, $27.7 million and $21.9 million for the fiscal years ended March 31, 2024, 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 consolidated balance sheets. The amount of contract assets was immaterial as of March 31, 2024 and 2023.

Contract liabilities consist of deferred revenue. Revenue is deferred when the Company invoices in advance of fulfilling performance obligations under a contract. Deferred revenue primarily relates to Kits that have been shipped to consumers and non-consigned retail sites but not yet returned for processing by the consumer, as well as research services billed in advance of performance. Deferred revenue is recognized when the obligation to deliver results to the customer is satisfied and when research services are ultimately performed. Deferred revenue also consists of advance payments from members related to membership performance obligations and from customers related to extended health insight performance obligations that have not been satisfied as of the balance sheet date. Deferred revenue is recognized when the obligation to deliver membership services is satisfied.

As of March 31, 2024 and 2023, deferred revenue for consumer services was $52.3 million and $48.6 million, respectively. Of the $48.6 million and $51.3 million of deferred revenue for consumer services as of March 31, 2023 and 2022, respectively, the Company recognized $41.1 million and $46.6 million as revenue during the fiscal years ended March 31, 2024 and 2023, respectively.

As of March 31, 2024 and 2023, deferred revenue for research services was $22.5 million and $14.0 million, respectively, which included related party deferred revenue amounts of $21.0 million and $11.8 million, respectively. Of the $14.0 million and $11.6 million of deferred revenue for research services as of March 31, 2023 and 2022, respectively, the Company recognized $13.8 million and $9.7 million as revenue during the fiscal years ended March 31, 2024 and 2023, respectively, which included related party revenue amounts of $11.8 million and $9.2 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 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 March 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations for research services was $27.5 million. The Company expects to recognize revenue on approximately 50% of this amount over the next 12 months and the remainder thereafter. Other than the fiscal 2022 change in percent complete adjustment noted in Note 2, "*Summary of Significant Accounting Policies — Use of Estimates,*" during the fiscal years ended March 31, 2024, 2023, and 2022, revenue recognized for performance obligations satisfied in prior periods was not material.

6. Collaborations

GlaxoSmithKline Agreement and Subsequent Amendments

In July 2018, the Company and an affiliate of GSK entered into a four-year exclusive drug discovery and development collaboration agreement, amended in 2019 and 2021, respectively (collectively the "original 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 original GSK Agreement. The exclusive drug discovery period under the original GSK Agreement expired on July 23, 2023.

The Company has concluded that GSK is considered a customer. Therefore, the Company 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 original GSK Agreement, which included reporting, drug target discovery, and joint steering committee participation, represented one combined performance obligation to deliver research services. The Company recognized research services revenue related to the original GSK Agreement as the respective performance obligations were satisfied using an input method to measure progress. In addition, the original GSK Agreement, 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.

Prior to the expiration of the original 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 the drug targets that had been identified for inclusion in the original collaboration, the Company and GSK continue to equally share in the costs of further research, development, and commercialization of identified targets under the original GSK Agreement, subject to certain rights of either party to opt-out of funding at certain predetermined development milestones. These cost-sharing charges for the program costs incurred subsequent to the identification of drug targets have been included in research and development expense on the 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.

In October 2023, the Company entered into an amendment to the original GSK Agreement (the "2023 GSK Amendment") to provide GSK with a non-exclusive license to certain new, de-identified, aggregated data included in the Company's database (the "New Data"), as well as access to certain Company research services with respect to such New Data in return for a $20.0 million data access fee, which the Company received during the fiscal year ended March 31, 2024. The license to the New Data will expire one year from the date GSK provides the Company with a notice that GSK is ready to use the New Data, unless the parties enter into a separate extension agreement. The notice is anticipated no later than September 30, 2024 and had not yet been received as of March 31, 2024. Pursuant to the 2023 GSK Amendment, the Company opted-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 these three programs.

The Company recognized research services revenue related to the original GSK Agreement of $11.8 million, $47.4 million and $46.1 million during the fiscal years ended March 31, 2024, 2023 and 2022, respectively. The Company did not recognize research services revenue related to the 2023 GSK Amendment during the fiscal years ended March 31, 2024, 2023 and 2022.

As of March 31, 2024, the Company had deferred revenue, related to the 2023 GSK Amendment of $20.0 million. As of March 31, 2023, the Company had deferred revenue, related to the original GSK Agreement of $11.8 million. Cost-sharing amounts incurred prior to the identification of targets included in cost of revenue were $0.3 million, $0.5 million and $0.3 million during the fiscal years ended March 31, 2024, 2023 and 2022, respectively. Cost-sharing amounts incurred subsequent to the identification of targets, included in research and development expenses, were $12.8 million, $10.7 million and $24.0 million during the fiscal years ended March 31, 2024, 2023 and 2022, respectively. As of March 31, 2024 and 2023, the Company had $10.6 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 consolidated balance sheets.

GSK's affiliate, Glaxo Group Limited, is considered as a related party to the Company. See Note 20 "*Related Party Transactions.*"

7. Segment Information

The Company currently operates in two reporting segments: (1) Consumer and Research Services, and (2) 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 original 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 Note 5 "*Revenue*" for additional information. 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 the Company's business, including but not limited to: changes in fair value of warrant liabilities, litigation settlements, gains or losses on dispositions of subsidiaries, acquisition transaction-related costs, and cybersecurity incident expenses, net of probable insurance recoveries, 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:

	Year Ended March 31,		
	2024	2023	2022
	(in thousands)		
Segment Revenue: [1]			
Consumer and Research Services	$ 219,638	$ 299,489	$ 271,893
Total revenue	$ 219,638	$ 299,489	$ 271,893
Segment Adjusted EBITDA:			
Consumer and Research Services Adjusted EBITDA	$ (36,769)	$ (17,997)	$ (30,112)
Therapeutics Adjusted EBITDA	(91,025)	(88,503)	(76,944)
Unallocated Corporate [2]	(48,002)	(54,801)	(43,684)
Total Adjusted EBITDA	$ (175,796)	$ (161,301)	$ (150,740)
Reconciliation of net loss to Adjusted EBITDA:			
Net loss	$ (666,704)	$ (311,656)	$ (217,490)
Adjustments			
Interest income, net	(14,331)	(9,676)	(277)
Other (income) expense, net	(506)	93	83
Change in fair value of warrant liabilities	—	—	(32,989)
Provision for (benefit from) income taxes	73	(2,772)	(3,480)
Depreciation and amortization	18,033	20,239	18,899
Amortization of acquired intangible assets	11,448	16,486	7,269
Impairment of acquired intangible assets	—	9,968	—
Stock-based compensation expense	120,209	116,017	57,933
Acquisition-related costs [3]	—	—	9,362
Litigation settlement, net [4]	98	—	9,950
Loss on disposition of Lemonaid Health Limited and transaction-related costs [5]	2,375	—	—
Goodwill impairment [6]	351,744	—	—
Cybersecurity incident expenses, net of probable insurance recoveries [7]	1,765	—	—
Total Adjusted EBITDA	$ (175,796)	$ (161,301)	$ (150,740)

(1) All product and service revenue is associated with the Consumer and Research Services segment and there was no Therapeutics revenue for the fiscal years ended March 31, 2024, 2023 and 2022.

(2) Certain 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) For the fiscal year ended March 31, 2022, acquisition-related costs primarily consisted of advisory, legal and consulting fees.

(4) Litigation settlement, net is litigation cost net of probable insurance recoveries, which is not expected to occur on a recurring basis and not part of the Company's normal and continued business activity.

(5) Refer to Note 19, "*Disposition of Subsidiary*" for additional information.

(6) Refer to Note 10, "*Balance Sheet Components — Goodwill*" for additional information.

(7) Refer to Note 13, "*Commitments and Contingencies — Cybersecurity Incident*" for additional information.

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

	Year Ended March 31,					
	2024		2023		2022	
	(in thousands, except percentages)					
Consumer and Research Services Segment Revenue:						
Customer C [(1)][(2)]	$ 48,325	22 %	$ 65,721	22 %	$ 53,875	20 %
Customer B [(3)]	$ 11,753	5 %	$ 47,448	16 %	$ 46,064	17 %

(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 from customers by service and by geographical region can be found in the revenue recognition disclosures in Note 5, "*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.

8. Variable Interest Entities

Through the Lemonaid Acquisition in November 2021, the Company has service agreements with PMCs and Affiliated Pharmacies. In order for customers to obtain a prescription, customers must complete a consultation through the Company's website or app with an appropriately licensed medical provider from one of the PMCs. A customer will receive an electronic prescription that will be sent to an Affiliated Pharmacy, or a pharmacy of the customer's choice, only if the medical provider believes such medical treatment of the customer is safe and appropriate. On February 15, 2024, the Company acquired the active Affiliated Pharmacies. These Affiliated Pharmacies are 100% wholly owned by the Company and no longer treated as Variable Interest Entities. There was no impact to the Company's consolidated financial statements as a result of these entities being acquired by the Company.

The Company provides services pursuant to contracts with the PMCs which employ licensed medical providers to provide telehealth medical services. The PMCs were designed and structured to comply with the relevant laws and regulations governing professional medical practice, which generally prohibit the practice of medicine by lay persons or corporations. To satisfy these regulatory requirements, all of the issued and outstanding equity interests of the PMCs are owned by an appropriately licensed medical professional nominated by the Company (the "Nominee Shareholder"). The Company executes with each PMC a Management Services & Licensing Agreement ("MSA"), which provides for various administrative, technological, and management services to be provided by the Company to the PMCs, licenses certain Company intellectual property to the PMC, and gives the Company rights to impose certain restrictions and conditions of ownership or transfer of the PMC equity by the Nominee Shareholder.

The Company provides all of the necessary capital for the operations of the PMCs through loans to the PMCs. The Company also has exclusive responsibility for the provision of all nonmedical services including operation of all technology platforms used by the PMCs or customers to complete a medical consultation with a Provider, handling all financial transactions and day-to-day operations of each PMC, providing regulatory guidance to the PMCs in establishing telehealth policies and protocols consistent with state and federal law, and making recommendations to the PMCs in establishing the guidelines for employment and compensation of the medical professionals of each PMC. In addition, the MSA provides that the Company has the power and authority to change the Nominee Shareholder upon termination of the MSA, including for convenience upon 180 days prior notice, or other enumerated events, and designate a new Nominee Shareholder, which further constrains the Nominee Shareholder's rights to returns of the PMC. The Nominee Shareholders, notwithstanding their legal form of ownership of equity interests in the PMCs, have no substantive profit-sharing rights in the PMCs.

The Company has also entered into similar MSAs with the Affiliated Pharmacies. The Affiliated Pharmacies are licensed pharmacies primarily responsible for providing prescription fulfillment services to the Company's customers. The Company provides management and administrative services to the Affiliated Pharmacies comparable to the services it provides to the PMCs, except that the Company is the sole provider of professional staffing services required to operate the Affiliated Pharmacies. Under the terms of the MSAs with the Affiliated Pharmacies, the Nominee Shareholders, notwithstanding their legal form of ownership of equity interests in the Affiliated Pharmacies, have no substantive profit-sharing rights in the Affiliated Pharmacies.

Based upon the provisions of these agreements, the Company determined that the PMCs and Affiliated Pharmacies are VIEs (the Affiliated Pharmacies were VIEs through February 15, 2024) 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 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 consolidated balance sheets for the VIEs after elimination of intercompany transactions were not material as of March 31, 2024 and 2023. Total revenue included on the consolidated statements of operations and comprehensive loss for the VIEs after elimination of intercompany transactions was $30.2 million and $40.2 million for the fiscal years ended March 31, 2024 and 2023, respectively. Net loss attributable to the VIEs included on the consolidated statements of operations and comprehensive loss was $10.8 million and $14.0 million for the fiscal years ended March 31, 2024 and 2023, respectively.

9. 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 March 31, 2024 and 2023.

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis as of March 31, 2024 and 2023:

	March 31, 2024				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	$ 211,000	$ 211,000	$ —	$ —	$ 372,000	$ 372,000	$ —	$ —
Total financial assets	$ 211,000	$ 211,000	$ —	$ —	$ 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 fiscal years ended March 31, 2024 and 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 and are classified in Level 3 of the fair value hierarchy. During the fiscal year ended March 31, 2024, the Company recorded $351.7 million of goodwill impairment charges, which resulted in full impairment of goodwill and no remaining balance. During the year ended March 31, 2023, the Company recorded a $10.0 million impairment charge to write down the value of an acquired intangible asset to its estimated fair value. See Note 10, "*Balance Sheet Components — Goodwill*" and "*Balance Sheet Components — Intangible Assets, Net,*" for additional information.

10. Balance Sheet Components

Prepaid Expense and Other Current Assets

Prepaid expense and other current assets consisted of the following:

	March 31, 2024	March 31, 2023
	(in thousands)	
Prepaid expenses	$ 9,296	$ 13,244
Other receivables	5,751	3,003
Other current assets	1,794	2,977
Prepaid expenses and other current assets	$ 16,841	$ 19,224

Property and Equipment, Net

Property and equipment, net consisted of the following:

	March 31, 2024	March 31, 2023
	(in thousands)	
Computer equipment and software	$ 7,485	$ 10,376
Laboratory equipment and software	51,635	52,785
Furniture and office equipment	8,929	8,946
Leasehold improvements	41,180	40,964
Capitalized asset retirement obligations	853	853
Property and equipment, gross	110,082	113,924
Less: accumulated depreciation and amortization	(81,731)	(75,316)
Property and equipment, net	$ 28,351	$ 38,608

Depreciation and amortization expense was $11.0 million, $14.8 million and $16.1 million for the fiscal years ended March 31, 2024, 2023 and 2022, respectively. For the fiscal year ended March 31, 2024, the Company wrote off fully depreciated property and equipment, which is no longer in use, with a cost basis of $4.6 million. For the fiscal year ended March 31, 2023, write offs of fully depreciated property and equipment were immaterial. There were no impairments to property and equipment for the fiscal years ended March 31, 2024 and 2022. There was an immaterial impairment to property and equipment for the fiscal year ended March 31, 2023.

Operating Lease Right-Of-Use Assets, Net

Operating lease right-of-use assets, net consisted of the following:

	March 31, 2024	March 31, 2023
	(in thousands)	
Operating lease right-of-use assets	85,166	85,408
Less: accumulated amortization	(36,272)	(29,330)
Operating lease right-of-use assets, net	48,894	56,078

Internal-Use Software, Net

Internal-use software, net consisted of the following:

	March 31, 2024	March 31, 2023
	(in thousands)	
Capitalized internal-use software	$ 35,918	$ 25,180
Less: accumulated amortization	(15,402)	(9,519)
Internal-use software, net	$ 20,516	$ 15,661

During the fiscal years ended March 31, 2024, 2023, and 2022, the Company capitalized $12.1 million, $10.8 million, and $5.7 million respectively, in internal-use software, including $3.6 million, $3.2 million, and $1.2 million, respectively, of stock-based compensation expense. For the fiscal years ended March 31, 2024, 2023 and 2022, amortization and impairment of internal-use software was $6.3 million, $4.8 million and $2.9 million, respectively.

In addition, during the fiscal year ended March 31, 2024, the Company wrote-off $1.1 million of internal-use software related to the disposition of Lemonaid Health Limited; refer to Note 19, "*Disposition of Subsidiary*" for additional information. During the fiscal years ended March 31, 2024, 2023, and 2022, the Company recorded immaterial impairment charges related to internal-use software that will not be utilized in the future.

Intangible Assets, Net

Intangible assets, net consisted of the following:

	March 31, 2024			
	Weighted Average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in thousands, except years)			
Customer relationships	0.0	$ 14,900	$ (14,900)	$ —
Partnerships	7.6	9,000	(2,175)	6,825
Trademark	2.6	11,000	(5,317)	5,683
Developed technology	4.6	24,100	(8,320)	15,780
Non-compete agreements	2.6	2,800	(1,353)	1,447
Patents	4.5	5,500	(1,980)	3,520
Total intangible assets		$ 67,300	$ (34,045)	$ 33,255

	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 $12.3 million, $17.3 million and $7.6 million for the fiscal years ended March 31, 2024, 2023 and 2022, respectively.

During the third quarter of the fiscal year ended March 31, 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 consolidated statements of operations and comprehensive loss. There was no impairment to intangible assets during the years ended March 31, 2024 and March 31, 2022.

Estimated future amortization expense of the identified intangible assets as of March 31, 2024 was as follows:

	Estimated Amortization
	(in thousands)
Fiscal years ending March 31,	
2025	$ 7,919
2026	7,919
2027	6,769
2028	5,006
2029	3,176
Thereafter	2,466
Total estimated future amortization expense	$ 33,255

Goodwill

The following table presents the changes in the carrying amount of goodwill for the Consumer and Research Services reporting unit:

		Carrying Amount
		(in thousands)
As of March 31, 2023	$	351,744
Less: Impairment		(351,744)
As of March 31, 2024	$	—

In connection with its annual goodwill impairment assessment as of January 1, 2024, the Company identified a sustained decline in market capitalization, based on the Company's publicly quoted share price, lower than expected financial performance and macroeconomic conditions that existed as of December 31, 2023. The Company performed an impairment assessment of goodwill acquired as part of the Lemonaid Health acquisition. The valuation of goodwill is a Level 3 non-recurring fair value measurement determined by utilizing the income approach (discounted cash flow method) corroborated by the market approach (guideline public company method). The Company recognized a non-cash, pre-tax goodwill impairment charge of $198.8 million as of December 31, 2023.

Subsequent to the annual impairment testing, in connection with the preparation of the financial statements for the year ended March 31, 2024, the Company identified a further sustained decline in market capitalization, based on our publicly quoted share price, requiring an interim impairment test of goodwill as of March 31, 2024. The Company performed an interim step one quantitative test for its Consumer and Research Services segment and determined that the estimated fair value of the reporting unit was less than its carrying value. The Company utilized the market approach to perform its goodwill impairment test as of March 31, 2024. Based on the result of interim goodwill impairment test as of March 31, 2024, the Company recorded an additional non-cash, pre-tax goodwill impairment charge of $152.9 million to write off the remaining balance of the Consumer and Research Services reporting unit's goodwill, resulting in a total goodwill impairment charge of $351.7 million for the year ended March 31, 2024. As of March 31, 2024, the Company's goodwill was fully impaired and no balance remained.

For the year ended March 31, 2024, the goodwill impairment charges were included in the consolidated statements of operations and comprehensive loss in the Consumer and Research Services segment. There were no impairment charges to goodwill for the fiscal years ended March 31, 2023 and 2022.

Accrued Expense and Other Current Liabilities

Accrued expense and other current liabilities consisted of the following:

		March 31, 2024		March 31, 2023
	(in thousands)			
Accrued payables	$	12,957	$	17,030
Accrued compensation and benefits		4,266		5,898
Accrued vacation		7,221		8,839
Accrued bonus		7,420		21,600
Accrued clinical expenses		9,291		11,707
Accrued taxes and other		1,108		1,356
Total accrued expenses and other current liabilities	$	42,263	$	66,430

11. 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. Subsequently in August 2023, the Company approved another reduction in force primarily intended to restructure and strategically align the Therapeutics workforce. As a result, during the fiscal year ended March 31, 2024, the Company recorded restructuring charges of $8.4 million, within restructuring and other charges in the consolidated statements of operations, of which $6.7 million, was related to cash severance payments and benefits continuation.

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

	One-Time E Terminatio (in thous
Accrued restructuring costs included in accrued expenses and other current liabilities as of March 31, 2023	$
Restructuring charges incurred during the period	
Amounts paid during the period	
Accrued restructuring costs included in accrued expenses and other current liabilities as of March 31, 2024	$

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

12. Leases

The Company has entered into operating leases for its corporate offices, lab facilities and storage spaces, with remaining contractual periods ranging from 1.8 years to 7.3 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 ROU assets and lease liabilities as of March 31, 2024. The Company did not have any finance leases as of March 31, 2024 and 2023.

The components of lease costs and other information related to leases were as follows:

	Year Ended March 31,		
	2024	2023	2022
	(in thousands, except years and percentages)		
Operating lease cost	$ 13,487	$ 13,650	$ 13,640
Variable lease cost	4,403	5,422	6,425
Total lease cost	$ 17,890	$ 19,072	$ 20,065
Cash paid for amounts included in the measurement of operating lease liabilities, net	$ (15,011)	$ (14,941)	$ (13,490)
ROU assets obtained in exchange for new operating lease obligations	$ —	$ 7,930	$ —
Weighted average remaining lease term (years)	6.6	7.5	8.4
Weighted average discount rate	8 %	8 %	7 %

As of March 31, 2024, the future minimum lease payments included in the measurement of the Company's operating lease liabilities were as follows:

		As of March 31, 2024 (in thousands)
Years ending March 31,		
2025	$	14,225
2026		15,946
2027		15,472
2028		11,666
2029		12,016
Thereafter		29,414
Total future operating lease payments		98,739
Less: imputed interest		(22,224)
Total operating lease liabilities	$	76,515

13. 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, which include agreements to purchase goods or services that are enforceable and legally binding to the Company. Recognition of purchase obligations occurs when products or services are delivered to the Company, generally within accounts payable, or accrued and other current liabilities. As of March 31, 2024, the Company had outstanding non-cancelable purchase obligations with a term of 12 months or longer that have not been recognized on its balance sheet as follows:

		As of March 31, 2024 (in thousands)
Fiscal years ending March 31,		
2025	$	11,740
2026		3,458
2027		1,900
Total	$	17,098

The amounts purchased under agreements with non-cancelable purchase obligations with a term of 12 months or longer were $26.2 million, $29.9 million and $34.7 million for the fiscal years ended March 31, 2024, 2023 and 2022, respectively.

Legal Matters

Cybersecurity Incident

On October 10, 2023, the Company reported that certain information was accessed from individual 23andMe.com accounts without the account users' authorization (the "incident").

The Company incurred $4.6 million in expenses related to the incident, offset by $2.8 million of probable insurance recoveries, during the fiscal year ended March 31, 2024, primarily consisting of technology consulting services, legal fees, and expenses of other third-party advisors. While the Company believes the investigation into this incident is complete, the Company may become aware of new or different information or information that differs from that contained in these financial statements.

As a result of the incident, multiple class action claims have been filed against the Company in federal and state courts in California, as well as in other U.S. and international jurisdictions, and the Company has received demand letters from attorneys purporting to represent customers seeking arbitration claims. The Company is also responding to inquiries from various governmental officials and agencies. Although the federal class action claims have been consolidated, as of the filing date of these financial statements, a lead plaintiffs' counsel has not yet been appointed and the initial status conference for the consolidated case is scheduled for June 3, 2024.

The Company believes that a loss contingency related to this incident is reasonably possible and estimates that the low-end of the range of possible loss, net of probable insurance recoveries would be immaterial as of March 31, 2024. Given the litigation is at an early stage, the Company cannot reliably estimate the upper end of the range of possible loss that may be incurred, which may be material. The Company will continue to evaluate information as it becomes known, and it is possible that future results of operations or cash flows for any particular interim or annual period could be materially affected by unfavorable resolutions of this matter.

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 March 31, 2024, the Company was not aware of any known events or circumstances that have resulted in a material claim related to these indemnification obligations.

14. Stockholders' Equity

Redeemable Convertible Preferred Stock

Immediately prior to the effective time of the Merger, all series of the redeemable convertible preferred stock of 23andMe, Inc. were converted into shares of Class B common stock of 23andMe, Inc. on a one-for-one basis and then converted to the Company's Class B common stock at an exchange ratio of 2.293698169, and the aggregate share amount of 209,181,855 was presented as having been converted as of March 31, 2021. As of March 31, 2024, 2023, and 2022 no shares of redeemable convertible preferred stock were outstanding.

Common Stock

Prior to the Merger, 23andMe, Inc. had three classes of authorized common stock: Class A common stock, Class B common stock, and Class C common stock. There were no outstanding shares of 23andMe, Inc. Class C common stock. The rights of the holders of 23andMe, Inc. Class A, Class B, and Class C common stock, respectively, were identical, except with respect to (i) electing members of the Board of Directors, and (ii) voting rights.

On the Closing Date, each share of 23andMe, Inc. Class A common stock was canceled and converted into the Company's Class A common stock at an exchange ratio of 2.293698169, each share of 23andMe, Inc. Class B common stock was canceled and converted into the Company's Class B common stock at an exchange ratio of 2.293698169.

On June 16, 2021, in connection with the Merger, the Company amended and restated its certificate of incorporation to authorize 1,490,000,000 authorized shares of common stock with a par value of $0.0001 per share, of which 1,140,000,000 shares are designated Class A common stock and 350,000,000 shares are designated 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.

Class A Common Stock Warrants

As the accounting acquirer, 23andMe, Inc. is deemed to have assumed 8,113,999 warrants for Class A common stock that were held by the Sponsor at an exercise price of $11.50 (the "Private Placement Warrants") and 16,951,609 Class A common stock warrants held by VGAC's shareholders at an exercise price of $11.50 (the "Public Warrants" and, together with the Private Placement Warrants, the "Warrants"). In accordance with the warrant agreement, the Warrants became exercisable on October 6, 2021. Had the Warrants not expired in connection with the Redemption (as defined below), the Warrants would have expired five years after the completion of the Business Combination.

Subsequent to the Merger, the Private Placement Warrants and Public Warrants for shares of Class A common stock met liability classification requirements since the Warrants were required to be settled in cash under a tender offer. In addition, Private Placement Warrants were potentially subject to a different settlement amount as a result of being held by the Sponsor which precludes the Private Placement Warrants from being considered indexed to the entity's own stock. Therefore, the Warrants were classified as liabilities on the consolidated balance sheets.

Public Warrant Terms

The Public Warrants became exercisable into shares of Class A common stock commencing on October 6, 2021.

Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $18.00

Once the Warrants became exercisable, the Company had the right to redeem the outstanding Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last reported sale price of the Class A common stock for any 20 trading days within a 30-trading-day period ending three business days before the Company sends the notice of redemption to the warrant holders (which is referred to as the "Reference Value") equals or exceeds $18.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations, and the like).

Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $10.00

Once the Warrants became exercisable, the Company had the right to redeem the outstanding warrants:

- in whole and not in part;
- at $0.10 per Warrant upon a minimum of 30 days' prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the "fair market value" of Class A common stock;
- if, and only if, the Reference Value equals or exceeds $10.00 per share (as adjusted per share sub-divisions, share dividends, reorganizations, reclassifications, recapitalizations, and the like); and
- if the Reference Value is less than $18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations, and the like) the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

The numbers of shares of Class A common stock that a warrant holder had the right to receive upon exercise in connection with a redemption by the Company pursuant to this redemption feature was based on the "redemption fair market value" of the Class A common stock on the corresponding redemption date (assuming holders elect to exercise their Warrants on a cashless basis prior to redemption), determined based on the volume-weighted average price for the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of Warrants, and the number of months that the corresponding redemption date precedes the expiration date of the Warrants, each as set forth in such fee table. The Company provided its warrant holders with the redemption fair market value no later than one business day after the 10-trading-day period described above ended.

No fractional shares were issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would have been entitled to receive a fractional interest in a share, the Company upon exercise rounded down to the nearest whole number the number of shares of Class A common stock that were issued to the warrant holder.

Private Placement Warrants

The Private Placement Warrants (including the shares of Class A common stock issuable upon exercise of the Private Placement Warrants) were not transferable, assignable, or salable until 30 days after the completion of the Business Combination (except, among other limited exceptions, to VGAC's officers and directors and other persons or entities affiliated with the Sponsor) and they were redeemable by the Company, so long as they are held by the Sponsor, members of the Sponsor, or their permitted transferees under certain specified circumstances. The Sponsor or its permitted transferees had the option to exercise the Private Placement Warrants on a cashless basis. Except as described herein, the Private Placement Warrants had terms and provisions identical to those of the Public Warrants. If the Private Placement Warrants had been held by holders other than the Sponsor or its permitted transferees, the Private Placement Warrants would have been redeemable by the Company and exercisable by the holders on the same basis as the Public Warrants.

Except as described under "—Redemption of Warrants When the Price per Class A common stock Equals or Exceeds $10.00," if holders of the Private Placement Warrants elected to exercise them on a cashless basis, they would have paid the exercise price by surrendering such Warrants for that number of shares of Class A common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the Warrants, multiplied by the excess of the "Sponsor exercise fair market value" of the Class A common stock over the exercise price of the Warrants by (y) the Sponsor exercise fair market value. For these purposes, the "Sponsor exercise fair market value" means the average reported closing price of the shares of Class A common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise was sent to the warrant agent.

Warrant Redemption

On November 22, 2021, the Company issued a redemption notice to warrant holders announcing that all Public Warrants and Private Placement Warrants outstanding on December 22, 2021 (the "Redemption Date") would be redeemed for $0.10 per Warrant, if not earlier exercised on a cash or cashless basis (the "Redemption"). After November 22, 2021 and prior to the Redemption Date, warrant holders were entitled to exercise the Warrants (i) in cash, at an exercise price of $11.50 per share of Class A common stock, or (ii) on a cashless basis in which the exercising holder was entitled to receive 0.2516 shares of Class A common stock per Warrant. Any Warrants not exercised by the Redemption Date were automatically redeemed by the Company at a price of $0.10 per Warrant.

In connection with the Redemption, 23,901,466 Warrants were exercised, representing approximately 95% of the outstanding Warrants, and 6,016,327 shares of Class A common stock were issued upon exercise of such Warrants. Total cash proceeds generated from exercises of the Warrants were immaterial, and the Company made an immaterial redemption payment to the holders of the 1,164,142 redeemed Warrants. Following the Redemption Date, the Public Warrants stopped trading on Nasdaq and were delisted. No Warrants were outstanding as of March 31, 2024 and 2023.

The change in fair value of warrant liabilities totaling $33.0 million was recorded through the date of exercise or redemption within the consolidated statements of operations and comprehensive loss in fiscal year ended March 31, 2022. Additionally, the fair value of the warrant liability of $42.4 million was reclassified to additional paid-in capital following the Redemption.

Acquisition

As part of the Lemonaid Acquisition, the Company issued 26,825,241 shares of Class A common stock and an additional 3,747,027 shares of Class A common stock that are subject to vesting. The shares subject to vesting are considered stock-based compensation as outlined in Note 15, "*Equity Incentive Plans and Stock-Based Compensation*."

Reserve for Issuance

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

	March 31, 2024	March 31, 2023
Outstanding stock options	70,739,770	68,050,752
Outstanding restricted stock units	44,056,670	26,562,566
Remaining shares available for future issuance under Amended and Restated 2021 Incentive Equity Plan	111,276,882	55,922,182
Remaining shares available for future issuance under Employee Stock Purchase Plan	12,845,267	13,349,302
Total shares of common stock reserved	238,918,589	163,884,802

Preferred Stock

Pursuant to the Company's amended and restated certificate of incorporation, the Company is authorized to issue 10,000,000 shares of preferred stock, each with a par value of $0.0001 per share. The Company's Board of Directors has the authority to issue shares of the preferred stock in one or more series and to determine the preferences, privileges, and restrictions, including voting rights, of those shares. As of March 31, 2024 and 2023, no shares of preferred stock were issued and outstanding.

At-the-Market ("ATM") Offering

On February 6, 2023, the Company entered into a sales agreement with Cowen and Company, LLC ("Cowen"), as sales agent, pursuant to which the Company may sell shares of its Class A common stock for an aggregate up to $150 million under at-the-market offering program (the "ATM program"). The Company will pay Cowen a commission of 3.0% of the gross proceeds for the Class A common stock sold through the ATM program. As of March 31, 2024, the Company has not made any sales under the ATM program.

15. 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.

Under the A&R Plan, options, including non-statutory options and Incentive Stock Options (“ISO”), and RSUs may be granted to employees, non-employee directors and consultants. Options 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 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. In connection with the Merger, all of the 23andMe, Inc. option holders received an equivalent award at an exchange ratio of 2.293698169 that vest in accordance with the original terms of the award. The Company determined this to be a Type I modification but did not record any incremental stock-based compensation expense since the fair value of the modified awards immediately after the modification was not greater than the fair value of the original awards immediately before the modification.

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 Annual Incentive Plan (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.

The Company issues new shares of common stock upon exercise of stock options and the vesting of RSUs.

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 March 31, 2024, four non-employee directors have elected to convert all of their cash compensation into RSU awards, and two non-employee directors have 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 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. During the fiscal year ended March 31, 2024, 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 trading days preceding the date of payment, resulting in the grant of 9,019,049 shares underlying fully-vested RSUs during the fiscal year ended March 31, 2024.

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 $5.8 million and $18.9 million, related to the 2022 AIP RSUs for the fiscal years ended March 31, 2024 and 2023. As of March 31, 2024 and 2023, the liability of the 2022 AIP RSUs was $6.5 million and $18.9 million, which was included in other current liabilities on the consolidated balance sheet.

Stock Option Activity

Stock option activity and activity regarding shares available for grant under the 2021 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	(2,082,713)	$	0.44			
Canceled/forfeited/expired	(8,325,285)	$	4.94			
Balance as of March 31, 2024	70,739,770	$	3.68	5.1	$	306
Vested and exercisable as of March 31, 2024	52,562,963	$	4.12	4.0	$	306

The weighted average grant date fair value per share of options granted for the fiscal years ended March 31, 2024, 2023 and 2022 was $0.87, $2.42 and $4.44, respectively. The total intrinsic value of vested options exercised for the fiscal years ended March 31, 2024 and 2023 and 2022 was $1.4 million and $4.6 million and $25.6 million, respectively. As of March 31, 2024, unrecognized stock-based compensation cost related to unvested stock options was $28.1 million, which is expected to be recognized over a weighted-average period of 2.2 years. Due to a valuation allowance on deferred tax assets, the Company did not recognize any tax benefit from stock option exercises for the fiscal years ended March 31, 2024, 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:

	Year Ended March 31,					
	2024		2023		2022	
	Min	Max	Min	Max	Min	Max
Expected term (years)	5.8	6.0	6.0	6.8	3.3	6.1
Expected volatility range	78 %	79 %	76 %	81 %	72 %	75 %
Expected weighted-average volatility	79%		79%		74%	
Risk-free interest rate	3.6 %	4.4 %	2.8 %	4.2 %	1.0 %	2.5 %
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	50,324,367	$	1.67
Vested	(21,703,098)	$	3.14
Canceled/forfeited	(11,127,165)	$	3.66
Balance as of March 31, 2024	44,056,670	$	2.29

As of March 31, 2024, unrecognized stock-based compensation expense related to outstanding unvested RSUs was $90.9 million, which is expected to be recognized over a weighted-average period of 2.3 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 were scheduled to 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.

During the fiscal year ended March 31, 2024, the employment of two of the Former Lemonaid Officers terminated, which resulted in $25.1 million of stock-based compensation expense related to these awards to be recognized within general and administrative expenses.

The Company recognized total stock-based compensation expense related to these awards of $28.4 million,$11.0 million, and $4.5 million for the fiscal years ended March 31, 2024, 2023, and 2022, respectively, within general and administrative expenses. As of March 31, 2024, there was no remaining unamortized stock-based compensation expense associated with these awards.

Employee Stock Purchase Plan

On June 10, 2021, the shareholders of VGAC approved the Company’s 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. During the fiscal years ended March 31, 2024 and 2023, respectively, 5,329,571 and 2,642,313 shares of the Company’s Class A common stock were issued under the ESPP, at an average exercise price of $0.61 and $2.45, respectively. No shares were issued under the ESPP during the fiscal year ended March 31, 2022.

The Company’s ESPP permits U.S. employees, including executive officers, employed by the Company, except for those holding five percent or more of the total combined voting power or value of all classes of the Company’s stock, may participate in the ESPP and may contribute, normally through payroll deductions, up to 15% of their earnings (as defined in the ESPP) for the purchase of the Company’s Class A common stock during pre-specified offering periods under the ESPP. Class A common stock will be purchased for the accounts of employees participating in the ESPP at a price per share that is at least the lesser of (i) 85% of the fair market value of a share of the Company’s Class A common stock on the first date of an offering, or (ii) 85% of the fair market value of a share of the Company’s Class A common stock on the date of purchase. No employee may purchase shares under the ESPP at a rate in excess of $25,000 worth of the Company’s Class A common stock based on the fair market value per share of the Company’s Class A common stock at the beginning of an offering for each calendar year such purchase right is outstanding. The ability to purchase shares of the Company’s common stock for a discount represents an option and, therefore, the ESPP is considered a compensatory plan. Accordingly, stock-based compensation expense is determined based on the option’s grant-date fair value as estimated by applying the Black Scholes option-pricing model and is recognized over the requisite service period, which is the withholding period.

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 weighted average grant date fair value of ESPP award per share for the fiscal years ended March 31, 2024, 2023, and 2022 was $0.44, $1.35 and $1.84, respectively, using the following assumptions:

	Year Ended March 31,					
	2024		2023		2022	
	Min	Max	Min	Max	Min	Max
Expected term (years)	0.5	1.0	0.5	1.0	0.5	1.0
Expected volatility range	67 %	99 %	78 %	109 %	77 %	86 %
Expected weighted-average volatility	70%		96%		82%	
Risk-free interest rate	4.9 %	5.5 %	3.3 %	5.2 %	0.6 %	0.9 %
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:

	Year Ended March 31,		
	2024	2023	2022
	(in thousands)		
Cost of revenue [(1)]	$ 6,234	$ 10,874	$ 4,029
Research and development	37,765	48,837	26,540
Sales and marketing	6,567	8,635	5,122
General and administrative [(2)]	68,020	47,671	22,242
Restructuring and other charges	1,623	—	—
Total stock-based compensation expense	$ 120,209	$ 116,017	$ 57,933

(1) Primarily relates to cost of service revenue. Stock-based compensation expense related to cost of product was immaterial for the fiscal years ended March 31, 2024, 2023, and 2022.

(2) Includes $32.8 million of stock-based compensation charges related to the termination of two Former Lemonaid Officers during the fiscal year ended March 31, 2024.

16. Net Loss Per Share Attributable to Common Stockholders

The Company has two classes of common stock and, as such, applies the two class method of computing earnings per share. As the rights are identical, including liquidation and dividend rights, except the Company's Class B common stock has additional voting rights and is convertible at any time at the option of the holder into Class A common stock, and is automatically converted into Class A common stock upon transfer (except for certain permitted transfers), 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 and Class B common stock under the two-class method.

No dividends were declared or paid for the fiscal years ended March 31, 2024, 2023 and 2022.

The Company's stock options, RSUs, restricted stock awards subject to vesting, estimated RSUs to be issued under the 2022 AIP 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:

	Year Ended March 31,					
	2024		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B
	(in thousands, except share and per share data)					
Numerator:						
Net loss attributable to common stockholders	$ (431,876)	$ (234,828)	$ (185,112)	$ (126,544)	$ (68,620)	$ (148,870)
Denominator:						
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	308,330,435	167,651,830	268,177,185	183,327,192	114,064,921	247,463,198
Net loss per share attributable to common stockholders:						
Net loss per share attributable to common stockholders, basic and diluted	$ (1.40)	$ (1.40)	$ (0.69)	$ (0.69)	$ (0.60)	$ (0.60)

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:

	Year Ended March 31,		
	2024	2023	2022
Outstanding stock options	70,739,770	68,050,752	73,609,565
Unvested restricted stock units	44,056,670	26,562,566	10,676,378
Shares subject to vesting	—	2,576,082	3,512,839
2022 AIP RSUs	13,116,407	8,460,836	—
ESPP	2,561,500	2,937,194	2,239,756
Total	130,474,347	108,587,430	90,038,538

17. 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 Internal Revenue Code of 1986, as amended. 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 $2.7 million, $2.6 million and $1.7 million for the fiscal years ended March 31, 2024, 2023 and 2022, respectively.

18. Income Taxes

The components of the Company's loss before income taxes are summarized as follows:

	Year Ended March 31,		
	2024	2023	2022
	(in thousands)		
Domestic	$ (663,740)	$ (292,730)	$ (221,212)
Foreign	(2,891)	(21,698)	242
Loss before income taxes	$ (666,631)	$ (314,428)	$ (220,970)

There has historically been no federal provision for income taxes because the Company has historically incurred operating losses and maintains a full valuation allowance against its net deferred tax assets. In the fiscal year ended March 31, 2024 the Company had an immaterial income tax provision. During the fiscal year ended March 31, 2023, the Company recognized a deferred foreign income tax benefit of $2.8 million related to the reversal of a deferred tax liability related to U.K. intangibles acquired in the Lemonaid Acquisition. During the fiscal year ended March 31, 2022, the Company recognized a deferred income tax benefit of $3.5 million related to the partial release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Lemonaid Acquisition.

A reconciliation of income tax (benefit) computed at the statutory federal tax rate to the effective income tax rate is summarized as follows:

	Year Ended March 31,		
	2024	2023	2022
Statutory federal tax expense rate	21 %	21 %	21 %
Non-deductible stock-based compensation	(3 %)	(4 %)	(3 %)
Fair Market Value adjustment on Warrants	— %	—	3 %
Change in valuation allowance related to acquisition	— %	—	2 %
Goodwill impairment	(11 %)	— %	— %
Change in valuation allowance	(6 %)	(16 %)	(20 %)
Other	(1 %)	—	(2 %)
Effective tax rate	— %	1 %	2 %

Deferred income taxes result from differences in the recognition of revenue and expenses for tax and financial reporting purposes, as well as operating loss and tax credit carryforwards. The components of the Company's deferred tax assets and liabilities as of March 31, 2024 and 2023 were as follows:

	March 31,	
	2024	2023
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 280,549	$ 262,295
Capitalized research and development expenses	48,027	33,709
Accruals and reserves	4,237	3,865
Stock-based compensation	13,397	18,065
Deferred revenue	17,570	11,498
Operating lease liabilities	17,966	21,474
Property and equipment	1,192	—
Capital loss carryover	5,109	—
Other	303	332
Gross deferred tax assets	388,350	351,238
Valuation allowance	(364,871)	(322,104)
Total deferred tax assets	23,479	29,134
Deferred tax liabilities:		
Prepaid expenses	(783)	(892)
Intangibles	(11,215)	(13,689)
Operating lease right-of-use assets	(11,481)	(14,117)
Property and equipment	—	(436)
Gross deferred tax liabilities	(23,479)	(29,134)
Net deferred taxes	$ —	$ —

The Company maintains a full valuation allowance on the remaining net deferred tax assets of the U.S. entity 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.

As of March 31, 2024, the Company had $1.1 billion of federal and $693.7 million of state net operating loss carryforwards available to reduce future taxable income, which will begin to expire in 2026 for federal and state tax purposes. Included in the $1.1 billion carryover losses is $779.7 million of net operating losses with an indefinite life. The Company does not have any federal and state research and development tax credit carryforwards. As of March 31, 2024, the Company has $21.8 million capital loss carryforward that will begin to expire in 2029. The change in the valuation allowance in the current year was an increase of $42.8 million primarily related to the increase of current year losses.

The Tax Reform Act of 1986 and similar California legislation impose substantial limitations on the utilization of net operating loss and tax credit carryforwards, if there is a change in ownership as provided by Section 382 of the Internal Revenue Code and similar state provisions. Such a limitation could result in the expiration of the net operating loss carryforwards and tax credits before utilization. We completed a Section 382 study through March 31, 2023 which did not identify any ownership changes which would limit our ability to utilize net operating losses or tax attributes prior to expiration. Further ownership changes subsequent to March 31, 2023 may be identified which could result in limitations to the amount of net operating losses and tax attributes which may be utilized prior to expiration.

Significant management judgment is required in determining the provision for income taxes and, in particular, any valuation allowance recorded against the Company's deferred tax assets. The Company determined that, due to the Company's cumulative tax loss history and the difficulty in forecasting the timing of future revenue, it was necessary to maintain a valuation allowance to the full amount of the deferred tax asset. The Company determined that it was not more-likely-than-not that the deferred tax asset would be utilized.

The Company had no unrecognized tax benefits for the fiscal years ended March 31, 2024, 2023 and 2022.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. During the fiscal years ended March 31, 2024, 2023 and 2022, the Company recognized no interest and penalties associated with the unrecognized tax benefits. There are no tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date. If recognized, there would be no impact on the Company's effective tax rate due to its valuation allowance.

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.

In 2021, the Organization for Economic Cooperation and Development developed guidance on Base Erosion and Profit Sharing Pillar Two Model Rules ("Pillar Two"), which addresses corporate tax planning strategies used by some large multinational corporations to shift profits from higher-tax jurisdictions to lower-tax jurisdictions or zero-tax locations. This guidance imposes a 15% minimum tax on the earnings of large multinational corporations. The Company does not currently operate in any jurisdictions in which Pillar Two is expected to be effective in 2024. The Company does not expect these rules to have a significant impact on its effective tax rate or its consolidated financial statements.

19. Disposition of Subsidiary

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 fiscal year ended March 31, 2024, the Company recorded $2.4 million 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.

20. Related Party Transactions

As described in Note 6, "*Collaborations*," in July 2018, the Company and GSK entered into the original GSK Agreement, and there were transactions with GSK during the fiscal years ended March 31, 2024, 2023 and 2022. At the time the original GSK Agreement was entered into, GSK also purchased 17,291,066 shares of Series F-1 redeemable convertible preferred stock of 23andMe, Inc. These shares were converted into a like number of shares of 23andMe, Inc. Class B common stock immediately prior to the Merger and were exchanged pursuant to the Share Conversion Ratio into shares of the Company's Class B common stock in the Business Combination. GSK had a 19.9% and 20.1% voting interest in the Company as of March 31, 2024 and 2023, respectively.

As described in Note 3, "*Recapitalization*," in February 2021, concurrently with the execution of the Merger Agreement, VGAC entered into subscription agreements with certain investors to which such investors collectively subscribed for an aggregate of 25,000,000 shares of the Company's Class A common stock at $10.00 per share for aggregate gross proceeds of $250.0 million. The Anne Wojcicki Foundation, which subscribed for 2,500,000 shares of the Company's Class A common stock, is affiliated with the Company's CEO and therefore a related party.

In January 2024, the Company entered into a research services agreement (the "TWF Agreement") and related statement of work (the "initial SOW") with the Troper Wojcicki Foundation ("TWF") with the goal of expanding scientific knowledge in the field of lung cancer using the Company's phenotype and genotype data to build large scale research cohorts. Susan Wojcicki is a director and officer of TWF, and a sibling of the Company's CEO, Anne Wojcicki, and therefore the Company determined that TWF is a related party. The TWF Agreement has a term of five years through December 21, 2028. The fees under the initial SOW are $5.4 million, payable in installments over the term of the TWF Agreement, with certain payments being subject to specified milestones being achieved. During the fiscal year ended March 31, 2024, the Company recognized revenue of $0.3 million from TWF. As of March 31, 2024, the Company had deferred revenue of $1.0 million associated with this arrangement.

21. Subsequent Events

Special Committee

On April 17, 2024, Anne Wojcicki, Chief Executive Officer, Co-Founder, and Chair of the Board of Directors of 23andMe amended her Schedule 13D filing with the Securities and Exchange Commission to disclose that she is considering making a proposal to acquire all of the outstanding shares of 23andMe that she does not currently own. As of the date of such amendment, Ms. Wojcicki owned shares constituting more than 20% of the total outstanding shares, entitling her to approximately 49% of the voting power of the total outstanding shares of 23andMe. Ms. Wojcicki also indicated in her Schedule 13D filing that she wishes to maintain control of 23andMe and, therefore, will not be willing to support any alternative transaction.

On April 18, 2024, the Company announced that the Board had formed a special committee composed of independent members of the Board (the "Special Committee") on March 28, 2024. The role of the Special Committee is to review strategic alternatives that may be available to 23andMe to maximize shareholder value. The special committee will carefully review Ms. Wojcicki's proposal when and if it is made available and evaluate it in light of other available strategic alternatives, including continuing to operate as a publicly traded company. The Special Committee is committed to acting in the best interests of 23andMe and its shareholders.

Purchase Obligations

In May 2024, the Company entered into a non-cancellable, long-term contract extension with a vendor to purchase PGS Kits with additional estimated future minimum payments of $11.3 million through December 2026.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 March 31, 2024, 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 consolidated financial statements included in this Form 10-K 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.

Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, there is a risk that internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2024, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework as published in 2013. Based on that assessment, management concluded that, as of March 31, 2024, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of March 31, 2024 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its audit report, which is included under Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There has been no material change in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during the three months ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Information required by Items 10, 11, 12, 13, and 14 of Part III is omitted from this Form 10-K and will be filed in our definitive proxy statement to be filed with the SEC with respect to our 2024 Annual Meeting of Stockholders (the "2024 Proxy Statement") or by an amendment to this Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 10. Directors, Executive Officers and Corporate Governance

To the extent applicable, the information called for by this Item 10 will be set forth in the 2024 Proxy Statement under the following captions and is incorporated herein by reference: “Proposal 1 – Election of Directors,” “Executive Officers,” and “Corporate Governance.”

Item 11. Executive Compensation

We have adopted a written compensation recovery policy in accordance with applicable Nasdaq rules, a copy of which is filed as Exhibit 97 – 23andMe Holding Co. Compensation Recoupment Policy to this Annual Report on Form 10-K. The policy provides that the Company will seek to recover any incentive-based compensation erroneously awarded to any current or former executive officer due to the material noncompliance with any financial reporting requirement under the securities laws during the three completed fiscal years immediately preceding the date the Company determines that an accounting restatement is required.

To the extent applicable, the information required by this Item 11 will be set forth in the 2024 Proxy Statement under the following captions and is incorporated herein by reference: “Director Compensation,” “Compensation Discussion and Analysis” and the related tabular disclosure, “Compensation Committee Report,” “Compensation Risk Assessment,” “Policies Prohibiting Hedging, Pledging, and Speculative or Short-Term Trading,” and “Compensation Committee Interlocks and Insider Participation.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

To the extent applicable, the information required by this Item 12 will be set forth in the 2024 Proxy Statement under the following captions and is incorporated herein by reference: “Security Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

To the extent applicable, the information required by this Item 13 will be set forth in the 2024 Proxy Statement under the following captions and is incorporated herein by reference: “Corporate Governance – Related Person Transactions” and “Corporate Governance –Board Independence.”

Item 14. Principal Accounting Fees and Services

Our independent registered public accounting firm is KPMG LLP, Santa Clara, California (Auditor ID: 185).

To the extent applicable, the information required by this Item 14 will be set forth in the 2024 Proxy Statement under the following caption and is incorporated herein by reference: “Audit Fees and Services.”

PART IV

Item 15. Exhibits, Financial Statement Schedules

See "*Index to Consolidated Financial Statements*" in Part II, Item 8 of this Form 10-K. Financial statement schedules have been omitted because they are not required or are not applicable or because the information required in those schedules either is not material or is included in the consolidated financial statements or the accompanying notes.

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

Exhibit Index

Exhibit Number	Description
2.1†	Agreement and Plan of Merger, dated as of February 4, 2021, by and among VG Acquisition Corp., Chrome Merger Sub, Inc., and 23andMe, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on February 4, 2021).
2.2	First Amendment to the Merger Agreement, dated as of February 13, 2021, by and among VG Acquisition Corp., Chrome Merger Sub, Inc., and 23andMe, Inc. (incorporated by reference to Exhibit 2.2 to the Registration Statement on Form S-4 (File No. 333-254772), filed with the SEC on May 13, 2021).
2.3	Second Amendment to the Merger Agreement, dated as of March 25, 2021, by and among VG Acquisition Corp., Chrome Merger Sub, Inc., and 23andMe, Inc. (incorporated by reference to Exhibit 2.3 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
2.4	Agreement and Plan of Merger and Reorganization, dated as of October 21, 2021, by and among 23andMe Holding Co., Life Merger Sub One, Inc., Life Merger Sub Two, Inc., Lemonaid Health, Inc., and Fortis Advisors LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K, filed with the SEC on October 22, 2021).
3.1	Certificate of Incorporation of 23andMe Holding Co. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K/A filed with the SEC on June 21, 2021).
3.2	Second Amended and Restated Bylaws of 23andMe Holding Co. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on December 9, 2022).
4.1	Description of 23andMe Holding Co.'s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K filed with the SEC on May 27, 2022).
4.2	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 (File No. 333-248844), filed with the SEC on September 16, 2020).
4.3	Warrant Agreement, dated as of October 1, 2020, between VG Acquisition Corp. and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed with the SEC on October 6, 2020).
4.4	Certificate of Corporate Domestication of VG Acquisition Corp. (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed with the SEC on June 21, 2021).
10.1	Sponsor Letter Agreement, dated as of February 4, 2021, by and among 23andMe, Inc., VG Acquisition Sponsor LLC, VG Acquisition Corp., Credit Suisse Securities (USA) LLC as representative of the several Underwriters named therein, the Insiders (as defined therein) and the Holders (as defined therein) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on February 4, 2021).
10.2	Form of Subscription Agreement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on February 4, 2021).
10.3†	Form of Support Agreement (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed with the SEC on February 4, 2021).

10.4	Amended and Restated Registration Rights Agreement, dated as of June 16, 2021, by and among 23andMe Holding Co., VG Acquisition Sponsor LLC, and certain other initial stockholders (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on June 21, 2021).
10.5+	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).
10.6+	23andMe Holding Co. 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed with the SEC on June 21, 2021).
10.7+	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4/A, filed with the SEC on May 13, 2021).
10.8+	Offer Letter, dated as of February 16, 2014, by and between 23andMe, Inc. and Kathy Hibbs (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.9+	Offer Letter, dated as of February 1, 2019, by and between 23andMe, Inc. and Kenneth Hillan (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.10+	Offer Letter, dated as of February 20, 2020, by and between 23andMe, Inc. and William Richards (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on November 8, 2023).
10.11	Consulting Agreement, dated as of April 1, 2019, by and between 23andMe, Inc. and Richard Scheller, Ph.D. (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.12	Amendment No. 1 to Consulting Agreement, dated as of March 30, 2020, by and between 23andMe, Inc. and Richard Scheller, Ph.D. (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.13	Amendment No. 2 to Consulting Agreement, dated as of March 24, 2021, by and between 23andMe, Inc. and Richard Scheller, Ph.D. (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.14	Amendment No. 3 to Consulting Agreement, dated as of March 24, 2022, by and between 23andMe, Inc. and Richard Scheller, Ph.D. (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K, filed with the SEC on May 25, 2023)
10.15	Amendment No. 4 to Consulting Agreement, dated as of March 10, 2023, by and between 23andMe, Inc. and Richard Scheller, Ph.D. (incorporated by reference to Exhibit 10.16 to the Annual Report on Form 10-K, filed with the SEC on May 25, 2023)
10.16+	23andMe, Inc. 2006 Equity Incentive Plan (as Amended and Restated) (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.17+	Form of 23andMe, Inc. 2006 Stock Option Agreement (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.18††	Collaboration Agreement, dated as of July 24, 2018, by and between 23andMe, Inc. and GlaxoSmithKline Intellectual Property (No.3) Limited (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.19††	First Amendment to Collaboration Agreement, dated as of April 8, 2019, by and between 23andMe, Inc. and GlaxoSmithKline Intellectual Property (No.3) Limited (incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.20††	Second Amendment to Collaboration Agreement, dated as of January 13, 2021, by and between 23andMe, Inc. and GlaxoSmithKline Intellectual Property (No.3) Limited (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.21 +	Third Amendment to Collaboration Agreement, dated as of October 27, 2023, by and between 23andMe, Inc. and GlaxoSmithKline Intellectual Property (No.3) Limited (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on November 8, 2023).

10.22+	Form of 23andMe, Inc. Employee Invention Assignment and Confidentiality Agreement (incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.23	Promissory Note dated April 5, 2021, issued by VG Acquisition Corp. to VG Acquisition Sponsor LLC (incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-4/A (File No. 333-254772), filed with the SEC on May 13, 2021).
10.24+	Form of 23andMe Holding Co. 2021 Nonqualified Stock Option Grant Agreement (incorporated by reference to Exhibit 10.22 to the Quarterly Report on Form 10-Q, filed with the SEC on August 13, 2021).
10.25+	Form of 23andMe Holding Co. 2021 Restricted Stock Unit Agreement (Employee) (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed with the SEC on November 10, 2021).
10.26+	Form of 23andMe Holding Co. 2021 Restricted Stock Unit Agreement (Non-Employee Director) (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, filed with the SEC on November 10, 2021).
10.27+	23andMe Holding Co. Change in Control Separation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 9, 2022).
10.28+*	23andMe Second Amended and Restated Annual Incentive Plan.
10.29+	Form of 23andMe Holding Co. 2021 Restricted Stock Unit Agreement (Non-Employee Director) (incorporated by reference to Exhibit 10.31 to the Annual Report on Form 10-K, filed with the SEC on May 25, 2023).
10.30+	Form of 23andMe Holding Co. 2023 Restricted Stock Unit Agreement (Employee - Amended and Restated Annual Incentive Plan Awards (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed with the SEC on November 10, 2021).
10.31+	Letter Agreement , by and between 23andMe, Inc. and Paul Johnson (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed with the SEC on October 27, 2023).
19.1*	23andMe Holding Co. Second Amended and Restated Insider Trading Policy.
21.1*	List of Subsidiaries.
23.1**	Consent of KPMG LLP, independent registered public accounting firm.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97+*	23andMe Holding Co. Compensation Recoupment Policy
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*	Filed herewith
**	Furnished herewith
+	Indicates management contract or compensatory plan or arrangement
†	Schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.
††	The Registrant has redacted provisions or terms of this Exhibit pursuant to Regulation S-K Item 601(b)(10)(iv). The Registrant agrees to furnish an unredacted copy of the Exhibit to the SEC upon its request.

Item 16. Form 10-K Summary

None.

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:	May 30, 2024	By:	/s/ Anne Wojcicki
			Name: Anne Wojcicki
			Chief Executive Officer and President
			(Principal Executive Officer)
Date:	May 30, 2024	By:	/s/ Joseph Selsavage
			Name: Joseph Selsavage
			Chief Financial and Accounting Officer
			(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Anne Wojcicki Anne Wojcicki	Chief Executive Officer and Director (Principal Executive Officer)	May 30, 2024
/s/ Joseph Selsavage Joseph Selsavage	Chief Financial and Accounting Officer (Principal Financial and Accounting Officer)	May 30, 2024
/s/ Roelof Botha Roelof Botha	Director	May 30, 2024
/s/ Patrick Chung Patrick Chung	Director	May 30, 2024
/s/ Sandra R. Hernández, M.D. Sandra R. Hernández, M.D.	Director	May 30, 2024
/s/ Neal Mohan Neal Mohan	Director	May 30, 2024
/s/ Valerie Montgomery Rice, M.D. Valerie Montgomery Rice, M.D.	Director	May 30, 2024
/s/ Richard Scheller, Ph.D. Richard Scheller, Ph.D.	Director	May 30, 2024
/s/ Peter Taylor Peter Taylor	Director	May 30, 2024

EXHIBIT 10.28

23andMe

Second Amended and Restated Annual Incentive Plan

1. Purpose of this Plan.

This 23andMe Annual Incentive Plan is intended to attract, retain, motivate and reward Participants by providing them with the opportunity to earn annual incentive compensation under this Plan related to the Company's performance.

2. Definitions.

For purposes of this Plan, the following terms shall be defined as follows:

(a) "**Affiliate**" means (i) any subsidiary or parent of the Company or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) "**Award**" means incentive compensation earned under this Plan pursuant to Section 4 of this Plan.

(c) "**Board**" means the Parent's Board of Directors.

(d) "**Cause**" has the meaning given to that term in any written employment agreement, offer letter or severance agreement between the Company and the Participant, or if no such agreement exists or if such term is not defined therein, Cause means a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Company, (ii) has engaged in disloyalty to the Company, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty, (iii) has disclosed trade secrets or confidential information of the Company to persons not entitled to receive such information, (iv) has breached any written non-competition, non-solicitation, invention assignment or confidentiality agreement between the Company and the Employer or (v) has engaged in such other behavior detrimental to the interests of the Company as the Committee determines.

(e) "**Code**" means the Internal Revenue Code of 1986, as amended. References to any provisions of the Code or regulation thereunder shall include any successor provisions and regulations, and reference to regulations includes any applicable guidance or pronouncement of the Department of Treasury and Internal Revenue Service.

(f) "**Committee**" means the Compensation Committee of the Board or such other committee as the Board shall appoint from time to time to administer this Plan and to otherwise exercise and perform the authority and functions assigned to the Committee under the terms of this Plan; provided, however, that the powers and authority of the Committee under this Plan may be delegated to the Company's Chief Executive Officer ("**CEO**") or other employee(s) and, in connection therewith, all references to the Committee in this Plan shall be deemed references to the Company's CEO and such employee(s) as it relates to those aspects of this Plan that have been so delegated.

(g) "**Company**" means 23andMe, Inc. (together with its successors and assigns) and all of its Affiliates, collectively.

(h) "**Disability**" means that the Participant is by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months receiving income replacement benefits for a period of not less than three months under an accident or health plan of the Company.

(i) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(j) "**Incentive Plan**" means the 23andMe Holding Co. 2021 Incentive Equity Plan, as in effect from time to time.

(k) "**Parent**" means 23andMe Holding Co.

(l) "**Participant**" means, with respect to each Performance Period, each employee or other service provider of the Company selected by the Committee to participate in this Plan for such period. Unless otherwise determined by the Committee, employees will be eligible to be selected as Participants for any Performance Period so long as (i) they are regularly scheduled to work an average of at least twenty (20) hours per week during such Performance Period and (ii) they will have been employed for at least one full quarter during such Performance Period.

(m) "**Performance Measures**" means the goal(s) (or combined goal(s)), as determined by the Committee to be applicable to a Participant's Award. As determined by the Committee, the Performance Measures applicable to an Award may be described in terms of Company-wide objectives and/or objectives that are related to the performance of an individual Participant or of a Subsidiary or division in which the Participant is employed or be established relative to a comparison with other corporations or an external index or indicator, or relative to a comparison with performance in a prior period, as the Committee deems appropriate. Performance Measures may differ among Participants and Awards and may include, without limitation, the following: earnings or profitability measures (which include net income, operating income, income (loss) per common share from continuing operations, either basic or fully diluted, net income (loss) per common share, either basic or fully diluted, earnings before interest, taxes, depreciation, and amortization (including without limitation adjusted EBITDA), earnings before interest and taxes, any pre-established derivative of revenue (gross, operating, or net), pre-tax operating income, inventory turnover or inventory shrinkage, sales growth and volumes, percentage increase in total net revenue, and economic profit or value created); expense and efficiency measures (which include gross margins, cost of goods sold, mark-ups or mark-downs, operating margins, selling, general and administrative expense, and other pre-established operating expenses); return measures (which include total stockholder return, stock price, return on assets, return on investment, return on capital, and return on equity); cash flow measures (which include cash flow, free cash flow, cash flow return on investment, and net cash provided by operations); achievement of balance sheet, income statement, or cash-flow statement objectives; strategic or operational business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic expansion or new concept development goals, or regulatory approval of new products or services; cost targets; customer satisfaction; employee satisfaction; human resources goals, including staffing, training and development and succession planning; supervision of litigation and information technology; environmental, social and governance or sustainability goals; goals relating to human capital management; and goals relating to acquisitions or divestitures of subsidiaries, affiliates or joint ventures.

(n) "**Performance Period**" means a fiscal year of the Company or such shorter period as may be designated by the Committee with respect to an Award.

(o) "**Plan**" means this 23andMe Annual Incentive Plan, as may be amended from time to time.

(p) "**Section 409A**" means Section 409A of the Code.

(q) "**Subsidiary**" means any "subsidiary" within the meaning of Rule 405 under the Securities Act of 1933, as amended.

3. Administration.

(a) **Power and Authority of the Committee**. This Plan shall be administered by the Committee which shall have full power and authority:

(i) to designate each Performance Period;

(ii) to establish the Performance Measures for each Performance Period and to determine whether and to what extent such Performance Measures have been reached;

(iii) to determine at any time the cash amount payable with respect to an Award;

(iv) to prescribe, amend and rescind rules and procedures relating to this Plan;

(v) subject to the provisions of this Plan, to delegate to one or more officers, a subcommittee of the Committee or other members of the Board of the Company some of its authority under this Plan and, for such purposes, the delegates shall have the same authority of the Committee hereunder;

(vi) to employ such legal counsel, independent auditors and consultants as it deems desirable for the administration of this Plan and to rely upon any opinion or computation received therefrom;

(vii) to amend, modify, or cancel any Award, and authorize the exchange, substitution, or replacement of Awards; and

(viii) to make all determinations, and to formulate such procedures, as may be necessary or advisable in the opinion of the Committee for the administration of this Plan.

(b) **Plan Construction and Interpretation**. The Committee shall have full power and authority to construe and interpret this Plan and to correct any defect or omission, or reconcile any inconsistency, in this Plan or any Award.

(c) **Determinations of Committee Final and Binding**. All determinations by the Committee and its delegates in carrying out and administering this Plan and in construing and interpreting this Plan shall be made in the Committee's and its delegates' sole discretion and shall be final, binding and conclusive for all purposes and upon all persons interested herein. The Committee's and its delegates' decisions regarding the amount of each Award need not be consistent among Participants.

(d) **Liability of Committee**. No member of the Committee (or its delegates) shall be liable for any action or determination made in good faith with respect to this Plan or any Award, and the members of the Committee (and its delegates) shall be entitled to indemnification and reimbursement in the manner provided in the Parent's Certificate of Incorporation or its Bylaws, as applicable, in each case as amended and in effect from time to time. In the performance of its responsibilities with respect to this Plan, the Committee shall be entitled to rely upon information and advice furnished by the Company's officers and employees, the Company's accountants, the Company's legal counsel or any other person the Committee deems necessary, and no member of the Committee shall be liable for any action taken or not taken in good faith reliance upon any such advice.

4. Awards.

(a) **Performance Measures**. The Committee has the discretion to structure Awards in any manner it deems advisable, on an individual or group basis, including, but not limited to, the Performance Measures to be achieved, and specifying whether and to what extent the Award may become payable in the event of death, Disability, termination without Cause, or a change in ownership or control prior to the end of the Performance Period or the date of payment.

(b) **Communication of Award Terms**. As soon as practicable after the Committee establishes the terms of Awards for a Performance Period, the Committee or its delegate shall communicate the terms of such Awards to Participants in an Award letter or similar document.

(c) **Determination of Award**. Following the completion of each Performance Period and prior to payment of any Award, the Committee shall certify in writing whether and the extent to which the applicable Performance Measures have been achieved for such Performance Period. In determining the amount of the Award earned by a Participant for a given Performance Period, the Committee may, in its discretion, increase, reduce or eliminate the amount that would otherwise be payable based on the certified level of attained performance of the Performance Measure(s). In exercising such discretion, the Committee may utilize any such objective or subjective criteria as the Committee deems appropriate in its sole and absolute discretion. Notwithstanding any other language in this Plan, the amount of any Award certified by the Committee for payment remains subject to any material changes to the Company's audited financial statements for the Performance Period if the Committee certifies any such Award for payment prior to the time such audited financial statements are finalized.

(d) **Payment of Awards**. Except as otherwise provided herein, Awards shall be paid to the Participant as soon as administratively practicable following the end of the Performance Period and the certification by the Committee of the attainment of the Performance Measures with respect thereto, but in any event, no later than the later of (i) two and one-half months following the end of the Company's first fiscal year in which the Award is no longer subject to a "substantial risk of forfeiture" (within the meaning of Section 409A), or (ii) two and one-half months following the end of the Participant's first taxable year in which the Award is no longer subject to such a substantial risk of forfeiture, unless deferred as described in Section 5 of this Plan. Awards will be paid in cash or in the form of restricted stock units ("**RSUs**") issued by Parent under the Incentive Plan, as determined by the Committee; for purposes hereof, the number of RSUs shall be determined by dividing the dollar amount of the Award, or the portion of the Award to be paid in RSUs, by the trailing average closing price of a share of the Parent's Class A Common Stock on the Nasdaq Global Select Market for the twenty days (or such other number of days determined by the Committee) preceding the date of payment. Payment of an Award is subject to recoupment or clawback as provided in Section 8(l). Payment of Awards may be subject to such forfeiture, transfer, or such other restrictions (or any combination thereof) as the Committee shall specify. Any RSUs issued in respect of Awards hereunder shall be subject to the terms of the Incentive Plan and any award agreement issued thereunder.

(e) **Employment Requirement**.

(i) Except as otherwise provided in this Section 4(e) or as otherwise determined by the Committee, no Award shall be paid to any Participant who is not actively employed by the Company on the date that Awards are paid.

(ii) If a Participant's employment is terminated by reason of his or her death or Disability following the expiration of a Performance Period but before the date that Awards are paid, the Participant or his or her beneficiary will be paid the Award that would otherwise be payable if the Participant remained employed through the date that Awards are paid. In the case of a Participant's Disability, the employment termination shall be deemed to have occurred on the date that it is determined that the Participant has suffered a Disability. Payment of such Award will be made at the same time and in the same manner as Awards are paid to other Participants.

5. Deferral.

Subject to applicable laws, including, without limitation, Section 409A, the Committee may (i) require the mandatory deferral of some or all of an Award on terms (including vesting terms) established by the Committee or (ii) permit a Participant to elect to defer a portion of an Award in accordance with the terms established under any Company deferred compensation plan, as the same may be amended, or under any successor plan.

6. Effective Date.

This Plan became effective on April 1, 2022.

7. Amendment and Termination.

Subject to applicable laws, rules and regulations, the Board or the Committee may at any time amend, suspend, discontinue or terminate this Plan.

8. Miscellaneous.

(a) **Tax Withholding**. The Company shall have the right to deduct from all cash payments made to a Participant, or, if deemed necessary by the Company, from wages or other cash compensation paid to the Participant by the Company, any applicable taxes (including social contributions or similar payments) required to be withheld with respect to such payments, and to take such other action as the Committee may deem advisable to enable the Company and the Participant to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. To the extent an Award hereunder is payable in the form of RSUs, the Company may withhold from such Award a number of RSUs with a value equal to any required withholding and issue only the net number of RSUs to the Participant.

(b) **No Rights to Awards or Employment**. This Plan is not a contract between the Company and a Participant. No Participant shall have any claim or right to receive Awards under this Plan, nor shall any Participant have the right to be treated uniformly with other Participants and employees. Nothing in this Plan shall confer upon any employee or other service provider of the Company any right to continued employment or service with the Company or interfere in any way with the right of the Company to terminate the employment or service of any of its employees or service providers, in accordance with the laws of the applicable jurisdiction, at any time, with or without Cause, including, without limitation, any individual who is then a Participant in this Plan.

(c) **Section 409A**. The Company intends that this Plan and each Award granted hereunder that is subject to Section 409A shall comply with (or be exempt from) Section 409A and that this Plan shall be interpreted, operated and administered accordingly. If an Award is subject to Section 409A, (i) distributions shall only be made in a manner and upon an event permitted under Section 409A, (ii) payments to be made upon a termination of employment shall only be made upon a "separation from service" under Section 409A, (iii) unless the Award specifies otherwise, each installment payment shall be treated as a separate payment for purposes of Section 409A, and (iv) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with Section 409A. Any Award granted under this Plan that is subject to Section 409A and that is to be distributed to a key employee (as defined below for this purpose) upon separation from service shall be administered so that any distribution with respect to such Award shall be postponed for six months following the date of the Participant's separation from service, if required by Section 409A. If a distribution is delayed pursuant to Section 409A, the distribution shall be paid within 30 days after the end of the six-month period. If the Participant dies during such six-month period, any postponed amounts shall be paid within 90 days of the Participant's death. The determination of key employees, including the number and identity of persons considered key employees and the identification date, shall be made by the Committee or its delegate each year in accordance with Section 416(i) of the Code and the "specified employee" requirements of Section 409A. If any provision of this Plan contravenes any regulations or guidance promulgated under Section 409A or could cause any Award to be subject to taxes, interest or penalties under Section 409A, the Board or the Committee may, in its sole discretion, modify this Plan to (i) comply with, or avoid being subject to, Section 409A, (ii) avoid the imposition of taxes, interest and penalties under Section 409A, and/or (iii) maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A. Neither the Board nor the Committee is obligated to modify this Plan and there is no guarantee that any payments will be exempt from interest and penalties under Section 409A. Notwithstanding anything herein to the contrary, in no event shall the Company be liable for the payment of or gross up in connection with any taxes and or penalties owed by the Participant pursuant to Section 409A. Moreover, any discretionary authority that the Board or the Committee may have pursuant to this Plan shall not be applicable to an Award that is subject to Section 409A to the extent such discretionary authority would contravene Section 409A. No representation is or shall be made in connection with the avoidance of adverse tax treatment of a Participant under Section 409A, and any promise or covenant to maintain favorable or avoid unfavorable tax treatment is hereby expressly disavowed.

(d) **Other Compensation**. Nothing in this Plan shall preclude or limit the ability of the Company to pay any compensation to a Participant under the Company's other compensation and benefit plans and programs, including without limitation any equity plan or bonus plan, program or arrangement.

(e) **No Limitation on Corporate Actions**. Nothing contained in this Plan shall be construed to prevent the Company from taking or not taking any corporate action, whether or not such action could have an adverse effect on any Awards made under this Plan. No Participant, beneficiary or other person shall have any claim against the Company as a result of any such action.

(f) **Unfunded Plan**. This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. Prior to the payment of any Award, nothing contained herein shall give any Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan with respect to any Awards payable in cash hereunder. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan, unless the Committee otherwise determines.

(g) **Non-Transferability**. Except as set forth in Section 8(i) herein, no Participant or beneficiary shall have the power or right to sell, transfer, assign, pledge or otherwise encumber or dispose of the Participant's interest under this Plan.

(h) **Benefit Plan Treatment**. Cash payments made under the Plan to Participants will not be subject to any deductions for health and welfare benefits but will be subject to any deferral election that a Participant has in effect at the time of payment under the Company's 401(k) plan.

(i) **Designation of Beneficiary**. Unless otherwise provided by the Committee (or its delegate), a Participant may designate a beneficiary or beneficiaries to receive any payments which may be made following the Participant's death in accordance with the Plan. If a Participant does not designate a beneficiary, or the designated beneficiary or beneficiaries predeceases the Participant, any payments which may be made following the Participant's death shall be made to the Participant's surviving spouse or, if none, the Participant's estate.

(j) **Severability; Entire Agreement**. If any provision of this Plan or any Award is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof.

(k) **Expenses**. The costs and expenses of administering this Plan shall be borne by the Company.

(l) **Clawback**. Any Award made hereunder shall be subject to any clawback policy adopted by the Company. By accepting Awards under this Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under this Plan subject to clawback as provided pursuant to any clawback policy adopted by the Company. Such cooperation and assistance shall include, but is not limited to, executing, completing, and submitting any documentation necessary to recover or recoup any Award or amounts paid under this Plan from a Participant's accounts, or pending or future compensation or Awards.

(m) **Governing Law**. The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Awards shall be determined in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

EXHIBIT 19.1

23ANDME HOLDING CO.

SECOND AMENDED AND RESTATED
INSIDER TRADING POLICY

Effective May 18, 2023

I. INTRODUCTION

The Board of Directors (the "***Board***") of 23andMe Holding Co. (together with its subsidiary, the "***Company***," "***we***," "***us***," or "***our***") has adopted this Second Amended and Restated Insider Trading Policy (this "***Policy***") to establish acceptable transactions in Company securities by our employees, directors, advisors, and consultants ("***Team Members***," "***you***," or "***your***").

During the course of your tenure with the Company, you may receive important information that has not yet been publicly announced by the Company or concerning other publicly-traded companies with which the Company has business dealings ("***material non-public information***"). Because of your access to this material non-public information, you may be in a position to profit financially by buying or selling, or in some other way dealing, in Company stock, or stock of another publicly-traded company, or to disclose such information to a third party who does so profit (a "***tippee***").

This Policy applies to you and to (i) anyone who resides with you or lives in your household, and any family members who do not live with you, but whose transactions in Company securities are directed by, or are subject to, your influence or control, such as parents or children (collectively, "***Family Members***"); and (ii) entities controlled by you ("***Related Entities***"). It is your obligation to make Family Members and Related Entities aware of, and understand and comply with, the provisions and obligations of this Policy.

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be serious. Both the U.S. Securities and Exchange Commission ("***SEC***") and the Nasdaq Stock Market investigate and are very effective at detecting insider trading. Cases have been successfully prosecuted against individuals as a result of trading involving only a small number of shares. There are no exceptions for small or "immaterial" transactions.

This Policy applies even after your termination of employment or service with the Company. You may not trade in Company securities (1) until the start of the next window period (as defined below) following your termination of employment or service and (2) if you are in possession of material non-public information when your employment or service terminates, until such information has become public or is no longer material.

There are no exceptions to this Policy, even for situations that may seem necessary or justifiable (such as the need to raise money for an emergency expenditure) or small transactions. If material non-public information is inadvertently disclosed – no matter what the circumstances – the person making or discovering that disclosure should immediately report the disclosure to the Company's General Counsel and Privacy Officer or their designees (the "***Clearing Officer***").

II. INSIDER TRADING POLICY

A. *Use of Material Non-Public Information in Securities Transactions Prohibited*

Use of material non-public information by you for personal gain, or to pass on, or "tip," the material non-public information to someone who uses it for personal gain, is illegal, regardless of the quantity of shares involved, and is therefore prohibited. You can be held liable both for your own transactions and for transactions effected by a tippee, or even a tippee of a tippee. Furthermore, it is important that the appearance of insider trading in securities be avoided. The only exception is that transactions directly with the Company, e.g., option exercises for cash or purchases under any Company employee stock purchase plan, are permitted. However, the subsequent sale (including the sale of shares in a cashless exercise program) or other disposition of such stock is fully subject to these restrictions.

Accordingly, you, any Family Member, or Related Entity may not:

- Buy, sell, or otherwise engage in any transactions, either directly or through a third party, ("trade") in Company securities while in possession of material non-public information.
- Tip, directly or indirectly, material non-public information to any person who might: (i) trade in Company securities; or (ii) pass along such information to others who might trade.
- Make recommendations or express opinions to any person about trading in Company securities on the basis of material non-public information.
- Additionally, you may not, directly or indirectly, disclose material non-public information to anyone: (i) within the Company whose job does not require them to have that information; or (ii) outside the Company including, but not limited to, Family Members, Related Entities, friends, business associates, investors and consulting firms, unless the disclosure is authorized by the Company.

In the event you receive any inquiry or request for information (particularly financial results and/or projections, including to affirm or deny information about the Company) from any person or entity outside the Company, such as a stock analyst or news reporter, and it is not part of your regular corporate duties to respond to such an inquiry or request, the inquiry should be referred to Investor Relations, which will determine whether the inquiry should also be forwarded to the Clearing Officer.

B. *Material Non-Public Information*

As a practical matter, it is sometimes difficult to determine whether you possess “inside” or material non-public information. Under the securities laws, “material” information is: (i) any information that a reasonable investor would likely consider important in deciding whether to buy, sell, or hold the Company’s securities; or (ii) any information that might affect the market or price for the Company’s securities (whether positive or negative). Certainly, if the information makes you want to trade, it would probably have the same effect on others. Remember, both positive and negative information can be material. If you possess material non-public information, you may not trade in a company’s securities, advise anyone else to do so or communicate the information to anyone else until you know that the information has been publicly disseminated. For information to be considered publicly disseminated, it must be widely disclosed through a press release or SEC filing, and a sufficient amount of time must have passed to allow the information to be fully disclosed. This means that in some circumstances, you may have to forego a proposed transaction in a company’s securities even if you planned to execute the transaction prior to learning of the material non-public information and even though you believe you may suffer an economic loss or sacrifice an anticipated profit by waiting.

Although by no means an all-inclusive list, information about the following items may be considered to be material non-public information until it is publicly disseminated (this information may be positive or negative):

- financial results or forecasts;
- communications with government agencies;
- strategic plans;
- the release of new products or services;
- results of clinical trials or other information regarding projects in the therapeutic pipeline;
- acquisitions or dispositions of assets, divisions, companies, etc.;
- pending public or private sales of debt or equity securities;
- declaration of stock splits or dividends;
- major contract awards, modifications or cancellations;
- top management or control changes;
- possible tender offers or proxy fights;
- significant write-offs;
- significant actual or threatened litigation, or any government investigations;
- knowledge of a significant data security, privacy or cybersecurity incident;
- impending bankruptcy;

- gain or loss of a significant collaboration or license agreement or other contracts with partners, licensors, customers or suppliers;
- pricing changes or discount policies;
- corporate partner relationships; and
- notice of issuance of patents.

"Non-public" information is any information that has not been disclosed broadly to the marketplace and which the investing public has not yet had time to absorb and evaluate. Generally speaking, information will be considered publicly disseminated after **two full trading days** have elapsed since the date of public disclosure of the information. For example, if the Company announces material non-public information prior to the market opening on Wednesday, then you may execute a transaction in the Company's securities on after the market opens on Friday.

C. *Prohibition of Speculative or Short-Term Trading*

No Team Member may engage in short sales (a sale of securities that are not currently owned by the seller), transactions in put or call options, margin trading or other inherently speculative transactions with respect to Company securities at any time. In addition, Section 16(c) of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***") prohibits officers and directors from engaging in short sales. Short sales arising from certain types of hedging transactions are governed by the paragraph below captioned "Policy Relating to Hedging."

D. *Policy Relating to Hedging*

The Company seeks to have the long-term financial interests of its officers, directors, and employees fully aligned with the interests of our other stockholders. For this reason, you are prohibited from purchasing financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds), or otherwise engaging in transactions that hedge, offset, or are designed to hedge or offset, any decrease in the market value or the full ownership risks and rewards of your direct or indirect holdings in Company securities.

E. *Policy Relating to Pledging*

The Board recognizes that pledging by executive officers and directors of the Company's stock as collateral for indebtedness creates the risk of an unplanned sale that may occur at a time when the director or executive officer is aware of material non-public information or is otherwise not permitted to trade in the Company's stock. Executive officers and directors of the Company may not, directly or indirectly, pledge, hypothecate, or otherwise encumber shares of the Company's stock as collateral for indebtedness. This prohibition includes, but is not limited to, holding such shares in a margin account or any other account that could cause the Company's stock to be subject to a margin call or otherwise be available as collateral for a margin loan. The foregoing prohibition applies to the Company's stock that (i) an executive officer or director owns directly or indirectly or (ii) are granted by the Company as part of an executive officer's or director's compensation.

III. <u>TRADING WINDOWS</u>

A. *Trading Window Policy*

Generally, except as set forth otherwise in this Section III, Team Members may buy or sell Company securities only during a "***window period***" that opens after two full trading days have elapsed after the public dissemination of the Company's annual or quarterly financial results and closes on the last trading day two weeks before the end of the quarter. Due to the holiday selling period, the window period for the third quarter of the fiscal year (i.e., the quarter ending December 31, 2021) will close no later than the Friday before Thanksgiving week. The window period applies to all Team Members. This window period may be closed early or may not open if, in the judgment of the Company's Chief Executive Officer or Chief Financial Officer, there exists undisclosed information that would make trading in Company securities inappropriate. It is important to note that the fact that the window period has closed early or has not opened should be considered material non-public information.

B. *Exceptions to Window Period*

1. <u>Transactions under Company Plans</u>

a. *Option Exercises*. Team Members may exercise options granted under the Company's stock option plans by paying the exercise price with cash (i.e., no Company securities are sold in the market) without restriction to any particular period, whether or not the exercise occurs within a window period. However, the subsequent sale of the stock (including sales of stock in a broker-assisted cashless exercise) acquired upon the exercise of options is subject to all provisions of this Policy.

b. *Vesting of Restricted Stock or Vesting and Delivery of Shares of Stock Underlying Restricted Stock Units*. This Policy does not apply to the vesting of restricted stock or the vesting and delivery of shares of stock underlying restricted stock units. The Policy does apply, however, to any market sale of shares of Company stock upon the vesting of restricted stock or the vesting and delivery of shares of stock underlying restricted stock units; provided, however, Team Members that are not deemed to be Section 16 Insiders (as defined below) may sell Company stock to satisfy tax obligations arising in connection with the vesting of restricted stock or the vesting and delivery of shares of stock underlying restricted stock units if such sale is involuntary and made pursuant to a pre-established plan, program, or policy providing for such automatic sale.

c. *Employee Stock Purchase Plan* (*"**ESPP**"*). The Policy's trading restrictions generally do not apply to acquisitions of Company securities pursuant to the affected Team Member's advance election. The trading restrictions do apply, however, to (a) the initial election to participate in the ESPP; (b) any changes to your participation in the ESPP; and (c) the sale of Company securities acquired under the ESPP.

2. <u>Transactions Not Involving a Purchase or Sale</u>

Bona fide gifts of securities are not subject to this Policy unless the person making the gift has reason to believe that the recipient intends to sell the securities at a time when the person making the gift (or a Family Member or Related Entity) would be prohibited from doing so. If an individual owns shares of a mutual fund that invests in the Company's securities, there are no restrictions on trading the shares of the mutual fund at any time.

3. <u>Rule 10b5-1 Trading Plans</u>

Purchases or sales of Company securities made pursuant to, and in compliance with, a written plan established by a Team Member that meets the requirements of Rule 10b5-1 ("***Rule 10b5-1***") under the Exchange Act (a "***Trading Plan***") may be made without restriction to any particular period provided that:

a. the Trading Plan was adopted, amended, modified, replaced, or terminated in good faith, in compliance with all the requirements of Rule 10b5-1, at the time when such individual was not in possession of material non-public information about the Company;

b. the Trading Plan complies with the Company's 10b5-1 Trading Plan Guidelines, as amended from time to time;

c. the Trading Plan includes a representation certifying that (a) at the time the Trading Plan was adopted, amended, or modified the Team Member was not aware of any material non-public information about the Company and (b) the Team Member adopted, amended, or modified the Trading Plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5 of the Exchange Act;

d. the Trading Plan was reviewed and pre-approved by the Company's Clearing Officer prior to its adoption, amendment, modification, replacement, or termination;

e. the Trading Plan was adopted, amended, modified, replaced, or terminated during a window period and not during a blackout period;

f. the Trading Plan allows for the cancellation of a transaction and/or suspension of such Trading Plan upon notice and request by the Company to the individual if any proposed trade (a) fails to comply with applicable laws (e.g., exceeding the number of shares that may be sold under Rule 144 of the Securities Act of 1933, as amended) or (b) would create material adverse consequences for the Company; and

g. the Team Member agrees to promptly provide to the Company upon request any information relating to the Trading Plan that would assist the Company in timely satisfying its disclosure obligations in connection with required Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, proxy statements, filings on Forms 3, 4, and 5, and other SEC filings.

Additionally, with respect to Section 16 Insiders, no trades pursuant to the Trading Plan may be made until the later of (a) 90 days after the date of the adoption, amendment, modification, or replacement of the Trading Plan and (b) two business days following the Company's disclosure of its financial results for the fiscal quarter in which the Trading Plan was adopted, amended, modified, or replaced in an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q (the "Cooling-Off Period"); provided, however, the Cooling-Off Period shall not exceed 120 days following the adoption, amendment, modification or replacement of the Trading Plan. With respect to Team Members that are not deemed to be Section 16 Insiders, no trades pursuant to the Trading Plan may be made until 30 days after the date of the adoption, amendment, modification, or replacement of the Trading Plan. If a Team Member terminates a Trading Plan, a period of 6 months must lapse before such Team Member may adopt a new Trading Plan. For the avoidance of doubt, a Trading Plan that expires by its terms is not subject to the foregoing restriction.

C. *Pre-Clearance and Advance Notice*

In addition to the requirements of paragraph III.A above, the below individuals may not engage in any transaction in Company securities, including any purchase or sale in the open market, loan, or other transfer of beneficial ownership without first obtaining pre-clearance of the transaction from the Company's Clearing Officer at least two business days in advance of the proposed transaction:

- Directors and executive officers;
- All Vice Presidents;
- All individuals reporting directly to the Company's Chief Executive Officer, Chief Financial Officer, and Chief Administrative Officer;

- Other persons designated by the Chief Administrative Officer from time to time; and
- Family Members and Related Entities of the foregoing persons.

The Clearing Officer will then determine whether the transaction may proceed and, if so, will assist in complying with any applicable reporting requirements under Section 16(a) of the Exchange Act. Pre-cleared transactions not completed within five business days shall require new pre-clearance under the provisions of this paragraph. The Company may, at its discretion, shorten such period of time. Upon completion of any transaction, the officer, employee or director must immediately notify a Clearing Officer so that the Company may assist in any Section 16 reporting obligations.

D. *Section 16 Reports*

Members of the Company's Board and Team Members designated as "officers" pursuant to Section 16 of the Exchange Act by the Board (collectively, "***Section 16 Insiders***") are required to file reports with the SEC that disclose such individual's trading and other transactions relating to Company securities ("***Section 16 Reports***"). The Legal Department will assist Section 16 Insiders in preparing and filing the required Section 16 Reports; however, such reporting persons retain responsibility for the Section 16 Reports. To ensure compliance with all reporting requirements, a Section 16 Insider must, on the date of any trade, provide the Legal Department with all information relating to the trade that is necessary to properly prepare a Form 4 or other Section 16 Report. A Section 16 Insider must also execute a Form 4 or other Section 16 Report (either individually or through a duly-authorized power of attorney) within a sufficient amount of time to allow the Legal Department to electronically file the Form 4 with the SEC via EDGAR before the end of the second business day following the trade.

E. *Form 144*

Certain Team Members are required to file a Form 144 before making an open market sale of Company securities. A Form 144 notifies the SEC of the insider's intent to sell Company securities. This form is generally prepared and filed by the covered person's broker and is in addition to the Section 16 Reports filed on the covered person's behalf by the Legal Department.

IV. DURATION OF POLICY'S APPLICABILITY

This Policy continues to apply to your transactions in Company securities or the stock of other public companies engaged in business transactions with the Company even after your tenure with the Company has terminated. If you are in possession of material non-public information when your relationship with the Company concludes, you, your Family Members, and any Related Entities may not trade in Company securities or the stock of such other company until the information has been publicly disseminated.

V. TRANSACTIONS BY FAMILY MEMBERS AND RELATED ENTITIES

As stated above, this Policy applies with equal force to Family Members and Related Entities. All Team Members are responsible for ensuring that Family Members and Related Entities do not engage in the activities restricted or prohibited under this Policy. As such, Team Members should ensure that all Family Members and Related Entities are aware of the need to confer with such Team Member before the Family Member or Related Entity trades in Company securities. Team Members should treat all such transactions for the purposes of this Policy and applicable securities laws as if the transactions were for your own account.

Note that this Policy does not, however, apply to transactions in Company securities where the purchase or sale decision is made by a third party that is not controlled by, influenced by, or related to the Team Member, Family Member or Related Entity (such as a third party managed mutual fund account).

VI. PENALTIES

Anyone who effects transactions in Company securities or the stock of other public companies engaged in business transactions with the Company (or provides information to enable others to do so) on the basis of material non-public information is subject to both civil liability and criminal penalties, as well as disciplinary action by the Company. Penalties for insider trading can be severe for both you and the Company. Under securities laws, the Company and its directors, officers, or supervising employees may be liable for significant penalties if they do not take appropriate action to prevent a person directly or indirectly under their control from trading in securities while in possession of material non-public information – or if they recklessly disregard the likelihood that such trading would take place.

In addition to your dismissal from the Company, failure to comply with this Policy could result in:

- Forfeiture of trading gains made or losses avoided, as well as civil penalties of up to three times the trading gains made or losses avoided.
- Criminal fines of up to $5 million.
- Imprisonment for up to 20 years.
- Injunctions against future violations.
- Private party damages.

Any Team Member who has questions about this Policy should contact their own attorney or the Clearing Officer. Upon request, all persons subject to this Policy must certify their understanding of, and compliance with, this Policy.

Exhibit 21.1

23andMe Holding Co.

Subsidiaries of the Registrant as of March 31, 2024

Name of Subsidiary	**Jurisdiction of Incorporation or Organization**
23andMe, Inc.	Delaware
23andMe Pharmacy Holdings, Inc.	Delaware
Lemonaid Health Inc.	Delaware
Lemonaid Pharmacy Holdings, Inc.	Delaware
LPharm RX LLC	Delaware
LPharm INS LLC	Delaware
LPharm CS LLC	Delaware
LPRXOne LLC	Missouri
LPRXTwo LLC	Missouri
LPRXThree LLC	Missouri
Lemonaid Community Pharmacy	Missouri

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-257768) on Form S-3, and (Nos. 333-258910, 333-260867, 333-265626, 333-270262, 333-274534 and 333-278187) on Forms S-8 of our report dated May 30, 2024, with respect to the consolidated financial statements of 23andMe Holding Co. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Santa Clara, California
May 30, 2024

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 Annual Report on Form 10-K for the fiscal year ended March 31, 2024 of 23andMe Holding Co.;

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:	May 30, 2024	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 Annual Report on Form 10-K for the fiscal year ended March 31, 2024 of 23andMe Holding Co.;

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:	May 30, 2024	By:	/s/ Joseph Selsavage
			Name: Joseph Selsavage
			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 Annual Report of 23andMe Holding Co. (the “Company”) on Form 10-K for the fiscal year ended March 31, 2024, 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:	May 30, 2024	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 Annual Report of 23andMe Holding Co. (the “Company”) on Form 10-K for the fiscal year ended March 31, 2024, 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:	May 30, 2024	By:	/s/ Joseph Selsavage
			Name: Joseph Selsavage
			Chief Financial and Accounting Officer
			(Principal Financial and Accounting Officer)

EXHIBIT 97

23ANDME HOLDING CO.

COMPENSATION RECOUPMENT POLICY

I. Purpose

The Board of Directors ("Board") of 23andMe Holding Co. (the "Company"), based on the recommendation of its Compensation Committee (the "Committee"), has adopted this Compensation Recoupment Policy (this "Policy) to implement a mandatory clawback policy if a Restatement in compliance with the Applicable Rules (each as defined below) occurs, as well as to provide the Committee with discretion to recoup certain compensation in circumstances involving misconduct, as set forth in Section VIII of this Policy.

Any capitalized terms used but not immediately defined in this Policy shall have the meanings set forth in Section II.

II. Defined Terms

a. "Applicable Rules" means Section 10D of the Exchange Act and Rule 10D-1 promulgated thereunder, Listing Rule 5608 of the Listing Rules of The Nasdaq Stock Market ("Nasdaq"), and any other national stock exchange rules to which the Company is or may become subject.

b. "Clawback Compensation" means Incentive-Based Compensation or any other recovered incentive compensation, in each case determined to be subject to recoupment under this Policy.

c. "Clawback Event" means either (i) a required recoupment of Incentive-Based Compensation in the event of a Restatement or (ii) a discretionary recoupment under Section VIII of this Policy.

d. "Exchange Act" means the Securities Exchange Act of 1934, as amended.

e. "Financial Reporting Measures" mean (i) measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, (ii) the Company's stock price, and (iii) total stockholder return in respect of the Company. A "Financial Reporting Measure" need not be presented within the financial statements or included in a filing with the SEC.

f. "Incentive-Based Compensation" means any compensation that is granted, earned, paid, received, or vested, based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation does not include, among other forms of compensation, Time-Based/Bonus Compensation. Incentive-Based Compensation is deemed to be "Received" for the purposes of this Policy in the fiscal period during which the Financial Reporting Measure applicable to the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

g. "Recovery Period" means the three completed fiscal years immediately before the date that the Company is required to prepare a Restatement, which date is the earlier of (i) the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (ii) a date that a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

h. "Regulators" means, as applicable, the SEC and Nasdaq.

i. "Restatement" means an accounting restatement that the Company is required to prepare due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including (i) an error in previously issued financial statements that is material to the previously issued financial statements, or (ii) an error that would result in a material misstatement if it were corrected in the current period or left uncorrected in the current period.

j. "SEC" means the U.S. Securities and Exchange Commission.

k. "Senior Officer" means any person designated by the Board as an "officer" in accordance with Rule 16a-1(f) promulgated under Section 16 of the Exchange Act.

l. "Time-Based/Bonus Compensation" means equity awards that vest exclusively upon completion of a specified employment period, without any performance condition, and bonus awards that are discretionary or based on goals unrelated to Financial Reporting Measures.

III. Administration

The Committee shall administer this Policy and make all related determinations, in its sole discretion, with respect to this Policy, provided that the Committee interprets this Policy in a manner consistent with the requirements of the Applicable Rules; except for Section VIII of this Policy, which the Committee shall interpret in its sole discretion, regardless of whether it conforms with the Applicable Rules.

Notwithstanding the foregoing, subject to the Applicable Rules, the Board, in its discretion, may assume any or all powers and authority of the Committee with respect to administration of Section VIII of this Policy, in which case references to the Committee shall be deemed to include the Board, as applicable.

IV. Recovery on a Restatement

If the Company is required to prepare a Restatement, the Company shall reasonably promptly recover the amount, as calculated pursuant to this Section IV, of any erroneously awarded Incentive-Based Compensation that is Received by any Senior Officer during the Recovery Period. The amount of erroneously awarded Incentive-Based Compensation subject to this Policy will be the excess of the amount of Incentive-Based Compensation that is Received by the Senior Officer (whether in cash or shares) based on the erroneous data in the original financial statements over the amount of Incentive-Based Compensation (whether in cash or in shares) that the Senior Officer would have Received had such Incentive-Based Compensation been based on the restated results, without respect to any tax liabilities that the Senior Officer incurred or paid in respect of such Incentive-Based Compensation.

Other than as set forth in Section VIII, recovery of any erroneously awarded compensation under this Policy is not dependent on fraud or misconduct by any Senior Officer in connection with a Restatement.

Without limiting the foregoing, for Incentive-Based Compensation based on the Company's stock price or total stockholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Restatement, (i) the amount shall be based on the Company's reasonable estimate of the effect of the Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was Received and (ii) the Company shall maintain documentation of the determination of that reasonable estimate and provide such estimate to Nasdaq.

In addition to the foregoing, in the event that a Senior Officer fails to repay or reimburse erroneously awarded compensation that is subject to recovery, the Committee may require a Senior Officer to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such erroneously awarded compensation under this Policy.

V. Coverage and Application

This Policy covers all Senior Officers at any time during the Recovery Period who have Received Incentive-Based Compensation. Incentive-Based Compensation shall not be recovered under this Policy to the extent Received by any person before the date the person served as a Senior Officer. Subsequent changes in a Senior Officer's employment status, including retirement or termination of employment, do not affect the Company's right or obligation to recover Incentive-Based Compensation under this Policy.

For the avoidance of doubt, and subject to Section VIII hereof, this Policy shall apply to Incentive-Based Compensation that is Received by any Senior Officer on or after October 2, 2023 (the "Nasdaq Rule Effective Date") and that results from the attainment of a Financial Reporting Measure based on or derived from financial information for any fiscal period ending on or after the Nasdaq Rule Effective Date. For the avoidance of doubt, this will include Incentive-Based Compensation that may have been approved, awarded, or granted to a Senior Officer on or before the Nasdaq Rule Effective Date if such Incentive-Based Compensation is Received after the Nasdaq Rule Effective Date.

VI. Exceptions to Policy

No recovery of Incentive-Based Compensation shall be required if any of the following conditions are met, and the Committee determines that recovery would be impracticable on such basis:

a. the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; provided that before determining that it would be impracticable to recover any Incentive-Based Compensation based on the expense of enforcement, the Company shall (i) have made a reasonable attempt to recover the Incentive-Based Compensation, (ii) have documented such reasonable attempts to recover, and (iii) provide the documentation to Nasdaq;

b. recovery would violate the home country law where that law was adopted before November 28, 2022; or

c. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and U.S. Treasury regulations promulgated thereunder.

VII. Public Disclosure

The Company shall make all required disclosures and filings with the Regulators with respect to this Policy in accordance with the requirements of the Applicable Rules, and any other requirements applicable to the Company, including any disclosures required in connection with SEC filings.

VIII. Discretionary Recovery

The Committee, in its discretion, may require the return, repayment, recoupment, or forfeiture of any cash or equity-based incentive compensation payment or award, including, without limitation, Time-Based/Bonus Compensation, made or granted to any current or former Senior Officer if the Committee determines that a Senior Officer has engaged in any of the following: (a) material failure to comply with the policies and procedures of the Company; (b) commission of any felony, willful misconduct, or breach of a fiduciary duty, in each case, in connection with such Senior Officer's services to the Company; (c) commission of an act of gross misconduct, fraud, embezzlement, or misappropriation with respect to the Company; or (d) breach of any restrictive covenant to which such Senior Officer is subject under any employment agreement or applicable policy of the Company.

IX. Methods of Recovery

In a Clawback Event, subject to applicable law, the Committee may take any such actions as it deems necessary or appropriate, including, without limitation:

a. The reduction or cancellation of any Clawback Compensation in the form of vested or unvested equity or equity-based awards that have not been distributed or otherwise settled before the date of determination;

b. The recovery of any Clawback Compensation that was previously paid to the Senior Officer;

c. The recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any Clawback Compensation in the form of equity or equity-based awards;

d. The offset, withholding, or elimination of any amount that could be paid or awarded to the Senior Officer after the date of determination;

e. The recoupment of any amount in respect of Clawback Compensation contributed to a plan that takes into account Clawback Compensation (excluding certain tax-qualified plans, but including long-term disability, life insurance, supplemental executive retirement plans and deferred compensation plans, in each case to the extent permitted by applicable law, including Section 409A of the Code) and any earnings accrued to date on any such amount; and

f. The taking of any other remedial and recovery action permitted by law, as determined by the Committee.

In addition, the Committee may authorize legal action for breach of fiduciary duty or other violation of law and take such other actions to enforce the Senior Officer's obligations to the Company as the Committee deems appropriate.

X. No Indemnification

The Company shall not indemnify any current or former Senior Officer against the loss of erroneously awarded compensation and shall not pay or reimburse any Senior Officer for premiums incurred or paid for any insurance policy to fund such Senior Officer's potential recovery obligations.

XI. No Substitution of Rights; Non-Exhaustive Rights

Any right of recoupment under this Policy is in addition to, and not instead of, any other remedies or rights of recoupment that may be available to the Company under (a) the 23andMe Holding Co. Amended and Restated 2021 Incentive Equity Plan, the 23andMe Annual Incentive Plan, as amended, any other incentive plan of the Company or any of its subsidiaries or affiliates, and any amendments or successor plans to the foregoing; and (b) the terms of any similar policy or provision in any employment agreement, compensation agreement or arrangement, or similar agreement and any other legal remedies available to the Company.

In addition to recovery of compensation as provided for in this Policy, the Company may take any and all other actions as it deems necessary, appropriate, and in the Company's best interest in connection with a Clawback Event, including termination of a Senior Officer's employment and initiating legal action against a Senior Officer, and nothing in this Policy limits the Company's rights to take any such or other appropriate actions.

XII. Amendment

The Board, based on the recommendation of the Committee, may amend this Policy at any time for any reason, subject to any limitations under the Applicable Rules. The Board may terminate this Policy at any time that the Applicable Rules are no longer applicable to the Company.

XIII. Successors

This Policy shall be binding and enforceable against all Senior Officers and their beneficiaries, heirs, executors, administrators, or other legal representatives.

XIV. Effective Date of Policy

This Policy shall be effective as of December 1, 2023 (the "Policy Effective Date"). For the avoidance of doubt, the terms of this Policy shall apply to any Incentive-Based Compensation that is Received by any Senior Officer on or after the Nasdaq Rule Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted, or paid to such Senior Officer prior to the Policy Effective Date. Without limiting the generality of Section IX hereof, and subject to applicable law, the Committee may effect recovery under this Policy from any amount of compensation approved, awarded, granted, payable, or paid to any Senior Officer prior to, on, or after the Policy Effective Date.