REFINITIV

DELTA REPORT

10-Q

CSTL - CASTLE BIOSCIENCES INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1962
CHANGES	244
DELETIONS	1196
ADDITIONS	522

REFINITIV

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024 June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38984

CASTLE BIOSCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0701774**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
505 S. Friendswood Drive, Suite 401, Friendswood, Texas	**77546**
(Address of principal executive offices)	(Zip Code)

(866) 788-9007
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**CSTL**	**The Nasdaq Global Market**

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

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

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

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

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

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

As of April 25, 2024 July 29, 2024, there were 27,607,183 27,736,760 shares of common stock, $0.001 par value per share, issued and outstanding.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2024	March 31, 2024	March 31, 2024	December 31, 2023

	June 30, 2024	June 30, 2024	June 30, 2024	December 31, 2023
ASSETS				
Current Assets				
Current Assets				
Current Assets				
Cash and cash equivalents				
Marketable investment securities				
Accounts receivable, net				
Inventory				
Prepaid expenses and other current assets				
Total current assets				
Long-term accounts receivable, net				
Property and equipment, net				
Operating lease assets				
Goodwill and other intangible assets, net				
Other assets – long-term				
Total assets				
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Current Liabilities				
Current Liabilities				
Accounts payable				
Accounts payable				
Accounts payable				
Accrued compensation				
Operating lease liabilities				
Other accrued and current liabilities				
Total current liabilities				
Long-term debt				
Noncurrent operating lease liabilities				
Noncurrent finance lease liabilities				
Deferred tax liability				
Other liabilities				
Total liabilities				
Commitments and Contingencies (Note 11)		**Commitments and Contingencies (Note 11)**		**Commitments and Contingencies (Note 11)**
Stockholders' Equity				
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of March 31, 2024 and December 31, 2023; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of March 31, 2024 and December 31, 2023; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of March 31, 2024 and December 31, 2023; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				

Common stock, $0.001 par value per share; 200,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 27,585,669 and 27,410,532 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of June 30, 2024 and December 31, 2023; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of June 30, 2024 and December 31, 2023; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized as of June 30, 2024 and December 31, 2023; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	
Common stock, $0.001 par value per share; 200,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 27,711,024 and 27,410,532 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	
Additional paid-in capital	
Accumulated deficit	
Accumulated other comprehensive (loss) income	
Total stockholders' equity	
Total liabilities and stockholders' equity	

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share data)

	Three Months Ended March 31,	Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
NET REVENUES							
OPERATING EXPENSES							
Cost of sales (exclusive of amortization of acquired intangible assets)							
Cost of sales (exclusive of amortization of acquired intangible assets)							
Cost of sales (exclusive of amortization of acquired intangible assets)							
Research and development							
Selling, general and administrative							
Amortization of acquired intangible assets							
Total operating expenses, net							
Total operating expenses, net							
Total operating expenses, net							
Operating loss							
Operating income (loss)							
Interest income							
Interest expense							
Loss before income taxes							
Income (loss) before income taxes							
Loss before income taxes							
Income (loss) before income taxes							
Loss before income taxes							
Income tax expense							
Net loss							
Income (loss) before income taxes							

Income tax (benefit) expense
Net income (loss)
Loss per share, basic and diluted
Earnings (loss) per share:
Loss per share, basic and diluted
Earnings (loss) per share:
Earnings (loss) per share:
Basic
Basic
Basic
Diluted
Loss per share, basic and diluted
Weighted-average shares outstanding, basic and diluted
Weighted-average shares outstanding, basic and diluted
Weighted-average shares outstanding, basic and diluted
Weighted-average shares outstanding:
Weighted-average shares outstanding:
Weighted-average shares outstanding:
Basic
Basic
Basic
Diluted

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS INCOME (LOSS)
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net loss	$ (2,534)	$ (29,204)
Other comprehensive (loss) income:		
Net unrealized (loss) gain on marketable investment securities	(247)	245
Comprehensive loss	$ (2,781)	$ (28,959)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 8,920	$ (18,777)	$ 6,386	$ (47,981)
Other comprehensive (loss) income:				
Net unrealized (loss) gain on marketable investment securities	(61)	(8)	(308)	237
Comprehensive income (loss)	$ 8,859	$ (18,785)	$ 6,078	$ (47,744)

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

CASTLE BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share data)

	Preferred Stock Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) income	Total Stockholders' Equity	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) income	Total Stockholders' Equity
BALANCE, JANUARY 1, 2023													
BALANCE, JANUARY 1, 2023													
BALANCE, JANUARY 1, 2023													
Stock-based compensation expense													
Exercise of common stock options													
Issuance of common stock from vested restricted stock units and payment of employees' taxes													
Issuance of common stock under the employee stock purchase plan													
Net unrealized gain on marketable investment securities													
Net unrealized gain on marketable investment securities													
Net unrealized gain on marketable investment securities													
Net loss													
BALANCE, MARCH 31, 2023													
Stock-based compensation expense													
Exercise of common stock options													
Issuance of common stock from vested restricted stock units and payment of employees' taxes													
Net unrealized loss on marketable investment securities													
Net unrealized loss on marketable investment securities													
Net unrealized loss on marketable investment securities													
Net loss													
BALANCE, JUNE 30, 2023													
BALANCE, JANUARY 1, 2024													
BALANCE, JANUARY 1, 2024													
BALANCE, JANUARY 1, 2024													
Stock-based compensation expense													
Exercise of common stock options													
Issuance of common stock from vested restricted stock units and payment of employees' taxes													
Issuance of common stock under the employee stock purchase plan													

Net unrealized gain on marketable investment securities	
Net loss	
BALANCE, MARCH 31, 2024	

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) income	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
BALANCE, JANUARY 1, 2024	—	$ —	27,410,532	$ 27	$ 609,477	$ (218,371)	$ 136	$ 391,269
Stock-based compensation expense	—	—	—	—	12,675	—	—	12,675
Exercise of common stock options	—	—	19,066	—	65	—	—	65
Issuance of common stock from vested restricted stock units and payment of employees' taxes	—	—	44,830	—	(474)	—	—	(474)
Issuance of common stock under the employee stock purchase plan	—	—	111,241	1	1,707	—	—	1,708
Net unrealized loss on marketable investment securities	—	—	—	—	—	—	(247)	(247)
Net loss	—	—	—	—	—	(2,534)	—	(2,534)
BALANCE, MARCH 31, 2024	—	$ —	27,585,669	$ 28	$ 623,450	$ (220,905)	$ (111)	$ 402,462
Stock-based compensation expense	—	—	—	—	13,179	—	—	13,179
Exercise of common stock options	—	—	1,779	—	8	—	—	8
Issuance of common stock from vested restricted stock units and payment of employees' taxes	—	—	123,576	—	(615)	—	—	(615)
Net unrealized loss on marketable investment securities	—	—	—	—	—	—	(61)	(61)
Net income	—	—	—	—	—	8,920	—	8,920
BALANCE, JUNE 30, 2024	—	$ —	27,711,024	$ 28	$ 636,022	$ (211,985)	$ (172)	$ 423,893

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net loss	$ (2,534)	$ (29,204)
Adjustments to reconcile net loss to net cash used in operating activities:		

Depreciation and amortization	3,340	2,892
Stock-based compensation expense	12,675	13,525
Deferred income taxes	—	13
Accretion of discounts on marketable investment securities	(1,699)	(1,229)
Other	179	211
Change in operating assets and liabilities:		
Accounts receivable	(4,262)	(4,383)
Prepaid expenses and other current assets	(103)	(654)
Inventory	297	(540)
Operating lease assets	338	331
Other assets	(230)	319
Accounts payable	(422)	3,896
Operating lease liabilities	(250)	(68)
Accrued compensation	(14,237)	(11,562)
Other accrued and current liabilities	73	1,014
Net cash used in operating activities	(6,835)	(25,439)
INVESTING ACTIVITIES		
Purchases of property and equipment	(9,152)	(3,338)
Proceeds from sale of property and equipment	5	5
Purchases of marketable investment securities	(60,754)	(30,083)
Proceeds from maturities of marketable investment securities	50,200	50,000
Net cash (used in) provided by investing activities	(19,701)	16,584
FINANCING ACTIVITIES		
Proceeds from exercise of common stock options	65	95
Payment of employees' taxes on vested restricted stock units	(474)	(314)
Proceeds from contributions to the employee stock purchase plan	1,089	982
Repayment of principal portion of finance lease liabilities	(36)	(35)
Proceeds from issuance of term debt	10,000	—
Net cash provided by financing activities	10,644	728
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,892)	(8,127)
Beginning of period	98,841	122,948
End of period	$ 82,949	$ 114,821

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued purchases of property and equipment	$ 699	$ 2,730
Decrease in operating lease assets with corresponding change in lease liabilities	$ (7)	$ —
Property and equipment acquired with tenant improvement allowance	$ —	$ 89

	Six Months Ended June 30,	
	2024	2023
OPERATING ACTIVITIES		
Net income (loss)	$ 6,386	$ (47,981)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,688	5,932
Stock-based compensation expense	25,854	26,374
Deferred income taxes	(1,542)	13
Accretion of discounts on marketable investment securities	(3,422)	(2,282)
Other	83	213
Change in operating assets and liabilities:		
Accounts receivable	(7,620)	(7,978)
Prepaid expenses and other current assets	(294)	158
Inventory	(71)	(2,141)
Operating lease assets	678	(469)
Other assets	143	(80)
Accounts payable	(1,650)	3,071
Operating lease liabilities	(432)	958
Accrued compensation	(7,706)	(7,060)
Other accrued and current liabilities	68	2,047
Net cash provided by (used in) operating activities	17,163	(29,225)
INVESTING ACTIVITIES		
Purchases of property and equipment	(14,381)	(7,373)
Proceeds from sale of property and equipment	7	8
Purchases of marketable investment securities	(113,194)	(86,438)
Proceeds from maturities of marketable investment securities	86,450	95,000
Net cash (used in) provided by investing activities	(41,118)	1,197
FINANCING ACTIVITIES		
Proceeds from exercise of common stock options	73	184
Payment of employees' taxes on vested restricted stock units	(1,089)	(848)
Proceeds from contributions to the employee stock purchase plan	1,749	1,688
Repayment of principal portion of finance lease liabilities	(47)	(70)
Proceeds from issuance of term debt	10,000	—
Net cash provided by financing activities	10,686	954
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13,269)	(27,074)
Beginning of period	98,841	122,948
End of period	$ 85,572	$ 95,874

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

CASTLE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,

	2024	2023
DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued purchases of property and equipment	$ 2,148	$ 728
Operating lease assets obtained in exchange for lease obligations	$ —	$ 485
Decrease in operating lease assets with corresponding change in lease liabilities	$ (7)	$ —
Finance lease assets obtained in exchange for lease obligations	$ 166	$ —
Property and equipment acquired with tenant improvement allowance	$ —	$ 1,236

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

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Description of Business

Castle Biosciences, Inc. (the ‘‘Company”, “we”, “us” or “our”) was incorporated in the state of Delaware on September 12, 2007. We are a commercial-stage diagnostics company focused on providing clinicians and their patients with personalized, clinically actionable information to inform treatment decisions and improve health outcomes. We are based in Friendswood, Texas (a suburb of Houston, Texas) and our laboratory operations are conducted at our facilities located in Phoenix, Arizona and Pittsburgh, Pennsylvania.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our unaudited condensed consolidated financial statements include the accounts of Castle Biosciences, Inc. and our wholly owned subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States of America (‘‘U.S. GAAP’’). All intercompany accounts and transactions have been eliminated in consolidation.

We have a history of recurring net losses and negative cash flows and as of March 31, 2024 June 30, 2024, we had an accumulated deficit of $220.9 million $212.0 million. We believe our $82.9 million $85.6 million of cash and cash equivalents and $156.3 million $174.1 million of marketable investment securities as of March 31, 2024 June 30, 2024, and anticipated revenue from our test reports, will be sufficient to meet our cash requirements through at least the 12-month period following the date that these unaudited condensed consolidated financial statements were issued.

Unaudited Interim Financial Information

The accompanying condensed consolidated balance sheet as of March 31, 2024 June 30, 2024; the condensed consolidated statements of operations, the condensed consolidated statements of comprehensive loss income (loss) and the condensed consolidated statements of stockholders’ equity, each for the three and six months ended March 31, 2024 June 30, 2024 and 2023; and the condensed consolidated statements of cash flows for the three six months ended March 31, 2024 June 30, 2024 and 2023 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of our consolidated financial position as of March 31, 2024 June 30, 2024, the results of our consolidated operations for the three and six months ended March 31, 2024 June 30, 2024 and 2023 and our consolidated cash flows for the three six months ended March 31, 2024 June 30, 2024 and 2023. The financial data and other information disclosed in these notes related to the three and six months ended March 31, 2024 June 30, 2024 and 2023 are also unaudited. The results for the three and six months ended March 31, 2024 June 30, 2024 are not necessarily indicative of results to be expected for the year ending December 31, 2024, any other interim periods, or any future year or period. The balance sheet as of December 31, 2023 included herein was derived from the audited financial statements as of that date. Certain disclosures have been condensed or omitted from the unaudited interim consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on February 28, 2024 (the "2023 “2023 Form 10-K" 10-K”).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include revenue recognition, the valuation of stock-based compensation, assessing future tax exposure and the realizability of deferred tax assets, the useful lives and recoverability of long-lived assets, the goodwill impairment test, the valuation of acquired intangible assets and the valuation of contingent consideration and other contingent liabilities. We base these estimates on historical and anticipated results, trends, and various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities and recorded revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and assumptions.

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

Cash and Cash Equivalents including Concentrations of Credit Risk

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. Our cash equivalents consist of money market funds, which are not insured by the Federal Deposit Insurance Corporation ("FDIC"), that are primarily invested in short-term U.S. government obligations. Cash deposits at financial institutions may exceed the amount of insurance provided by the FDIC. Management believes that we are not exposed to significant credit risk on our cash deposits due to the financial position of the financial institutions in which deposits are held.

Marketable Investment Securities

All debt securities are recognized in accordance with Financial Accounting Standards Board (''FASB'') Accounting Standards Codification ("ASC") Topic 320, *Investments-Debt Securities* (''ASC 320''). Management determines the appropriate classification of securities at the time of purchase and re-evaluates such determination at each balance sheet date. All debt securities are classified as available-for-sale and are recorded at fair value in accordance with ASC 320. We recognize the unrealized gains and losses related to changes in fair value as a separate component of accumulated other comprehensive loss within total stockholders' equity, net of any related deferred income tax effects, on our condensed consolidated balance sheets. Premiums or discounts from par value are amortized to interest income over the life of the underlying investment. Realized gains and losses on available-for-sale securities are calculated at the individual security level and included in interest income in the condensed consolidated statements of operations. Impairments of available-for-sale debt securities, if any, are recorded in our unaudited condensed consolidated statements of operations. See Notes 5 and 10 for further details.

Revenue Recognition

In accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), we follow a five-step process to recognize revenues: (1) identify the contract with the customer, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations and (5) recognize revenues when the performance obligations are satisfied. We have determined that we have a contract with the patient when the treating clinician orders the test. Our contracts generally contain a single performance obligation, which is the delivery of the test report, and we satisfy our performance obligation at a point in time upon the delivery of the test report to the treating clinician, at which point we can bill for the report. The amount of revenue recognized reflects the amount of consideration to which we expect to be entitled, or the transaction price, and considers the effects of variable consideration. See Note 3 for further details.

Accounts Receivable and Allowance for Credit Losses

We classify accounts receivable balances that are expected to be paid more than one year from the consolidated balance sheet date as noncurrent assets. The estimated timing of payment utilized as a basis for classification as noncurrent is determined by analyses of historical payor-specific payment experience, adjusted for known factors that are expected to change the timing of future payments.

We accrue an allowance for credit losses against our accounts receivable based on management's current estimate of amounts that will not be collected. Management's estimates are typically based on historical loss information adjusted for current conditions. We generally do not perform evaluations of customers' financial condition and generally do not require collateral. Historically, our credit losses have not been significant given our application of the constraint to variable consideration. The allowance for credit losses was zero as of March 31, 2024 June 30, 2024 and December 31, 2023. Adjustments for implicit price concessions attributable to variable consideration, as discussed below, are incorporated into the measurement of the accounts receivable balances and are not part of the allowance for credit losses.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between five and ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the lease. Our leasehold improvements primarily relate to our office and laboratory facilities in Friendswood, Texas, Phoenix, Arizona and Pittsburgh, Pennsylvania, and are generally being depreciated through the end of the lease terms in 2025 and 2033, respectively. Maintenance and repairs are charged to expense as incurred, and material improvements are capitalized. Interest costs incurred during the construction of major capital projects are capitalized until the underlying asset is ready for its intended use, at which

point the capitalized interest costs are amortized using the straight-line method over the estimated useful life of the underlying asset. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheet and any resulting gain or loss is reflected in the consolidated statements of operations in the period realized.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. In accordance with ASC Topic 350, *Intangibles—Goodwill and Other*, our goodwill is not amortized but is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that it may be impaired. We perform annual impairment reviews of our goodwill balance during the fourth quarter of each fiscal year. We may perform a qualitative assessment to determine if it is necessary to perform a quantitative impairment test. If we determine that a quantitative impairment test is necessary, we apply the guidance in Accounting Standards Update ("ASU") No. 2017-04, *Intangibles—Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment, by comparing the fair value of the reporting unit to

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

its carrying value, including the goodwill. If the carrying value exceeds the fair value, we recognize an impairment loss for the amount by which the carrying value exceeds fair value, up to the total amount of goodwill allocated to the reporting unit. We did not incur any goodwill impairment losses in any of the periods presented.

Factors that could result in a future impairment of goodwill include declines in the price of our common stock, increased competition, changes in macroeconomic developments, unfavorable government or regulatory developments and changes in coverage or reimbursement conditions.

Accrued Compensation

We accrue for liabilities under discretionary employee and executive bonus plans. Our estimated compensation liabilities are based on progress against corporate objectives approved by our board of directors, compensation levels of eligible individuals and target bonus percentage levels. Our board of directors reviews and evaluates the performance against these objectives and ultimately determines the actual achievement levels attained. We also accrue for liabilities under employee sales incentive bonus plans with accruals based on performance achieved to date compared to established targets. As of March 31, 2024 June 30, 2024 and December 31, 2023, we accrued approximately $6,574,000 $12,573,000 and $21,706,000, respectively, for liabilities associated with these bonus plans. These amounts are classified as current or noncurrent accrued liabilities in the unaudited condensed consolidated balance sheets based on the expected timing of payment.

Stock-Based Compensation

Stock-based compensation expense for equity instruments issued to employees is measured based on the grant-date fair value of the awards. The fair value of employee stock options and offerings under the 2019 Employee Stock Purchase Plan (the "ESPP") are estimated on the date of grant using the Black-Scholes option-pricing valuation model. For restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"), the fair value is equal to the closing price of our common stock on the date of grant. For awards with graded vesting and only service conditions, we recognize compensation costs on a straight-line basis over the requisite service period of the awards. For options and RSUs, the requisite service period is generally the award's vesting period (typically four years). PSUs vest upon the achievement of certain performance conditions and the provision of service with us through a specified period. Accruals of compensation cost for PSUs are based on the probable outcome of the performance conditions and are reassessed each reporting period. We recognize compensation cost for PSUs separately for each vesting tranche on a ratable basis over the requisite service period. The requisite service period for PSUs is based on an analysis of vesting requirements and performance conditions for the particular award. Certain employees are entitled to acceleration of vesting of a portion of their awards upon retirement, subject to age, service and notice requirements. In these cases, the requisite service period takes into consideration the employee's retirement eligibility, and is reassessed at each reporting date. For the ESPP, the requisite service period is generally the period of time from the offering date to the purchase date. Forfeitures are accounted for as they occur.

Comprehensive Loss Income (Loss)

Comprehensive loss income (loss) is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss income (loss) is made up of net loss income (loss) plus net

unrealized gain (loss) on marketable investment securities, which is our only other item of other comprehensive income (loss).

Accounting Pronouncements Yet to be Adopted

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740)—Improvements to Income Tax Disclosures (" ("ASU 2023-09" 2023-09"), which is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company prospectively to all annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact this update will have on our consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which require public companies disclose significant segment expenses and other segment items on an annual and interim basis and to provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. The guidance is effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance is applied retrospectively to all

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periods presented in the financial statements, unless it is impracticable. We are currently evaluating the impact this update will have on our consolidated financial statements and disclosures.

We have evaluated all other recently issued, but not yet effective, accounting pronouncements and do not believe that these accounting pronouncements will have any material impact on our consolidated financial statements or disclosures upon adoption.

3. Revenue

All of our revenues from contracts with customers are associated with the provision of testing services. Our revenues are primarily attributable to our DecisionDx®-Melanoma test for cutaneous melanoma. We also provide a test for patients with cutaneous squamous cell carcinoma, DecisionDx®-SCC, a test for use in patients with suspicious pigmented lesions, MyPath® Melanoma, a test for uveal melanoma, DecisionDx®-UM, a test for patients diagnosed with Barrett's esophagus, the TissueCypher® Barrett's Esophagus Test and a pharmacogenomics testing service focused on mental health, IDgenetix®. We previously offered a second test for patients with suspicious pigmented lesions, DiffDx®-Melanoma, which we suspended in February 2023. Information on the disaggregation of revenues is included below.

Once we satisfy our performance obligations and bill for the service, the timing of the collection of payments may vary based on the payment practices of the third-party payor and the existence of contractually established reimbursement rates. The payments for our services are primarily made by third-party payors, including Medicare and commercial health insurance carriers. Certain contracts contain a contractual commitment of a reimbursement rate that differs from our list prices. However, absent a positive coverage policy, with or without a contractually committed reimbursement rate, with a commercial carrier or governmental program, our diagnostic tests may or may not be paid by these entities. In addition,

patients do not enter into direct agreements with us that commit them to pay any portion of the cost of the tests in the event that their insurance provider declines to reimburse us. We may pursue, on a case-by-case basis, reimbursement from such patients in the form of co-payments and co-insurance, in accordance with the contractual obligations that we have with the insurance carrier or health plan. These situations may result in a delay in the collection of payments.

The Medicare claims that are covered by Medicare are generally paid at a rate established on Medicare's Clinical Laboratory Fee Schedule or by the respective Medicare contractor within 30 days from receipt. Medicare claims that were either submitted to Medicare prior to the local coverage determination or other coverage commencement date or are not covered but meet the definition of being medically reasonable and necessary pursuant to the controlling Section 1862(a)(1)(A) of the Social Security Act are generally appealed and may ultimately be paid at the first (termed ''redetermination''), second (termed ''reconsideration'') or third level of appeal (*de novo* hearing with an Administrative Law Judge). A successful appeal at any of these levels may result in prompt payment.

In the absence of Medicare coverage, contractually established reimbursements rates or other coverage, we have concluded that our contracts include variable consideration because the amounts paid by Medicare or commercial health insurance carriers may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration attributable to these price concessions is measured at

the expected value using the ''most likely amount'' method under ASC 606. The amounts are estimated using historical average collection rates by test type and payor category taking into consideration the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as the judgment and actions of third parties. Such variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. Variable consideration may be constrained and excluded from the transaction price in situations where there is no contractually agreed upon reimbursement coverage or in the absence of a predictable pattern and history of collectability with a payor. Accordingly, in such situations revenues are recognized on the basis of actual cash collections. Variable consideration for Medicare claims that are not covered by Medicare, including those claims undergoing appeal, is deemed to be fully constrained due to factors outside our influence (e.g., judgment or actions of third parties) and the uncertainty of the amount to be received is not expected to be resolved for a long period of time. Variable consideration is evaluated each reporting period and adjustments are recorded as increases or decreases in revenues. Included in revenues for the three months ended March 31, 2024 June 30, 2024 and 2023 were $1,656,000 $363,000 of net positive revenue adjustments and $1,336,000 $88,000 of net negative revenue adjustments, respectively, associated with changes in estimated variable consideration related to performance obligations satisfied consideration. Included in previous periods. revenues for the six months ended June 30, 2024 and 2023 were $959,000 of net positive and $1,705,000 of net negative revenue adjustments, respectively, associated with changes in estimated variable consideration. These amounts include (i) adjustments for actual

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collections versus estimated amounts and (ii) cash collections and the related recognition of revenue in current period for tests delivered in prior periods due to the release of the constraint on variable consideration.

Because our contracts with customers have an expected duration of one year or less, we have elected the practical expedient in ASC 606 to not disclose information about our remaining performance obligations. Any incremental costs to obtain contracts are recorded as selling, general and administrative expenses as incurred due to the short duration of our contracts. Contract balances consisted solely of accounts receivable (both current and noncurrent) as of March 31, 2024 June 30, 2024 and December 31, 2023.

Disaggregation of Revenues

The table below provides the disaggregation of revenue by type (in thousands):

	Three Months Ended March 31,	Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
Dermatologic(1)							
Non-Dermatologic(2)							
Total net revenues							

(1) Consists of DecisionDx-Melanoma, DecisionDx-SCC and our Diagnostic Gene Expression Profile offering (MyPath Melanoma and DiffDx-Melanoma).

(2) Consists of TissueCypher Barrett's Esophagus Test, DecisionDx-UM and IDgenetix.

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Payor Concentration

We rely upon reimbursements from third-party government payors (primarily Medicare) and private-payor insurance companies to collect accounts receivable related to sales of our tests.

Our significant third-party payors and their related revenues as a percentage of total revenues and accounts receivable balances are as follows:

		Three Months Ended March 31,		Percentage of Accounts Receivable (current) as of		Percentage of Accounts Receivable (noncurrent) as of		Six Months Ended June 30,		Percentage of Accounts Receivable (current) as of		Percentage of Accounts Receivable (noncurrent) as of	
		2024	2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023		2024	2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Medicare	Medicare	49 %	49 %	20 %	20 %		*	Medicare	48 %	49 %	23 %	20 %	*	
Payor A	Payor A	14 %	15 %	21 %	19 %	15 %	15 %	Payor A	15 %	14 %	20 %	19 %	16 %	15 %
Payor B	Payor B	*	*	10 %	11 %	11 %	11 %	Payor B	*	*	10 %	11 %	11 %	

* Less than 10%

There were no other third-party payors that individually accounted for more than 10% of our total revenue or accounts receivable for the periods shown in the table above.

4. Loss Earnings (Loss) Per Share

Basic loss earnings (loss) per share is computed by dividing net loss income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted loss earnings (loss) per share reflects the additional dilution from potential issuances of common stock, such as stock issuable pursuant to the exercise of stock options, vesting of RSUs and PSUs or purchases under the ESPP. The treasury stock method is used to calculate the potential dilutive effect of these common stock equivalents. Contingently issuable PSU awards are included in the computation of diluted loss earnings (loss) per share when the applicable performance criteria would be met and the common shares would be issuable if the end of the reporting period were the end of the contingency period. However, potentially dilutive shares are excluded from the computation of diluted loss per share when their effect is antidilutive.

Because we reported The following table shows the computation of basic and diluted earnings (loss) per share for the following three and six months ended June 30, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	$ 8,920	$ (18,777)	$ 6,386	$ (47,981)
Denominator:				
Weighted-average common shares outstanding, basic	27,646	26,733	27,566	26,670
Assumed exercise of stock options	440	—	441	—
Assumed vesting of RSUs	546	—	427	—
Assumed vesting of PSUs	98	—	98	—
Assumed issuance of shares under the ESPP	8	—	10	—
Weighted-average common shares outstanding, diluted	28,738	26,733	28,542	26,670
Earnings (loss) per share:				
Basic	$ 0.32	$ (0.70)	$ 0.23	$ (1.80)
Diluted	$ 0.31	$ (0.70)	$ 0.22	$ (1.80)

Due to the Company reporting a net loss attributable to common stockholders for all periods presented, the three and six months ended June 30, 2023, all potentially dilutive securities are antidilutive and are excluded from the computation computations of diluted loss per share for such periods. share.

The table below provides the weighted-average number of potential common shares associated with outstanding securities not included in our calculation of diluted loss earnings (loss) per share for the three and six months ended March 31, 2024 June 30, 2024 and 2023 because to do so would be antidilutive antidilutive. With regard to the PSUs, we assume that the associated performance targets will be met at the target level of performance for purposes of calculating diluted net income per common share until such time that it is probable that actual performance will be above or in the case of PSUs, the applicable performance conditions have not yet been met below target (in thousands):

	Three Months Ended March 31,	Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2024	2023	2024	2023	2024	2023
Stock options							
RSUs and PSUs							
ESPP							
Total							

In addition, in connection with our acquisition of AltheaDx, Inc. ("AltheaDx") in April 2022, we may be required to issue shares of our common stock to satisfy the contingent consideration obligations, pending the outcome of certain commercial and regulatory milestones, as required by the definitive agreement to acquire AltheaDx. For purposes of calculating diluted loss earnings (loss) per share, no such shares were assumed to have been issued because none of the applicable conditions have been met to date. See Note 10 for additional information.

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5. Marketable Investment Securities

The following tables present our available-for-sale debt securities (in thousands):

	March 31, 2024				June 30, 2024			
		Unrealized				Unrealized		
	Amortized Cost	Amortized Cost	Gains	Estimated Fair Value	Amortized Cost	Losses		Estimated Fair Value
U.S. government securities								
U.S. government securities								
U.S. government securities								
Total								

	December 31, 2023			
		Unrealized		
	Amortized Cost	Gains	Losses	Estimated Fair Value
U.S. government securities	$ 144,122	$ 143	$ (7)	$ 144,258
Total	$ 144,122	$ 143	$ (7)	$ 144,258

Although available to be sold to meet operating needs or otherwise, securities are generally held through maturity. We classify all investments as current assets, as these are readily available for use in current operations. The cost of securities sold is determined based on the specific identification method for purposes of recording gains and losses.

There were no realized gains or losses on sales of investments for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

We evaluated our investment portfolio under the available-for-sale debt securities impairment model guidance and determined our investment portfolio is comprised of low-risk, investment grade securities. As of March 31, 2024 June 30, 2024, unrealized losses on our available-for-sale investments are not attributed to credit risk. We believe that an allowance for credit losses is unnecessary because the unrealized losses on certain of our marketable investment securities are due to market factors. No credit-related or noncredit-related impairment losses were recorded for the three and six months ended March 31, 2024 June 30, 2024 and 2023. The allowance for credit losses was zero as of March 31, 2024 June 30, 2024 and December 31, 2023.

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As of March 31, 2024 June 30, 2024, all of our available-for-sale debt securities had contractual maturities of one year or less. Accrued interest receivable is included in prepaid expenses and other current assets in our unaudited condensed consolidated balance sheets. As of March 31, 2024 June 30, 2024 and December 31, 2023, the accrued interest receivable balance was immaterial.

Additional information relating to the fair value of marketable investment securities can be found in Note 10.

6. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Land(1)				
Lab equipment(2)				
Leasehold improvements				
Computer equipment (3)				
Furniture and fixtures				
Construction-in-progress				
Total				
Less accumulated depreciation(2) (3)				
Property and equipment, net				

(1) On February 9, 2024, we purchased approximately 23 acres of land in Friendswood, Texas for purpose of developing a commercial office building to be used as our future corporate headquarters.

(2) As of March 31, 2024 June 30, 2024 and December 31, 2023, includes lab equipment under finance lease of $369 thousand and accumulated depreciation of $313 $323 thousand and $278 thousand, respectively.

(3) As of June 30, 2024, includes computer equipment under finance lease of $166 thousand and accumulated depreciation of $3 thousand. As of December 31, 2023, includes no computer equipment under finance lease.

Depreciation expense was recorded in the unaudited condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Cost of sales (exclusive of amortization of acquired intangible assets)						
Research and development						
Selling, general and administrative						
Total						

7. Goodwill and Other Intangible Assets, Net

Goodwill

The balance of our goodwill was $10.7 million as of March 31, 2024 June 30, 2024 and December 31, 2023. There were no accumulated impairments of goodwill as of March 31, 2024 June 30, 2024 or December 31, 2023.

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Other Intangible Assets, Net

Our other intangible assets, net consist of the following (in thousands):

	March 31, 2024				June 30, 2024			
	Gross carrying value	Accumulated amortization	Net	Weighted-Average Remaining Life (in years)	Gross carrying value	Accumulated amortization	Net	W A Re
Developed technology	Developed technology $125,317	$ (21,222)	$104,095	11.9	11.9 Developed technology $ 125,317	$ (23,441)	$101,876	11.7

Assembled workforce	Assembled workforce	563	(262)		(262)	301		301	2.7		2.7	Assembled workforce	563	(290)		(290)	273		273
Total other intangible assets, net																			

	December 31, 2023			
	Gross carrying value	Accumulated amortization	Net	Weighted-Average Remaining Life (in years)
Developed technology	$ 125,317	$ (19,003)	$ 106,314	12.2
Assembled workforce	563	(234)	329	2.9
Total other intangible assets, net	$ 125,880	$ (19,237)	$ 106,643	

Amortization expense of intangible assets was $2.2 million and $4.5 million for the three and six months ended March 31, 2024 June 30, 2024, respectively, and $2.2 million and $4.5 million for the three and six months ended March 31, 2023. June 30, 2023, respectively.

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8. Other Accrued and Current Liabilities

Other accrued and current liabilities consisted of the following (in thousands):

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Clinical studies				
Accrued service fees				
Clinical studies				
ESPP contributions				
Other				
Other				
Other				
Total				

9. Long-Term Debt

We had no debt as of December 31, 2023. Our long-term debt as of March 31, 2024 June 30, 2024 is presented in the table below (in thousands):

	March 31, June 30, 2024
Term debt	$ 10,200
Unamortized discount	(200) (192)
Total long-term debt	10,000 10,008
Less: Current portion of long-term debt	—
Total	$ 10,000 10,008

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Borrowings under our 2024 LSA approximate their fair value as the interest rate is variable and reflects market rates (Level 2 instrument). As of June 30, 2024, the carrying amount of borrowings under our 2024 LSA, exclusive of unamortized discount, and their estimated fair value were $10.2 million.

Future maturities of principal amounts on long-term debt as of March 31, 2024 June 30, 2024 are as follows (in thousands):

Years Ending December 31,	
2024	$ —
2025	278
2026	3,333
2027	3,333
2028	3,056

Total	$ 10,000

2024 Loan and Security Agreement

On March 26, 2024 (the ‘‘Closing Date’’), we entered into a Loan and Security Agreement (the ‘‘2024 LSA”), by and between us, our wholly owned subsidiary, Castle Narnia Real Estate Holding 1, LLC and Silicon Valley Bank, a division of First-Citizens Bank & Trust Company (the “Lender’’). The 2024 LSA provides for (i) on the Closing Date, $10.0 million aggregate principal amount of term loans (discussed in the ‘‘2024 Term Loan’’ section below), and (ii) from the Closing Date until March 31, 2025, an additional line of credit of $25.0 million with the same interest rate and maturity as the term debt available (discussed in the ‘‘2024 Credit Line’’ section below) at our option.

The obligations under the 2024 LSA are secured by substantially all of our assets, excluding intellectual property, the real property held by us, and are subject to certain other exceptions and limitations. We have the right to prepay the 2024 LSA in whole, subject to a prepayment fee of approximately 1.50% if prepaid prior to March 26, 2026. Amounts repaid under the 2024 LSA may not be reborrowed.

In addition, the 2024 LSA contains customary conditions of borrowing, events of default and covenants, including covenants that restrict our ability to dispose of assets, merge with or acquire other entities, incur indebtedness and make distributions to holders of our capital stock. Should an event of default occur, including the occurrence of a material adverse change, we could be liable for immediate repayment of all obligations under the 2024 LSA. Should

we seek to amend the terms of the 2024 LSA, the consent of the Lender would be required. As of March 31, 2024 June 30, 2024, we were in compliance with this covenant. all of the covenants.

The 2024 LSA bears interest at a floating rate equal to the greater of (a) the WSJ Prime Rate plus 0.25% or (b) 6.00% per annum. The Term Loans are interest only from the Closing Date through November 30, 2025, which may be extended at our option through November 30, 2026 as long as no event of default under the 2024 LSA has occurred. After the end of the interest only period, we are required to pay equal monthly installments of principal through the maturity date of November 1, 2028.

We are also obligated to make an additional final payment of 2.00% of the aggregate original principal amounts of Term Loans advanced by the Lender, due at the earlier of the maturity date or date the Term Loans are repaid in full.

2024 Term Loan

On March 26, 2024, we drew $10.0 million in Term Loans under the terms and provisions of the 2024 LSA. We are obligated to make a final payment of $200,000 under the terms of the 2024 LSA final payment provisions. A discount on debt equal to this obligation was recorded on the draw date and is being amortized as additional interest expense using the effective interest method over the term of the debt. As of March 31, 2024 June 30, 2024, no payment on principal has been made. As of June 30, 2024, the effective interest rate for all outstanding debt under the 2024 Term Loan was 9.03%.

2024 Credit Line

We have a $25.0 million line of credit under the terms and provisions of the 2024 LSA available from the Closing Date until March 31, 2025. Amounts repaid under the 2024 Credit Line may not be reborrowed. As of March 31, 2024 June 30, 2024, no draws had been made on the line of credit.

Interest Expense on Long-Term Debt

During The table below shows the components of interest expense for the three and six months ended March 31, 2024, we recorded interest expense of $12,000 on long-term debt. During the three months ended March 31, 2023, no long-term debt June 30, 2024 (in thousands):

	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Interest expense on long term debt	$ 228	$ 241
Less: Capitalized interest	(12)	(12)
Total	$ 216	$ 229

There was outstanding and no interest expense incurred. on long term debt or capitalized interest for the three and six months ended June 30, 2023.

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10. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used in measuring fair value. There are three levels to the fair value hierarchy based on the reliability of inputs, as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring us to develop our own assumptions.

Financial instruments measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The use of different assumptions and/or estimation methodologies may have a material effect on estimated fair values. Accordingly, the fair value estimates disclosed, or amounts recorded, may not be indicative of the amount that we or holders of the instruments could realize in a current market exchange.

The table below provides information, by level within the fair value hierarchy, of our financial assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2024 June 30, 2024 and December 31, 2023 (in thousands):

	As of March 31, 2024				As of June 30, 2024			
	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets								
Money market funds(1)								
Money market funds(1)								
Money market funds(1)								
U.S. government securities(2)								
Liabilities								
Contingent consideration(3)								
Contingent consideration(3)								
Contingent consideration(3)								

	As of December 31, 2023			
	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Money market funds(1)	$ 89,308	$ —	$ —	$ 89,308
U.S. government securities(2)	$ 144,258	$ —	$ —	$ 144,258
Liabilities				
Contingent consideration(3)	$ —	$ —	$ —	$ —

(1) Classified as “Cash and cash equivalents” in the unaudited condensed consolidated balance sheets.

(2) Classified as “Marketable investment securities” in the unaudited condensed consolidated balance sheets.

(3) Current portion, if any, classified as “Other accrued and current liabilities” in the unaudited condensed consolidated balance sheets.

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Contingent Consideration

In connection with our acquisition of AltheaDx, we agreed to pay contingent consideration of up to $75.0 million of commercial milestone payments based on the achievement of certain net revenue targets relating to the years ending December 31, 2022, 2023 and 2024 (“AltheaDx Earnout Payments”). The portion of the AltheaDx Earnout Payments

associated with the commercial milestones for the year ended December 31, 2023 was $37.5 million and was not paid since the applicable commercial milestones were not met. The AltheaDx Earnout Payments included a 2022 catch-up provision for additional payment of up to $17.5 million that expired in 2023. Therefore, as of March 31, 2024 June 30, 2024, we have a potential payment obligation of up to $20.0 million with respect to the remaining commercial milestones for 2024. If the settlement of the remaining portion of the AltheaDx Earnout Payments would have occurred on March 31, 2024 June 30, 2024, no amounts would have been due because no commercial milestones had been achieved as of such date.

The contingent consideration was classified as a Level 3 fair value measurement due to the use of significant unobservable inputs and a Monte Carlo simulation to determine its fair value. The Monte Carlo simulation uses projections of the commercial milestones for the applicable period as well as the corresponding targets and approximate timing of payment based on the terms of the arrangement. The valuation of the AltheaDx contingent consideration was zero as of March 31, 2024 June 30, 2024 and December 31, 2023, and no gains or losses were recorded associated with changes in fair value during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

The contingent consideration liability is remeasured at fair value at each reporting period taking into account any updated assumptions or changes in circumstances. Any changes in the fair value are recorded as gains or losses in our unaudited condensed consolidated statement of operations.

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(UNAUDITED)

11. Commitments and Contingencies

From time to time, we may be involved in legal proceedings arising in the ordinary course of business. We believe there is no threatened litigation or litigation pending that could have, individually or in the aggregate, a material adverse effect on our financial position, results of operations or cash flows. On February 1, 2024, we received a Subpoena from the Department of Health and Human Services, Office of Inspector General, seeking documents and information concerning claims submitted for payment under federal healthcare programs. The Subpoena requested that we produce documents relating primarily to interactions with medical providers and billing to government-funded healthcare programs for our tests. The time period covered by the Subpoena is January 1, 2015 through February 1, 2024. We are continuing to cooperate with the government's request and are in the process of responding to the Subpoena. We are unable to predict what action, if any, might be taken in the future by the Department of Health and Human Services, Office of Inspector General, or any other governmental authority as a result of the matters related to this Subpoena. No claims have been made against us at this time. This inquiry, and any Any potential resulting claim asserted against us, with or without merit, could be time-consuming, expensive to address and divert management's attention and other resources. These claims also could subject us to significant liability for damages and harm our reputation. Our insurance and indemnities may not cover all claims that may be asserted against us. We are unable to predict the outcome and are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome.

12. Stock Incentive Plans and Stock-Based Compensation

Stock Incentive Plans

Effective January 1, 2024, an additional 1,370,526 shares became available under our 2019 Equity Incentive Plan (the "2019 Plan") pursuant to an automatic annual increase. The 2019 Plan provides for automatic annual increases to the number of shares authorized for issuance, equal to 5% of our common shares outstanding as of the immediately preceding year end, through January 1, 2029. As of March 31, 2024 June 30, 2024, 386,932 353,485 shares remained available for grant under the 2019 Plan.

On December 22, 2022, our board of directors approved the 2022 Inducement Plan (the "Inducement Plan"). Our Inducement Plan provides for the grant of RSU awards and other stock awards made as an inducement material to the grantee's entering into employment with us to the extent such grantee was not previously an employee of ours or is entering into employment following a bona fide period of non-employment with us. As of March 31, 2024 June 30, 2024, there were 414,842 292,473 shares available for grant under the Inducement Plan.

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

Stock Options

Stock option activity under our stock plans for the three six months ended March 31, 2024 June 30, 2024 is set forth below:

	Stock Options Outstanding	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)	Stock Options Outstanding	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of December 31, 2023								
Granted								
Granted								
Granted								
Exercised								
Exercised								
Exercised								
Forfeited/Cancelled								
Forfeited/Cancelled								

Forfeited/Cancelled

Balance as of March 31, 2024

Balance as of March 31, 2024

Balance as of March 31, 2024

Exercisable at March 31, 2024

Balance as of June 30, 2024

Balance as of June 30, 2024

Balance as of June 30, 2024

Exercisable at June 30, 2024

Restricted Stock Units

RSUs represent the right to receive shares of our common stock at a specified future date, subject to vesting. Our RSUs generally vest annually from the grant date in four equal installments subject to the holder's continued service with us. We issue new shares of common stock upon the vesting of RSUs.

The following table summarizes our RSU activity for the three six months ended March 31, 2024 June 30, 2024:

	Restricted Stock Units Outstanding	Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value	Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Balance as of December 31, 2023					
Granted					
Vested(1)					
Forfeited/Cancelled					
Balance as of March 31, 2024					
Balance as of June 30, 2024					

(1) The aggregate number of shares withheld upon vesting for employee tax obligations was 22,656 51,519 for the three six months ended March 31, 2024 June 30, 2024.

Performance-Based Restricted Stock Units

PSUs represent the right to receive shares of our common stock contingent upon the achievement of certain financial performance measures. We issue new shares of common stock upon the vesting of PSUs.

The following table summarizes our PSU activity for the three six months ended March 31, 2024 June 30, 2024:

	Performance-Based Restricted Stock Units Outstanding		Weighted-Average Grant Date Fair Value
Balance as of December 31, 2023	196,033	$	23.23
Granted	177,513	$	21.23
Vested	—	$	—
Forfeited/Cancelled	—	$	—
Balance as of March 31, 2024	373,546	$	22.28

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

	Performance-Based Restricted Stock Units Outstanding		Weighted-Average Grant Date Fair Value
Balance as of December 31, 2023	196,033	$	23.23
Granted	177,513	$	21.23
Vested	—	$	—

Forfeited/Cancelled	—	$ —
Balance as of June 30, 2024	373,546	$ 22.28

Retirement Policy

In January 2023, our board of directors approved a retirement policy (the "Retirement Policy") that provides for acceleration of a portion of unvested awards that were granted to certain eligible employees upon meeting age, service and notice requirements. We considered the adoption of the Retirement Policy to be a modification of existing awards under ASC Topic 718**,** *Compensation – Stock Compensation*. The modification did not result in any incremental compensation cost. However, the adoption of the of the policy resulted in a new estimate of the requisite service period for certain awards, which we reassess at each balance sheet date. In connection with the Retirement Policy, we accelerated the recognition of compensation expense of $0.2 million $0.4 million and $0.7 million $0.4 million during the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and accelerated the recognition of compensation expense of $0.6 million and $1.1 million for the six months ended June 30, 2024 and 2023, respectively.

Employee Stock Purchase Plan

The ESPP provides for certain automatic increases in the number of shares of common stock reserved for issuance, which resulted in an additional 274,105 shares becoming available under the ESPP effective January 1, 2024. During the three six months ended March 31, 2024 June 30, 2024, we issued 111,241 shares of common stock pursuant to scheduled purchases under the ESPP. As of March 31, 2024 June 30, 2024, 1,103,127 shares remained available for issuance under the ESPP.

Determining Fair Value - Summary of Assumptions

We use the Black-Scholes option pricing model to estimate the fair value of each option grant on the date of grant or any other measurement date. The following table sets forth the assumptions used to determine the fair value of stock options:

	Three Months Ended March 31,		Six Months Ended June 30,			
	2024	2024			2023	2024	2023
Average expected term (years)	Average expected term (years)	5.0	5.8	Average expected term (years)	N/A	5.0	
Expected stock price volatility	Expected stock price volatility	75.57% - 76.01%	68.34% - 76.01%	Expected stock price volatility	N/A	75.75% - 76.01%	
Risk-free interest rate	Risk-free interest rate	3.57% - 3.57%	1.54% - 4.21%	Risk-free interest rate	N/A	3.57% - 3.57%	
Dividend yield	Dividend yield	—%	—%	Dividend yield	N/A	—%	

The following table sets forth assumptions used to determine the fair value of the purchase rights issued under the ESPP:

	Three Months Ended March 31,		Six Months Ended June 30,			
	2024	2024			2023	2024	2023
Average expected term (years)	Average expected term (years)	1.3	1.3	Average expected term (years)	1.3	1.3	
Expected stock price volatility	Expected stock price volatility	72.04% - 130.95%	72.80% - 82.61%	Expected stock price volatility	72.04% - 130.95%	72.80% - 82.61%	
Risk-free interest rate	Risk-free interest rate	4.43% - 5.33%	4.77% - 5.07%	Risk-free interest rate	4.43% - 5.33%	4.77% - 5.07%	
Dividend yield	Dividend yield	—%	—%	Dividend yield	—%	—%	

We use the closing price of our common stock on the date of grant to determine the fair value of RSUs and PSUs.

CASTLE BIOSCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

Stock-Based Compensation Expense

Stock-based compensation expense is included in the unaudited condensed consolidated statements of operations as follows (in thousands):

Cost of sales (exclusive of amortization of acquired intangible assets)
Cost of sales (exclusive of amortization of acquired intangible assets)
Cost of sales (exclusive of amortization of acquired intangible assets)
Research and development
Research and development
Research and development
Selling, general and administrative

Selling, general and administrative
Selling, general and administrative
Total stock-based compensation expense
Total stock-based compensation expense
Total stock-based compensation expense

For the three six months ended March 31, 2023 June 30, 2023, the weighted-average grant date fair value of stock options granted was $17.39 $15.99 per option. There were no stock options granted for the same period in 2024. For the three six months ended March 31, 2024 June 30, 2024 and 2023, the weighted-average grant date fair value of the purchase rights granted under the ESPP was $11.17 and $11.00 per share, respectively. As of March 31, 2024 June 30, 2024, the total unrecognized stock-based compensation cost related to outstanding awards was $103,100,000, $94,633,000, which is expected to be recognized over a weighted-average period of 2.5 2.4 years. The total unrecognized compensation cost will be adjusted for forfeitures in future periods as they occur.

13. Income Taxes

Our effective income tax rate was 11.0% (13.1)% and (18.3)% for the three and six months ended March 31, 2024 June 30, 2024, and respectively. Our effective income tax rate was immaterial for the three and six months ended March 31, 2023. June 30, 2023, respectively.

The effective rate for the the three and six months ended March 31, 2024
June 30, 2024 and 2023 differed from our federal statutory rate of 21% primarily due to the tax impact from the valuation allowance for current year activity,state income taxes and the non-deductibility of other permanent items.

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

You should read the following discussion and analysis of financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes and other financial information included in this Quarterly Report on Form 10-Q with our audited financial statements and notes thereto as of and for the years ended December 31, 2023 and 2022 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, including the section entitled "Critical Accounting Estimates," included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the "SEC") on February 28, 2024. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "Castle," "we," "us" and "our" refer to Castle Biosciences, Inc.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information 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"), which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, future financial position, future revenues, projected costs, prospects and plans and objectives of management. The words "anticipate," "believe," "estimate," "expect," "may," "plan," "potential," "will," "would" or the negative or plural of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions or expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements, except as may be required by law.

Overview

Castle Biosciences is a molecular diagnostics company offering innovative test solutions to aid clinicians in the diagnosis and treatment of dermatologic cancers, Barrett's esophagus ("BE"), uveal melanoma ("UM"), and in the treatment of mental health conditions.

Our Test Portfolio

We currently offer five commercially available proprietary multi-analyte assays with algorithmic analysis ("MAAA") tests for use in the dermatologic, gastroenterology and ocular fields. We also offer a proprietary pharmacogenomics ("PGx") test to guide optimal drug treatment for patients diagnosed with depression, anxiety and other mental health conditions.

Currently, our revenue is primarily generated by our DecisionDx-Melanoma risk stratification test for cutaneous melanoma ("CM"), which is supplemented by revenue generated from our DecisionDx-SCC risk stratification test for cutaneous squamous cell carcinoma ("SCC"), our TissueCypher risk stratification test for BE and our DecisionDx-UM risk stratification test for uveal melanoma ("UM"). UM.

All five of our MAAA tests have been granted Advanced Diagnostic Laboratory Test ("ADLT") test status by the Centers for Medicare & Medicaid Services ("CMS") which means each test has demonstrated that (i) when combined with an empirically derived algorithm, it yields a result that predicts the probability a specific individual patient will develop a certain condition or conditions, or will respond to a particular therapy or therapies; and (ii) it provides new clinical diagnostic information that cannot be obtained from any other test or combination of tests. We believe this designation not only demonstrates our focus on developing and validating innovative tests but also enables our Medicare reimbursement rate to be set, over the long term, by the median private payor rate, which we believe provides a fair exchange of value. Further information about Medicare coverage and ADLT status with respect to each of our tests is set forth below.

Test Overview

Our Dermatologic Tests

DecisionDx-Melanoma is our proprietary risk stratification gene expression profile ("GEP") test that is designed to predict the risk of metastasis or recurrence for patients diagnosed with invasive cutaneous melanoma. CM. In a typical year, we estimate year, we estimate approximately 130,000 patients are diagnosed with invasive cutaneous melanoma CM in

the United States, representing an estimated U.S. total addressable market (“TAM”) of approximately $540 million. We estimate that approximately 50% of patients diagnosed with CM are 65 years of age or older.

DecisionDx-SCC is our proprietary GEP test for use in patients with SCC, with one or more risk factors (also referred to as “high-risk” SCC). We estimate that 20% of SCC patients, or 200,000 annually in the United States, are classified as high risk, representing an estimated U.S. TAM of approximately $820 million.

MyPath Melanoma is our proprietary GEP test for use in patients with a melanocytic lesion and uncertainty related to the malignancy of the lesion. We estimate approximately 300,000 patients each year present with a diagnostically ambiguous lesion, representing an estimated U.S. TAM of approximately $600 million. We began offering MyPath Melanoma following our acquisition of the Myriad MyPath Laboratory in May 2021 at which point we offered both our MyPath Melanoma test and our DiffDx-Melanoma test under an offering that we referred to as our Diagnostic GEP offering. However, following an internal assessment of the clinical value of offering both tests, we made the decision to suspend the clinical offering of DiffDx-Melanoma in February 2023 and now the focus of this offering is MyPath Melanoma.

Our Gastroenterology Test

TissueCypher is our proprietary risk stratification spatialomics spatial omics test designed to predict future development of high-grade dysplasia and/or esophageal cancer in patients with non-dysplastic, indefinite dysplasia or low-grade dysplasia BE. We estimate a U.S. TAM of approximately $1 billion.

Our Uveal Melanoma Test

DecisionDx-UM is a proprietary, risk stratification GEP test that is designed to predict the risk of metastasis for patients with UM. We believe DecisionDx-UM is the standard of care in the management of newly diagnosed UM in the majority of ocular oncology practices in the United States. We estimate a U.S. TAM of approximately $10 million.

Our Mental Health Test

IDgenetix is a PGx test that guides personalized mental health medication selection and management for patients with depression, anxiety and other mental health conditions. We estimate a U.S. TAM of approximately $5 billion associated with this test.

Commercial Expansion Efforts

In September 2022, we established a new commercial sales team dedicated to our Diagnostic GEP offering and added additional outside territories for our TissueCypher test, which were fully integrated into our commercial operations by the end of the second quarter of 2023.

During the year ended December 31, 2023, we continued to expand our dermatologic and gastrointestinal commercial sales forces through territory and headcount expansions with focus being on our DecisionDx Melanoma, DecisionDx-SCC, and TissueCypher tests.

During the six months ended June 30, 2024, we further expanded our sales and marketing team for our TissueCypher test. We will continue to assess market response in determining further commercial expansions and commercial team structure.

Reimbursement

The primary source of revenue for our products is reimbursement from third-party payors, which includes government payors, such as Medicare, and commercial payors, such as insurance companies. Achieving broad coverage and reimbursement of our current products by third-party payors and continued Medicare coverage are key components of our financial success.

We bill third-party payors and patients for the tests we perform. We have received Medicare coverage for our DecisionDx-Melanoma, DecisionDx-SCC, MyPath Melanoma, DecisionDx-UM, TissueCypher and IDgenetix tests which meet certain criteria for Medicare and Medicare Advantage beneficiaries.

The Medicare rates discussed below are prior to giving effect to applicable sequestration in effect from time to time as described in further detail under “Government Regulation and Product Approval—Healthcare Reform” included in Item 1, Business, of our Annual Report on Form 10-K for the year ended December 31, 2023.

DecisionDx-Melanoma

DecisionDx-Melanoma tests are processed from our Phoenix laboratory and since the second quarter of 2022, have been covered under “foundational” local coverage determinations (“LCD”) finalized by Medicare Administrative Contractors (“MACs”) Palmetto GBA MolDX (“Palmetto”) and Noridian Health Solutions (“Noridian”).

DecisionDx-Melanoma has met ADLT status, as determined by the CMS, since 2019. Since 2022, the rate for DecisionDx-Melanoma is set annually based upon the median private payor rate for the first half of the second preceding calendar year. For example, the rate for 2023 was set using median private payor rate data from January 1, 2021 to June 30, 2021. Our rate for 2023 was $7,193 per test and is $7,193 for 2024.

DecisionDx-UM

DecisionDx-UM tests are processed from our Phoenix laboratory and are covered under LCDs finalized by MAC administrators Palmetto and Noridian in July 2017.

DecisionDx-UM has met the criteria of “existing advanced diagnostic laboratory test” status, also referred to as “existing ADLT” status, as determined by the CMS, since May 2019. Our rate is set annually based upon the median private payor rate for the first half of the second preceding calendar year. For example, the rate for 2023 was set using median private payor rate data from January 1, 2021 to June 30, 2021. Our rate for 2023 was $7,776 per test and is $7,776 for 2024.

MyPath Melanoma and DiffDx-Melanoma

MyPath Melanoma was covered under a test-specific LCD policy through Noridian that became effective in June 2019. Effective August 6, 2023, Palmetto and Noridian issued LCDs that converted the test-specific MyPath Melanoma LCD to a “foundational” LCD and provided coverage for both MyPath Melanoma and DiffDx-Melanoma.

MyPath Melanoma was approved as a “new ADLT” in September 2019. Rates The rate for our MyPath Melanoma test is set annually based upon the median private payor rate for the first half of the second preceding calendar year. Our 2023 rate was set at $1,755 per test, based on data submitted by the predecessor owner of the Myriad MyPath Laboratory relating to the first half of 2021. Our 2024 rate is set at $1,950 per test.

In the second quarter of 2022, we obtained a Proprietary Laboratory Analyses (“PLA”) code for DiffDx-Melanoma. In 2023, DiffDx-Melanoma went through the CMS gapfill process which concluded in September 2023 with CMS posting a final MAC-specific gapfill rate of $1,950 per test. Our rate for 2024 is $1,950 per test.

Diagnostic GEP Offering

Our Diagnostic GEP offering included MyPath Melanoma and DiffDx-Melanoma. We began offering MyPath Melanoma following our acquisition of the Myriad MyPath Laboratory on May 28, 2021. Our internal data indicates that we have improved the technical performance of MyPath Melanoma and that it is comparable to the technical performance of DiffDx-Melanoma. As such, following an internal assessment of the clinical value of offering both tests, we made the decision to suspend the clinical offering of DiffDx-Melanoma in February 2023.

DecisionDx-SCC

We issue our DecisionDx-SCC tests from our Pittsburgh and Phoenix labs, with a majority of tests being issued from our Pittsburgh lab.

On June 2, 2023, Novitas Solutions ("Novitas"), the MAC responsible for administering claims for test reports issued by our Pittsburgh laboratory, posted a finalized oncology biomarker LCD pursuant to which the DecisionDx-SCC test would no longer be covered by Medicare effective July 17, 2023. However, on July 6, 2023, Novitas suspended the final version of the LCD and announced its intent to post a new proposed LCD for comment and presentation at an open meeting. On July 27, 2023, Novitas posted a nearly identical proposed oncology biomarker LCD that continues to intend to rely upon evidentiary reviews sourced from three databases: ClinGen, OncoKB and NCCN. The proposed LCD also recommends non-coverage for our DecisionDx-SCC test. The comment period for the proposed LCD ended on September 9, 2023. We cannot predict whether this LCD will be finalized as proposed or what the timing of any final LCD might be.

Palmetto's MolDX program oversees MAAA tests that are reported from our Phoenix laboratory and Noridian is the MAC responsible for administering claims for test reports issued by our Phoenix laboratory. On June 8, 2023, both Palmetto and Noridian posted a preliminary draft LCD recommending no coverage for DecisionDx-SCC. The comment period for the draft LCDs ended on July 22, 2023. On July 4, 2024, the LCD was finalized as proposed with a future effective date of August 18, 2024.

Decision-SCC DecisionDx-SCC was reimbursed at a rate of $3,873 per test under a PLA code from second quarter of 2022 through June 30, 2023 when CMS determined DecisionDx-SCC meets the criteria for "new ADLT" status. Effective July 1, 2023 and through March 31, 2024, CMS set the initial period rate equal to the list price of $8,500 per test. Effective April 1, 2024 and through December 31, 2025, the published CLFS rate for DecisionDx-SCC will be based on the median private payor rates received between July 1, 2023 and November 30, 2023. We submitted the median private payor data to CMS during the data reporting period in December 2023. Effective April 1, 2024, the updated CLFS rate will continue at $8,500 through December 31, 2025. Future rates will be set annually based upon the median private payor rate for the first half of the second preceding calendar year. ADLT status determines the process by which the rate is set and is not an indication of Medicare coverage.

TissueCypher

TissueCypher is processed in our Pittsburgh laboratory and falls under the Medicare jurisdiction managed by Novitas.

On March 24, 2022, CMS determined that TissueCypher meets the criteria for "new ADLT" status. ADLT status exempts TissueCypher from what is called the "14-day rule," which simplifies the billing process for Medicare patients. Effective January 1, 2023, the published CLFS rate for TissueCypher was set at $4,950 per test, which will remain effective through December 31, 2024. This rate is based on the median private payor rates received between April 1, 2022 and August 31, 2022. Thereafter, the rate will be set annually based upon the median private payor rate for the first half of the second preceding calendar year.

IDgenetix

IDgenetix is currently covered under a Noridian LCD policy and accompanying billing and coding article developed by MolDX.

Our IDgenetix multi-gene panel was reimbursed by Medicare at approximately $1,500 per test from April 2022 through February 2023, when MolDX notified us that as part of its annual CPT code updates, IDgenetix should shift billing to a different generic gene sequencing CPT code (the "New CPT Code") and continue using the IDgenetix Z-Code beginning in March 2023. The New CPT Code was set at $917 per test while the test went through CMS's Gapfill pricing process. We believed the new CPT Code, in conjunction with the IDgenetix Z-Code, did not describe all of the components of the IDgenetix test and thus, was not appropriate for IDgenetix. We subsequently obtained a test-specific PLA CPT code which became effective October 1, 2023. In November 2023, CMS posted its final CLFS determination which crosswalks our PLA CPT code to an existing PLA code at a rate of $1,336 per test effective January 1, 2024.

Government Regulation and Oversight of Laboratory Developed Tests

On April 29, 2024, the U.S. Food and Drug Administration ("FDA") published a final rule on the regulation of Laboratory Developed Tests ("LDTs") which amends the FDA's regulations to make explicit that LDT's are devices under the Federal Food, Drug, and Cosmetic Act ("FD&C Act"). The FDA issued a policy to phase out, over the course of four years, its general enforcement discretion approach to LDTs and also issued targeted enforcement discretion policies for certain categories of LDTs. The FDA is continuing enforcement discretion for currently marketed tests offered as LDTs (that were first marketed before May 6, 2024) that are approved by the New York State Department of Health Clinical Laboratory Evaluation Program ("NYS CLEP"). Our proprietary tests, outlined above, are all NYS CLEP approved. We believe this final ruling will have no material impact on our existing test offerings given all of our tests were marketed before May 6, 2024.

Delivered Test Reports

The number of test reports we deliver is a key indicator that we use to assess our business. A test report is generated when we receive a sample in our laboratory, and then the relevant test information is entered into our Laboratory Information Management System, the laboratory portion of the test is performed, including proprietary algorithmic analysis of the combined biomarkers, and a report is then generated which is delivered to the clinician who ordered the test.

The number of test reports delivered by us during the three six months ended March 31, 2024, during each quarter in June 30, 2024 and 2023 and for the year ended December 31, 2023 are presented in the table below:

Proprietary Dermatologic GEP Tests

	DecisionDx-Melanoma	DecisionDx-SCC	Diagnostic GEP offering (1)	Dermatologic Total	DecisionDx-UM	TissueCypher(2)	IDgenetix	Grand Total	DecisionDx-Melanoma	DecisionDx-SCC	Diagnostic GEP offering (1)	Dermatologic Total	DecisionDx-UM	TissueCypher(2)	IDgenetix	Gra To
Q1 2024																
Q2 2024																
For the six months ended June 30, 2024																
Q1 2023																
Q1 2023																
Q1 2023																
Q2 2023																
For the six months ended June 30, 2023																
Q3 2023																
Q4 2023																
For year ended December 31, 2023																

(1) Includes MyPath Melanoma and DiffDx-Melanoma. We offered both MyPath Melanoma and DiffDx-Melanoma under our Diagnostic GEP offering until February 2023 when we suspended the offering of DiffDx-Melanoma, as discussed above.

(2) We temporarily paused accepting additional orders in July 2023 and resumed accepting new orders in a phased approach in September 2023. We completed processing of our pre-existing backlog orders in October 2023 and continue to accept new orders as of March 31, 2024 June 30, 2024.

For the three and six months ended March 31, 2024 June 30, 2024, our test report volume increased by 40.0% 49.2% and 44.9%, respectively, compared to the same period in 2023. Our dermatologic test report volume increased by 18.1% 22% and 20.3% for the three and six months ended March 31, 2024 June 30, 2024, respectively, compared to the prior period in 2023, largely driven by continued growth from our DecisionDx-Melanoma and DecisionDx-SCC tests. Increases from our other tests (non-dermatologic), primarily IDgenetix and TissueCypher, also contributed to the overall volume increase. For a discussion of how we recognize revenue derived from our tests, refer to “Net Revenues” under “Components of Results of Operations” below.

In developing our DecisionDx-SCC test, we believed that in addition to addressing significant unmet clinical needs, we would see opportunities for leverage, as many of the clinicians currently ordering DecisionDx-Melanoma would likely be the same clinicians who would find value in our DecisionDx-SCC test. For example, we found that during the three six months ended March 31, 2024 June 30, 2024, approximately 55% 68% of all clinicians ordering DecisionDx-SCC had also ordered our DecisionDx-Melanoma test during that same period.

Information About Certain Metrics

The following provides additional information about certain metrics we have disclosed in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Test Reports Delivered

Test reports delivered represent the number of completed test reports delivered by us during the reporting period indicated. The period in which a test report is delivered does not necessarily correspond with the period in which the related revenue, if any, is recognized, due to the timing and amount of adjustments for variable consideration under Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“ASC 606”). We use this metric to evaluate the growth in adoption of our tests and to measure against our internal performance objectives. We believe this metric is useful to investors in evaluating the volume of our business activity from period-to-period that may not be discernible from our reported revenues under ASC 606.

Other Events

Impact of Macroeconomic Conditions

Macroeconomic conditions, including uncertainties associated with the Israel-Hamas war, the ongoing conflict between Ukraine and Russia, economic slowdowns, public health crises, labor shortages, recessions or market corrections, supply chain disruptions, inflation and monetary policy shifts, liquidity concerns at, and failures of, banks and other financial institutions or other disruptions in the banking system or financing markets, rising interest rates and financial and credit market fluctuations, volatility in the capital markets

or other evolving macroeconomic developments, continue to have direct and indirect impacts on our business and could in the future materially impact our results of operations and financial condition. We continue to actively monitor the impact of these macroeconomic factors on our results of operations, financial condition and cash flows. The extent of the impact of these factors on our operational performance and financial condition, including our ability to execute our business strategies and initiatives in the expected timeframe, will depend on future developments, which are uncertain and cannot be predicted; however, any continued or renewed disruption resulting from these factors could negatively impact our business.

Our Financial Results

Our net loss income may fluctuate significantly from period to period, depending on the timing of our planned development activities, the growth of our sales and marketing activities and the timing of revenue recognition under ASC 606. We expect our expenses will increase substantially over time as we:

- execute clinical studies to generate evidence supporting our current and future product candidates;
- execute our commercialization strategy for our current and future commercial products;
- continue our ongoing and planned development of new products in our pipeline;
- seek to discover and develop additional product candidates;
- hire additional scientific and research and development staff; and
- add additional operational, financial and management information systems and personnel.

Factors Affecting Our Performance

We believe there are several important factors that have impacted, and that we expect will continue to impact, our operating performance and results of operations, including:

- **Report volume.** We believe that the number of reports we deliver to clinicians is an important indicator of the growth of adoption among the healthcare provider community. Our revenue and costs are affected by the volume of testing and mix of customers. Our performance depends on our ability to retain and broaden adoption with existing prescribing clinicians, as well as attract new clinicians. Our report volume could be negatively impacted by developments related to evolving macroeconomic developments, as discussed above.
- **Reimbursement.** We believe that expanding reimbursement is an important indicator of the value of our products. Payors require extensive evidence of clinical utility, clinical validity, patient outcomes and health economic benefits in order to provide reimbursement for diagnostic products. Our revenue depends on our ability to demonstrate the value of our products to these payors.
- **Gross margin.** We believe that our gross margin is an important indicator of the operating performance of our business. Higher gross margins reflect the average selling price of our tests, as well as the operating efficiency of our laboratory operations.
- **Expansion of our sales force and marketing programs.** We believe the expansion of our direct sales force and marketing organization to educate clinicians and pathologists on the value of our molecular testing products will significantly impact our performance.
- **Integrating acquisitions.** Revenue growth, operational results and advances to our business strategy depends on our ability to integrate any acquisitions into our existing business and effectively scale their operations. The integration of acquired assets may impact our revenue growth, increase the cost of operations or may require management resources that otherwise would be available for ongoing development of our existing business.
- **New product development.** A significant aspect of our business is our investment in research and development activities, including activities related to the development of new products. In addition to the development of new product candidates, we believe these studies are critical to gaining clinician adoption of new products and driving favorable coverage decisions by payors for such products.

Components of the Results of Operations

Net Revenues

We generate revenues from the sale of our products. Currently, our revenues are primarily derived from the sale of DecisionDx-Melanoma, DecisionDx-SCC, TissueCypher and DecisionDx-UM. We bill third-party payors and patients for the tests we perform.

Under ASC 606, we recognize revenue at the amount we expect to be entitled, subject to a constraint for variable consideration, in the period in which our tests are delivered to the treating clinicians. We have determined that our contracts contain variable consideration under ASC 606 because the amounts paid by third-party payors may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration is recognized only to the extent it is probable that a significant reversal of revenue will not occur in future periods when the uncertainties are resolved. Variable consideration is evaluated each reporting period and adjustments are recorded as increases or decreases in revenues. Variable consideration for Medicare claims that are not covered by Medicare, including those claims undergoing appeal, is deemed to be fully constrained due to factors outside our influence (e.g., judgment or actions of third parties) and the uncertainty of the amount to be received is not expected to be resolved for a long period of time. For these fully constrained claims, we generally recognize revenue in the period the uncertainty is favorably resolved, if at all. Due to potential future changes in Medicare coverage policies and appeal cycles, insurance coverage policies, contractual rates and other trends in the reimbursement of our tests, our revenues may fluctuate significantly from period to period. Our ability to recognize revenue for a test is dependent on the development of reimbursement experience and obtaining coverage decisions. For tests with limited reimbursement experience or no coverage, we recognize revenues on the basis of actual cash collections.

Our ability to increase our revenues will depend on our ability to further penetrate our target markets, and, in particular, generate sales through our direct sales force, maintain Medicare coverage for our currently marketed products, develop and commercialize additional tests, including through acquisitions, obtain reimbursement from additional third-party payors and increase our reimbursement rate for tests performed.

Cost of Sales (exclusive of amortization of acquired intangible assets)

The components of our cost of sales are material and service costs associated with testing samples, personnel costs (including salaries, bonuses, benefits and stock-based compensation expense), electronic medical record set up costs, order and delivery systems, shipping charges to transport samples, third-party test fees, and allocated overhead including rent, information technology costs, equipment and facilities depreciation and utilities. Costs associated with testing samples are recorded when the test is processed regardless of whether and when revenues are recognized with respect to that test. As a result, our cost of sales as a percentage of revenues may vary significantly from period to period because we do not recognize all revenues in the period in which the associated costs are incurred. We expect cost of sales in absolute dollars to increase as the number of tests we perform increases. Additionally, we expect cost of sales to increase with the expansion of laboratory capacity and staffing in advance of the anticipated growth of our more recently launched tests and tests acquired through acquisitions. For example, we commenced operations in a new newly expanded laboratory facility in Pittsburgh, Pennsylvania in the second quarter of 2023 and expect to operate additional lab space in Pittsburgh by end of 2024.

Gross margin and gross margin percentage are key indicators we use to assess our business. See the table in "Results of Operations—Comparison of the Three Months ended March 31, 2024 Ended June 30, 2024 and 2023" and "Results of Operations—Comparison of the Six Months Ended June 30, 2024 and 2023" for details.

Research and Development

Research and development expenses include costs incurred to develop our tests, collect clinical samples and conduct clinical studies to develop and support our products. These costs consist of personnel costs (including salaries, bonuses, benefits and stock-based compensation expense), prototype materials, laboratory supplies, consulting costs, regulatory costs, electronic medical records set up costs, costs associated with setting up and conducting clinical studies and allocated overhead, including rent, information technology, equipment depreciation and utilities. We expense all research and development costs in the periods in which they are incurred. We expect our research and development expenses to increase in absolute dollars as we continue to invest in research and development activities related to developing enhanced and new products.

We expect to use a portion of our cash and cash equivalents and marketable investment securities to further support and accelerate our research and development activities, including important studies that are underway to support our DecisionDx-Melanoma test. For instance, in February 2023, we announced the publication of data from the DECIDE study presenting DecisionDx-Melanoma test results influenced 85% of clinicians' decisions regarding the SLNB surgical procedure. Additionally, use of the tests' results within current guideline recommendations led to a significant reduction in SLNB procedures performed, demonstrating the clinical value of the test to guide risk-aligned patient care. Also, in 2021, we initiated our large prospective, multi-center clinical study to develop, validate and bring to market a pipeline genomic test, or tests, aimed at predicting response to systemic therapy in patients with moderate to severe psoriasis, atopic dermatitis and related inflammatory skin conditions. As of March 31, 2024 June 30, 2024, there were more than 44 41 active clinical study sites and over 1,100 patients enrolled in this study. Assuming we are successful in validating a genomic test, or tests, for one or more of these uses, then we expect to launch this pipeline test by the end of 2025.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses include executive, selling and marketing, legal, finance and accounting, human resources and billing functions. These expenses consist of personnel costs (including salaries, bonuses, benefits and stock-based compensation expense), direct marketing expenses, audit and legal expenses, consulting costs, payor outreach programs and allocated overhead, including rent, information technology, equipment depreciation, and utilities. Other administrative and professional services expenses within SG&A are expected to increase with the scale of our business, but selling and marketing-related expenses are expected to increase significantly, consistent with our growth strategy.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets is primarily associated with developed technology obtained through acquisitions, such as our acquisitions of Cernostics in December 2021 and AltheaDx in April 2022.

Interest Income

Interest income consists primarily of earnings on cash and cash equivalents, primarily money market funds, and marketable investment securities, primarily short-term U.S. government obligations.

Interest Expense

Interest expense is primarily attributable to long-term debt and finance leases and long-term debt. leases.

Income Tax (Benefit) Expense

Our consolidated financial statements do not reflect any federal or state income tax benefits attributable to the pre-tax losses we have incurred, due to the uncertainty of realizing a benefit from those items. As of December 31, 2023, we had federal net operating loss ("NOL") carryforwards of $197.1 million, of which $92.0 million will begin to expire in 2029 if not utilized to offset federal taxable income, and $105.1 million may be carried forward indefinitely. As of December 31, 2023, we also had state NOL carryforwards of $114.3 million, which begin to expire in 2028 if not utilized to offset state taxable income.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 June 30, 2024 and 2023

The following table summarizes our results of operations for the periods indicated (in thousands, except percentages):

	Three Months Ended March 31,			Change			Three Months Ended June 30,			Chang
	(unaudited)									
	(unaudited)									
	(unaudited)									
Net revenues										
Net revenues										
Net revenues	$72,974	$	$ 42,037	$	$30,937	73.6	73.6 %	$ 87,002	$	$ 50,138 $
Operating expenses										
Cost of sales (exclusive of amortization of acquired intangible assets)										
Cost of sales (exclusive of amortization of acquired intangible assets)										
Cost of sales (exclusive of amortization of acquired intangible assets)	13,894	10,182	10,182	3,712	3,712	36.5	36.5 %	14,519	11,058	11,058
Research and development	Research and development	13,809	14,393	14,393	(584)	(584)	(4.1)	(4.1) %	Research and development	14,136	13,308	13
Selling, general and administrative	Selling, general and administrative	48,495	46,762	46,762	1,733	1,733	3.7	3.7 %	Selling, general and administrative	51,088	44,681	44
Amortization of acquired intangible assets	Amortization of acquired intangible assets	2,247	2,222	2,222	25	25	1.1	1.1 %	Amortization of acquired intangible assets	2,247	2,248	2
Total operating expenses, net										
Total operating expenses, net										
Total operating expenses, net	78,445	73,559	73,559	4,886	4,886	6.6	6.6 %	81,990	71,295	71,295
Operating loss	(5,471)		(31,522)		26,051		82.6 %			
Operating income (loss)	5,012		(21,157)		26,169		123.7 %			
Interest income	Interest income	2,996	2,336	2,336	660	660	28.3	28.3 %	Interest income	3,144	2,399	2
Interest expense	Interest expense	(14)	(4)	(4)	(10)	(10)	(250.0)	(250.0) %	Interest expense	(270)	(3)	
Loss before income taxes										
Income (loss) before income taxes										
Loss before income taxes										
Income (loss) before income taxes										
Loss before income taxes	(2,489)		(29,190)		26,701		91.5 %			
Income tax expense	45		14		31		221.4 %			
Net loss	$ (2,534)		$(29,204)		$26,670		91.3 %			
Income (loss) before income taxes	7,886		(18,761)		26,647		142.0 %			
Income tax (benefit) expense	(1,034)		16		(1,050)		NM			
Net income (loss)	$ 8,920		$(18,777)		$27,697		147.5 %			

NM = Not meaningful

The following table indicates the amount of stock-based compensation expense (non-cash) reflected in the line items above (in thousands):

	Three Months Ended March 31,	Three Months Ended June 30,				
	2024	2024	2023	Change	2023	Change
	(unaudited)					
Cost of sales (exclusive of amortization of acquired intangible assets)						
Cost of sales (exclusive of amortization of acquired intangible assets)						
Cost of sales (exclusive of amortization of acquired intangible assets)						
Research and development						
Selling, general and administrative						
Total stock-based compensation expense						

The following table provides a disaggregation of net revenues by type (in thousands):

	Three Months Ended March 31,	Three Months Ended June 30,				
	2024	2024	2023	Change	2023	Change
	(unaudited)					
Dermatologic(1)						
Dermatologic(1)						
Dermatologic(1)						
Non-Dermatologic(2)						
Total net revenues						

(1) Consists of DecisionDx-Melanoma, DecisionDx-SCC and our Diagnostic GEP offering.

(2) Consists of TissueCypher, DecisionDx-UM and IDgenetix.

The following table presents the calculation of gross margin (in thousands, except percentages):

		2024	2023	Change	2024	2023	Change
		(unaudited)					
Net revenues							
Net revenues							
Net revenues							
Less: Cost of sales (exclusive of amortization of acquired intangible assets)							
Less: Amortization of acquired intangible assets							
Gross margin							
Gross margin percentage	Gross margin percentage	77.9 %	70.5 %	7.4 %	Gross margin percentage	80.7 %	73.5 %	7.2 %

Net Revenues

Net revenues for the three months ended March 31, 2024 June 30, 2024 increased by $30.9 million $36.9 million, or 73.6% 73.5%, to $73.0 million $87.0 million compared to the three months ended March 31, 2023 June 30, 2023, due to a $23.4 million $25.8 million increase in revenue from our dermatologic tests and a $7.5 million $11.1 million increase in revenue from our non-dermatologic tests.

The increase from our dermatologic tests of $25.8 million was primarily due to a higher average selling price for DecisionDx-SCC tests, where we began receiving Medicare reimbursement at a higher rate beginning in July 2023, as well as increases in test report volume of 10.6% for DecisionDx-Melanoma and 48.4% 59.5% for DecisionDx-SCC and a slightly higher average selling price 11.5% for DecisionDx-Melanoma.

The increase in revenue from our non-dermatologic tests of $7.5 million $11.1 million was primarily attributable to our TissueCypher test, due to higher test report volume and a higher average selling price and higher test report volume. price. Our IDgenetix test also contributed to the increase in non-dermatologic revenues during the period due to higher test report volume and a higher average selling price and higher test report volume. price. Net revenue from our non-dermatologic tests as a percentage of total net revenue increased from 14.6% 14.2% for the three months ended March 31, 2023 June 30, 2023 to 18.7% 20.9% for the three months ended March 31, 2024 June 30, 2024.

Contributing to the increases in total net revenues was the effect of variations in revenue adjustments related to tests delivered in previous periods, associated with changes in estimated variable consideration, which were $1.7 million $0.4 million of net positive revenue adjustments for the three months ended March 31, 2024 June 30, 2024, compared to $1.3 million $0.1 million of net negative revenue adjustments for the three months ended March 31, 2023 June 30, 2023. These amounts include (i) adjustments for actual collections versus estimated amounts and (ii) cash collections and the related recognition of revenue in current period for tests delivered in prior periods due to the release of the constraint on variable consideration.

Cost of Sales (exclusive of amortization of acquired intangible assets)

Cost of sales (exclusive of amortization of acquired intangible assets) for the three months ended March 31, 2024 June 30, 2024 increased by $3.7 million $3.5 million, or 36.5% 31.3%, compared to the three months ended March 31, 2023 June 30, 2023, primarily due to higher personnel costs and increased expenditures on supplies. The increase in personnel costs primarily consists of higher salaries and wages, bonuses, stock-based compensation, and employee benefits, and bonuses, reflecting headcount additions made to support business growth as well as merit and annual inflationary wage adjustment for existing employees. Supply and service expenses increased largely due to our higher test volumes.

Due to the nature of our business, a significant portion of our cost of sales expenses represents fixed costs associated with our testing operations. Accordingly, our cost of sales expense will not necessarily increase or decrease commensurately with the change in net revenues from period to period. We expect our cost of sales expenses (exclusive of amortization of acquired intangible assets) to continue to increase in future periods as we hire additional laboratory personnel and related resources to support our expected growth in volume for our dermatologic, gastrointestinal, mental health and pipeline tests.

Gross Margin

Our gross margin percentage was 77.9% 80.7% for the three months ended March 31, 2024 June 30, 2024, compared to 70.5% 73.5% for the same period in 2023. The increase was primarily due to higher revenues which were attributable to increases in both test report volumes and average selling prices, partially offset by higher personnel costs and higher supplies expenditures, both of which have increased due to our expanded laboratory capacity and higher test report volumes.

Research and Development

Research and development expenses decreased by $0.6 million $0.8 million, or 4.1% 6.2%, for the three months ended March 31, 2024 June 30, 2024, compared to the three months ended March 31, 2023, June 30, 2023. The increase is primarily consisting of lower clinical studies expenses and advisory services partially offset by due to higher personnel costs.

Decreases in costs and clinical studies expense were primarily attributable to CM studies and our other inflammatory skin disease pipeline studies. Higher personnel costs are primarily a result of higher salaries and wages, bonuses, and bonuses, stock-based compensation expenses all of which increased due to headcount expansions as well as merit and annual inflationary wage adjustment for existing employees. The higher personnel costs and clinical studies expenses were partially offset by lower general administration expenses across the department and advisory board.

We expect research and development expense to increase as we continue to invest in ongoing pipeline initiatives as well as seek opportunities to branch out upstream, downstream and parallel to our existing commercial tests, within or adjacent to our established dermatology commercial call points.

Selling, General and Administrative

The following table provides a breakdown of SG&A expenses (in thousands):

	Three Months Ended March 31,			Three Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
	(unaudited)					
Sales and marketing						
Sales and marketing						
Sales and marketing						

General and administrative

Total selling, general and administrative expense

Sales and marketing expenses increased by $0.6 million $4.4 million, or 2.0% 15.7%, for the three months ended March 31, 2024 June 30, 2024, compared to the three months ended March 31, 2023 June 30, 2023. The increase is primarily due to higher expense for personnel costs and marketing expenses associated with travel, training events and speaker conferences and expense for salary and wages, partially offset by lower expense for travel and lower stock-based compensation expense. conferences. Increases in salary and wages personnel costs reflect headcount expansions as well as merit and annual inflationary wage adjustment for existing employees. Stock-based compensation expense included in sales and marketing was $4.8 million for the three months ended June 30, 2024, compared to $4.7 million for the three months ended March 31, 2024 June 30, 2023.

General and administrative expenses increased by $2.0 million, compared to $4.9 million or 12.1%, for the three months ended March 31, 2023 June 30, 2024, compared to the three months ended June 30, 2023. The increase is primarily attributable to higher personnel costs (including expenses for salaries, bonuses, and benefits), reflecting headcount expansions in our administrative support functions as well as merit and annual inflationary wage adjustment for existing employees, and to a lesser extent, higher expenses for professional services, subscriptions and licensing. Stock-based compensation expense included in general and administrative expense was $4.4 million for the three months ended June 30, 2024, compared to $4.5 million for the three months ended June 30, 2023.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three months ended June 30, 2024 was $2.2 million and remains consistent as compared to the three months ended June 30, 2023.

Interest Income

Interest income increased by $0.7 million for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily as a result of higher average balances of marketable investment securities and slightly higher interest rates.

Interest Expense

Interest expense increased by $0.3 million for the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily due to interest incurred on our long-term debt where we had no debt outstanding during the comparative period.

Income Tax (Benefit) Expense

Income tax benefit was $1.0 million for the three months ended June 30, 2024 and was due to changes in our valuation allowance, state income taxes and the non-deductibility of other permanent items. We recorded a minimal amount in income tax expense for the three months ended June 30, 2023.

Stock-Based Compensation Expense

Stock-based compensation expense, which is allocated among cost of sales, research and development expense and SG&A expense, totaled $13.2 million for the three months ended June 30, 2024, compared to $12.8 million for the three months ended June 30, 2023. The increase is primarily due to our annual grant of equity awards in March 2024. We expect material increases in stock-based compensation expense in future periods, attributable to both existing awards outstanding and anticipated additional grants to our current and future employees. As of June 30, 2024, we had 703 employees, compared to 582 as of June 30, 2023. As of June 30, 2024, the total unrecognized stock-based compensation cost related to outstanding awards was $94.6 million, which is expected to be recognized over a weighted-average period of 2.4 years.

Comparison of the Six Months Ended June 30, 2024 and 2023

The following table summarizes our results of operations for the periods indicated (in thousands, except percentages):

	Six Months Ended June 30,			
	2024	2023	Change	
	(unaudited)			
Net revenues	$ 159,976	$ 92,175	$ 67,801	73.6 %
Operating expenses				
Cost of sales (exclusive of amortization of acquired intangible assets)	28,413	21,240	7,173	33.8 %
Research and development	27,945	27,701	244	0.9 %
Selling, general and administrative	99,583	91,443	8,140	8.9 %
Amortization of acquired intangible assets	4,494	4,470	24	0.5 %
Total operating expenses, net	160,435	144,854	15,581	10.8 %
Operating loss	(459)	(52,679)	52,220	99.1 %
Interest income	6,140	4,735	1,405	29.7 %
Interest expense	(284)	(7)	(277)	NM
Income (loss) before income taxes	5,397	(47,951)	53,348	111.3 %
Income tax (benefit) expense	(989)	30	(1,019)	NM
Net income (loss)	$ 6,386	$ (47,981)	$ 54,367	113.3 %

NM = Not meaningful

The following table indicates the amount of stock-based compensation expense (non-cash) reflected in the line items above (in thousands):

	Six Months Ended June 30,		
	2024	2023	Change
	(unaudited)		
Cost of sales (exclusive of amortization of acquired intangible assets)	$ 2,715	$ 2,474	$ 241
Research and development	5,266	5,073	193
Selling, general and administrative	17,873	18,827	(954)
Total stock-based compensation expense	$ 25,854	$ 26,374	$ (520)

The following table provides a disaggregation of net revenues by type (in thousands):

	Six Months Ended June 30,		
	2024	2023	Change
	(unaudited)		
Dermatologic(1)	$ 128,163	$ 78,941	$ 49,222
Non-Dermatologic(2)	31,813	13,234	18,579
Total net revenues	$ 159,976	$ 92,175	$ 67,801

(1) Consists of DecisionDx-Melanoma, DecisionDx-SCC and our Diagnostic GEP offering.

(2) Consists of TissueCypher, DecisionDx-UM and IDgenetix.

The following table presents the calculation of gross margin (in thousands, except percentages):

	Six Months Ended June 30,		
	2024	2023	Change
	(unaudited)		
Net revenues	$ 159,976	$ 92,175	$ 67,801
Less: Cost of sales (exclusive of amortization of acquired intangible assets)	28,413	21,240	7,173
Less: Amortization of acquired intangible assets	4,494	4,470	24
Gross margin	$ 127,069	$ 66,465	$ 60,604
Gross margin percentage	79.4 %	72.1 %	7.3 %

Net Revenues

Net revenues for the six months ended June 30, 2024 increased by $67.8 million, or 73.6%, to $160.0 million compared to the six months ended June 30, 2023, due to a $49.2 million increase in revenue from our dermatologic tests and a $18.6 million increase in revenue from our non-dermatologic tests.

The increase from our dermatologic tests of $49.2 million was primarily due to a higher average selling price for DecisionDx-SCC tests, where we began receiving Medicare reimbursement at a higher rate beginning in July 2023, an increase in DecisionDx-SCC test report volume of 54.2%, and an increase in test report volume of 11.1% and a higher average selling price for DecisionDx-Melanoma.

The increase in revenue from our non-dermatologic tests of $18.6 million was primarily attributable to TissueCypher, due to higher test report volume and a higher average selling price. Our IDgenetix test also contributed to the increase in non-dermatologic revenues during the period due to higher test report volume and a higher average selling price. Net revenue from our non-dermatologic tests as a percentage of total net revenue increased from 14.4% for the six months ended June 30, 2023 to 19.9% for the six months ended June 30, 2024.

The increases in total net revenues were partially offset by the effect of variations in revenue adjustments related to tests delivered in previous periods, associated with changes in estimated variable consideration, which were $1.0 million of net positive revenue adjustments for the six months ended June 30, 2024, compared to $1.7 million of net negative revenue adjustments for the same period in 2022. These amounts include (i) adjustments for actual collections versus estimated amounts and (ii) cash collections and the related recognition of revenue in current period for tests delivered in prior periods due to the release of the constraint on variable consideration.

Cost of Sales (exclusive of amortization of acquired intangible assets)

Cost of sales (exclusive of amortization of acquired intangible assets) for the six months ended June 30, 2024 increased by $7.2 million, or 33.8%, compared to the six months ended June 30, 2023, primarily due to increased higher personnel costs, expenditures on supplies and third-party services. The increase in personnel costs, including increases in salaries and wages, bonuses, employee benefits and stock-based compensation expenses, was primarily due to increased headcount driven by our expanded laboratory capacity. The increased personnel costs also reflect higher salaries and wages for existing employees. Supply and service expenses have increased due to higher laboratory activity, which is attributable to higher test report volume. Due to the nature of our business, a significant portion of our cost of sales expenses represents fixed costs associated with our testing operations.

Accordingly, our cost of sales expense will not necessarily increase or decrease commensurately with the change in net revenues from period to period. We expect our cost of $0.2 million sales expenses (exclusive of amortization of acquired intangible assets) to continue to increase in future periods as we hire additional laboratory personnel and related resources to support our expected growth in volume for our dermatologic, gastrointestinal, mental health and pipeline tests.

Gross Margin

Our gross margin percentage was 79.4% for the six months ended June 30, 2024, compared to 72.1% for the six months ended June 30, 2023. Decreases The increase was primarily due to higher revenues, partially offset by higher personnel costs and supplies expenditures, attributable to increases in laboratory headcount as well as higher rates of pay, and variations in revenue adjustments related to tests delivered in previous periods.

Research and Development

Research and development expenses increased by $0.2 million, or 0.9%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023 consisting of increases in personnel costs partially offset by lower advisory costs and lower clinical studies expense. Increases in personnel costs, including higher salaries and wages, bonuses, stock-based compensation and employee benefits, were primarily due to headcount expansions in support of business growth. We expect to continue to invest in our research and development expenses as we fund ongoing evidence development related to our existing products as well as additional pipeline programs.

Selling, General and Administrative

The following table provides a breakdown of SG&A expenses (in thousands):

	Six Months Ended June 30,		
	2024	2023	Change
	(unaudited)		
Sales and marketing	$ 63,219	$ 58,197	$ 5,022
General and administrative	36,364	33,246	3,118
Total selling, general and administrative expense	$ 99,583	$ 91,443	$ 8,140

Sales and marketing expenses increased by $5.0 million, or 8.6%, for the six months ended June 30, 2024, compared to the six months ended June 30, 2023. Of this increase, $2.3 million is attributable to higher salary and wage expense, which has increased through the expansion of our dermatology-facing and non-dermatology-facing commercial teams, as well as through merit and annual inflationary wage adjustment for existing employees. The remainder of the increase in sales and marketing expenses was primarily due to increases in organization development and training costs, which was also attributable to expansions in our commercial operations including headcount. Stock-based compensation expense included in sales and marketing expense was $9.5 million for the six months ended June 30, 2024, compared to $9.6 million for the six months ended June 30, 2023. The decrease in stock-based compensation expense is primarily attributable to the timing of annual grants where an annual grant was made in December 2022 and the next annual grant was not made until March 2024.

General and administrative expenses increased by $1.1 million $3.1 million, or 6.7% 9.4%, for the three six months ended March 31, 2024 June 30, 2024, compared to the three six months ended March 31, 2023 June 30, 2023. The Of this increase, $1.4 million is primarily attributable to higher expense personnel costs (including expenses for salaries, bonuses, and benefits), higher professional services, higher general administrative costs, fees and higher salaries and wage expense partially offset by lower stock-based compensation expense. Increases in salary and wage expense information technology-related costs. Higher personnel costs reflect expanded headcount expansions in our administrative support functions as well as higher rates of salaries and merit and annual inflationary wage adjustment for existing employees. wages. Stock-based compensation expense included in general and administrative expense was $4.0 million $8.4 million for the three six months ended March 31, 2024 June 30, 2024, compared to $4.7 million $9.2 million for the three six months ended March 31, 2023, a June 30, 2023. The decrease of $0.7 million. Decreases in stock-based compensation expense is primarily attributable to the timing of annual grants where an annual grant was made in December 2022 and the next annual grant was not made until March 2024. The remainder of the increase in general and administrative expenses was primarily associated with general increases across various categories.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three six months ended March 31, 2024 June 30, 2024 was $2.2 million $4.5 million and remains consistent as compared to the three six months ended March 31, 2023 June 30, 2023.

Interest and Other Non-Operating Income

Interest income increased by $0.7$1.4 million for the threesix months ended March 31, 2024 June 30, 2024, compared to the threesix months ended March 31, 2023 June 30, 2023, primarily as a result of higher interest rates and our purchases average balances of marketable investment securities beginning and slightly higher interest rates.

Interest Expense

Interest expense increased by $0.3 million for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily due to interest incurred on our long-term debt where we had no debt outstanding during the comparative period.

Income Tax (Benefit) Expense

Income tax benefit was $1.0 millionfor the six months ended June 30, 2024 and was due to changes in September our valuation allowance, state income taxes and the non-deductibility of 2022. other permanent items. We recorded a minimal amount in income tax expense for the six months ended June 30, 2023.

Stock-Based Compensation Expense

Stock-based compensation expense, which is allocated among cost of sales, research and development expense and SG&A expense, totaled $12.7 million $25.9 million for the three six months ended March 31, 2024 June 30, 2024, compared to $13.5 million $26.4 million for the three six months ended March 31, 2023 June 30, 2023. The decrease is primarily due to the timing of annual grants where an annual grant was made in December 2022 and the next annual grant was not made until March 2024. We expect material increases in stock-based compensation expense in future periods, attributable to both existing awards outstanding and anticipated additional grants to our current and future employees. As of March 31, 2024 June 30, 2024, we had 638 703 employees compared to 562 582 as of March 31, 2023 June 30, 2023. As of March 31, 2024 June 30, 2024, the total unrecognized stock-based compensation cost related to outstanding awards was $103.1 million $94.6 million, which is expected to be recognized over a weighted-average period of 2.5 2.4 years.

Liquidity and Capital Resources

Sources of Liquidity

Our principal sources of liquidity are our cash and cash equivalents, marketable investment securities, cash generated from the sale of our products and our line-of-credit under the 2024 Loan and Security Agreement (the “2024 LSA”). All of our marketable investment securities are considered investment grade, are readily available for use in current operations and have contractual maturities of one year or less. As of March 31, 2024 June 30, 2024 and December 31, 2023, we had marketable investment securities of $156.3 million $174.1 million and $144.3 million, respectively. As of March 31, 2024 June 30, 2024 and December 31, 2023, we had cash and cash equivalents of $82.9 million $85.6 million and $98.8 million, respectively. As of March 31, 2024 June 30, 2024, we had a $25 million credit-line available under the 2024 LSA.

Since becoming a public company, our Our liquidity has been primarily derived from the revenue generated from the sale of our products and proceeds from our initial public offering of common stock on in July 29, 2019 (the “IPO”), and our follow-on public offerings of common stock in June 2020 and December of 2020. We believe that our existing cash and cash equivalents, marketable investment securities and anticipated cash generated from sales of our products will be sufficient to fund our operations for at least the next 12 months. However, we have based these estimates on assumptions that may prove to be wrong, and could result in us depleting our capital resources sooner than expected.

As mentioned above, we expect to use a portion of our cash and cash equivalents and marketable investment securities to further support and accelerate our research and development activities, including the clinical studies noted above in “Components of the Results of Operations—Research and Development.”

Material Cash Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, clinical research and development services, laboratory operations, equipment and related supplies, legal and other regulatory expenses, general administrative costs and, from time to time, expansion of our laboratory and office facilities in support of our growth, such as the construction of our future corporate headquarters. We anticipate that a substantial portion of our cash requirements in the foreseeable future will relate to the further commercialization of our currently marketed products, the development of our future product candidates in our pipeline and the potential commercialization of these pipeline products, should their development be successful. successful, and the construction of our future corporate headquarters.

On July 10, 2023, following approval by our board of directors, we entered into a definitive agreement to purchase a plot of land located in Friendswood, Texas for a purchase price of $7.6 million, subject to certain adjustments, for the purpose of developing a commercial office building to be used as our future corporate headquarters. On February 9, 2024, we closed on the purchase of the land for cash consideration of $7.2 million. During the three months ended June 30, 2023, we began incurring costs, and making payments, to prepare the land for further development.

In connection with our acquisition of AltheaDx, we agreed to pay contingent consideration of up $75.0 million, payable 50% in cash and 50% in common stock, based on the achievement of certain commercial milestones relating to the years ending December 31, 2022, 2023 and 2024. The portion of the AltheaDx Earnout Payments associated with the commercial milestones for the year ended December 31, 2023 was $37.5 million and was not paid since the applicable commercial milestones were not met. The AltheaDx Earnout Payments included a 2022 catch-up provision for additional payment of up to $17.5 million that expired in 2023. Therefore, as of March 31, 2024 June 30, 2024, we have a potential payment obligation of up to $20.0 million with respect to the remaining commercial milestones for 2024. The number of shares of our common stock that may be issued in connection with the commercial milestone payment for 2024 is subject to limitations.

Since our inception, we have generally incurred significant losses and negative operating cash flows. For the year ended December 31, 2023, we had a net loss of $57.5 million, used $5.6 million in operating cash flows, and had an accumulated deficit of $218.4 million as of December 31, 2023. For the three six months ended March 31, 2024 June 30, 2024, we had a net loss income of $2.5 million $6.4 million and an accumulated deficit positive operating cash flows of $220.9 million as of March 31, 2024 $17.2 million. Our ability to generate revenue sufficient to achieve maintain profitability will heavily depend heavily on us maintaining Medicare coverage for our currently marketed products, on the successful commercialization of our currently marketed products and the products we plan to launch in the future, as well as and our spending on research and development activities. ability to manage operating expenses. We expect to incur additional expenses and losses in the future as we invest in the commercialization of our existing products and the development and commercialization of our current pipeline products and future product candidates. Further,

we expect that any acquisitions of businesses, products, assets or technologies will also increase our expenses. We believe that our existing cash and cash equivalents, marketable investment securities and anticipated cash generated from the sale of our commercial products will be sufficient to fund our operations for at least the next 12 months. We believe we will meet longer-term expected cash requirements and obligations through a combination of existing cash and cash equivalents, marketable investment securities and anticipated cash generated from sales of our products and issuances of equity securities or debt offerings. However, we have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. There are numerous risks and uncertainties associated with developing genomic tests, including, among others, the uncertainty of:

- successful commencement and completion of clinical study protocols;

- successful identification and acquisition of tissue samples;
- the development and validation of genomic classifiers; and
- acceptance of new genomic tests by clinicians, patients and third-party payors including competitor actions.

Because of the numerous risks and uncertainties associated with research, development and commercialization of product candidates, we are unable to estimate our exact working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of, many factors, including those listed above as well as those listed in Part II, Item 1A., "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

In the event additional funding is required, we expect that we would use a combination of equity and debt financings, which may not be available to us when needed, on terms that we deem to be favorable or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. Any disruptions to, or volatility in, the credit and financial markets or any deterioration in overall economic conditions may make any necessary debt or equity financing more difficult to obtain, more costly and/or more dilutive. If we are unable to raise additional funds through debt or equity financing or other arrangements when needed, we may be required to delay, limit, reduce or terminate our product discovery and development activities or future commercialization efforts.

Long-Term Debt

We had no debt as of December 31, 2023. Our long-term debt as of March 31, 2024 June 30, 2024 is presented in the table below (in thousands):

	March 31, June 30, 2024
	(Unaudited)
Term debt	$ 10,200
Unamortized discount	(200) (192)
Total long-term debt	10,000 10,008
Less: Current portion of long-term debt	—
Total	$ 10,000 10,008

2024 Loan and Security Agreement

On March 26, 2024 (the ''Closing Date''), we entered into the '2024 LSA, by and between the Company, its wholly owned subsidiary, Castle Narnia Real Estate Holding 1, LLC and Silicon Valley Bank, a division of First-Citizens Bank & Trust Company (the "Lender''). The 2024 LSA provides for (i) on the Closing Date, $10.0 million aggregate principal amount of term loans (discussed in the ''2024 Term Loan'' section below), and (ii) from the Closing Date until March 31, 2025, an additional line of credit of $25.0 million with the same interest rate and maturity as the term debt available (discussed in the ''2024 Credit Line'' section below) at our option.

The obligations under the 2024 LSA are secured by substantially all of our assets, excluding intellectual property, the real property held by the Company, and are subject to certain other exceptions and limitations. We have the right to prepay the 2024 LSA in whole, subject to a prepayment fee of approximately 1.50% if paid prior to March 26, 2026. Amounts repaid under the 2024 LSA may not be reborrowed.

In addition, the 2024 LSA contains customary conditions of borrowing, events of default and covenants, including covenants that restrict our ability to dispose of assets, merge with or acquire other entities, incur indebtedness and make distributions to holders of our capital stock. Should an event of default occur, including the occurrence of a material adverse change, we could be liable for immediate repayment of all obligations under the 2024 LSA. Should we seek to amend the terms of the 2024 LSA, the consent of the Lender would be required. As of March 31, 2024 June 30, 2024, we were in compliance with this covenant.

The 2024 LSA bears interest at a floating rate equal to the greater of (a) the WSJ Prime Rate plus 0.25% or (b) 6.00% per annum. The Term Loans are interest only from the Closing Date through November 30, 2025, which may be extended at our option through November 30, 2026 as long as no event of default under the 2024 LSA has occurred. After the end of the interest only period, we are required to pay equal monthly installments of principal through the maturity date of November 1, 2028.

We are also obligated to make an additional final payment of 2.00% of the aggregate original principal amounts of Term Loans advanced by the Lender, due at the earlier of the maturity date or date the Term Loans are repaid in full.

2024 Term Loan

On March 26, 2024, we drew $10.0 million in Term Loans under the terms and provisions of the 2024 LSA. We are obligated to make a final payment of $200,000 under the terms of the 2024 LSA final payment provisions. A discount on debt equal to this obligation was recorded on the draw date and is being amortized as additional interest expense using the effective interest method over the term of the debt. As of March 31, 2024 June 30, 2024, the effective interest rate for all outstanding debt under the 2024 Term Loan was 9.03%.

2024 Credit Line

We have a $25.0 million line of credit under the terms and provisions of the 2024 LSA available from the Closing Date until March 31, 2025. Amounts repaid under the 2024 Credit Line may not be reborrowed. As of March 31, 2024 June 30, 2024, no draws had been made on the line of credit.

Leases

We have entered into various operating and finance leases, which are primarily associated with our laboratory facilities and office space.

Total undiscounted future minimum payment obligations under our operating leases and finance leases as of March 31, 2024 June 30, 2024 totaled approximately $23.8 million $23.7 million, of which $1.8 million $1.3 million is payable through the remainder of 2023 2024 and $22.0 million $22.4 million is payable through the end of 2033. early 2034. The leases expire on various dates through 2033 and provide certain options to renew for additional periods.

We expect our lease obligations may increase in the future as we expand our facilities, operations and headcount in support of the anticipated growth in our portfolio of commercial products and pipeline tests.

Cash Flows

The following table summarizes our sources and uses of cash and cash equivalents for each of the periods presented (in thousands):

			(unaudited)
			(unaudited)
			(unaudited)
Net cash used in operating activities			
Net cash used in operating activities			
Net cash used in operating activities			
Net cash provided by (used in) operating activities			
Net cash provided by (used in) operating activities			
Net cash provided by (used in) operating activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Net cash (used in) provided by investing activities			
Net cash provided by financing activities			
Net cash provided by financing activities			
Net cash provided by financing activities			
Net change in cash and cash equivalents			
Net change in cash and cash equivalents			
Net change in cash and cash equivalents			
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, end of period			
Cash and cash equivalents, end of period			
Cash and cash equivalents, end of period			

Operating Activities

Net cash used in provided by operating activities was $6.8 million $17.2 million for the three six months ended March 31, 2024 June 30, 2024, and was primarily attributable to non-cash stock-based compensation expense of $25.9 million, depreciation and amortization of $6.7 million, and net income of $6.4 million, partially offset by decreases in accrued compensation of $14.2 million $7.7 million, increases in accounts receivable of $4.3 million, a net loss of $2.5 million, and increases in accretion of discounts on marketable investment securities of $1.7 million, partially offset by non-cash stock-based compensation expense of $12.7 million, depreciation and amortization of $3.3 million.

Net cash used in operating activities was $25.4 million for the three months ended March 31, 2023, and was primarily attributable to the net loss of $29.2 million, decreases in accrued compensation of $11.6 million, increases in accounts receivable of $4.4 million $7.6 million, increases in accretion of discounts on marketable investment securities of $1.2 million $3.4 million, decreases in accounts payable of $1.7 million and deferred income taxes of $1.5 million.

Net cash used in operating activities was $29.2 million for the six months ended June 30, 2023, and was primarily attributable to the net loss of $48.0 million, increases in accounts receivable of $8.0 million, decreases in accrued compensation of $7.1 million, increases in accretion of discounts on marketable investment securities of $2.3 million and increases in prepaid expenses and other current assets inventory of $0.7 million $2.1 million, partially offset by non-cash stock-based compensation expense of $13.5 million $26.4 million, depreciation and amortization of $5.9 million, a change in accounts payable of $3.9 million, depreciation and amortization of $2.9 million $3.1 million and a change in other accrued and current liabilities of $1.0 million $2.0 million.

The $18.6 million decrease $46.4 million increase in net cash used in inflows from operating activities for the three six months ended March 31, 2024 June 30, 2024 compared to the three six months ended March 31, 2023 June 30, 2023 is primarily due to increases in collections from customers attributable to higher net revenues partially offset by increases in operating expenditures. During the six months ended June 30, 2024 net revenues increased by 73.6% compared to the six months ended June 30, 2023 which outpaced the 10.8% increase in net operating expenses for the same period. In part, the cash used provided during the three six months ended March 31, 2024 June 30, 2024 reflects the payment of annual cash bonuses to our employees as well as certain health care benefit payments totaling $20.8 million, that are not expected to recur during the remainder of 2024. In comparison, we paid $17.7 million during the same period in 2023 towards annual cash bonuses and certain health care benefits.

Investing Activities

Net cash used in investing activities was $19.7 million $41.1 million for the three six months ended March 31, 2024 June 30, 2024 and consisted primarily of purchases of marketable investment securities of $60.8 million $113.2 million and purchases of property and equipment of $9.2 million $14.4 million, partially offset by the maturity of marketable investment securities of $50.2 million $86.5 million. Net cash provided by investing activities was $16.6 million $1.2 million for the three six months ended March 31, 2023 June 30, 2023 and

consisted primarily of the maturity of marketable investment securities of $50.0 million $95.0 million, partially offset by purchases of marketable investment securities of $30.1 million $86.4 million and purchases of property and equipment of $3.3 million $7.4 million.

The $5.8 million $7.0 million increase in cash used for the purchase of property and equipment for the three six months ended March 31, 2024 June 30, 2024 compared to the three six months ended March 31, 2023 June 30, 2023 was primarily due to our purchase of land for cash consideration of $7.2 million on February 9, 2024.

Financing Activities

Net cash provided by financing activities was $10.6 million $10.7 million for the three six months ended March 31, 2024 June 30, 2024, and consisted primarily of $10.0 million of proceeds from issuance of long-term debt and $1.1 $1.7 million of proceeds from contributions to our 2019 Employee Stock Purchase Plan (the "ESPP"), partially offset by the $0.5 million $1.1 million payment of employee taxes attributable to the vesting of Restricted Stock Units ("RSUs").

Net cash provided by financing activities was $0.7 million $1.0 million for the three six months ended March 31, 2023 June 30, 2023, and primarily consisted of $1.0 million in $1.7 million of proceeds from contributions to the ESPP and $0.1 million in $0.2 million of proceeds from the exercise of stock options, partially offset by the $0.3 million $0.8 million payment of employee taxes attributable to the vesting of RSUs.

Inflation

In 2021, the rate of inflation in the United States began to increase but has continued to subside since the second half of 2022. We do not believe that inflation has had a material impact on our financial results during the three and six months ended March 31, 2024 June 30, 2024. We are unable to predict if the rate of inflation will increase in future periods.

Critical Accounting Estimates

During the three six months ended March 31, 2024 June 30, 2024, there were no significant changes to the information discussed under "Critical Accounting Estimates" included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to market risks in the ordinary course of our business. These risks primarily relate to interest rates fluctuations. We had cash and cash equivalents of $82.9 million $85.6 million as of March 31, 2024 June 30, 2024, which include bank deposits and money market funds. We had marketable investment securities of $156.3 million $174.1 million as of March 31, 2024 June 30, 2024, which include U.S. government securities. Due to the nature of these instruments, we believe that we have no material exposure to interest rate risk.

We had long-term debt of $10.0 million as of March 31, 2024 June 30, 2024, consisting of an outstanding term loan which bears interest at a floating rate that fluctuates with the WSJ Prime Rate, subject to an interest rate floor of 6.00%.

A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Inflation Risk

Our exposure to inflationary pressures is primarily in personnel and related costs. The extent of any future impacts from inflation on our business and our results of operations will be dependent upon how long the elevated inflation levels persist and if the rate of inflation were to further increase, neither of which we are able to predict. If elevated levels of inflation were to persist or if the rate of inflation were to accelerate, the purchasing power of our cash and cash equivalents may be eroded, our expenses could increase faster than anticipated and we may utilize our capital resources sooner than expected. Further, given the complexities of the reimbursement landscape in which we operate, our payors may be unwilling or unable to increase reimbursement rates to compensate for inflationary impacts.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024 June 30, 2024. Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the first second quarter of 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in legal proceedings arising in the ordinary course of business. Legal proceedings, including litigation, government investigations and enforcement actions could result in material costs, occupy significant management resources and entail civil and criminal penalties, even if we ultimately prevail. On February 1, 2024, we received a Subpoena from the Department of Health and Human Services, Office of Inspector General, seeking documents and information concerning claims submitted for payment under federal healthcare programs. The Subpoena requested that we produce documents relating primarily to interactions with medical providers and billing to government-funded healthcare programs for our tests. The time period covered by the Subpoena is January 1, 2015 through February 1, 2024. We are continuing to cooperate with the government's request and is in the process of responding to the Subpoena. We are unable to predict what action, if any, might be taken in the future by the Department of Health and Human Services, Office of Inspector General, or any other governmental authority as a result of the matters related to this Subpoena. No claims have been made against us at this time. This inquiry, and any potential resulting claim asserted against us, with or without merit, could be time-consuming, expensive to address and divert management's attention and other resources. These Any potential claims also could subject us to significant liability for damages and harm our reputation. Our insurance and indemnities may not cover all claims that may be asserted against us. We are unable to predict the outcome and are unable to make a meaningful estimate of the amount or range of loss, if any, that could result from any unfavorable outcome.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 28, 2024, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or future results. There have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2023 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2024 other than the updates to the risk factors or new risk factors set forth below. New risk factors that were not included in our Annual Report on Form 10-K for the year ended December 31, 2023 have been marked with an asterisk (*).

We may disclose changes to risk factors or additional risk factors from time to time in our future filings with the SEC.

Risks Related to Our Financial Position Business

Our products are currently marketed as LDTs, and any changes in regulations or the FDA's enforcement discretion for LDTs, or violations of regulations by us, could adversely affect our business, prospects, results of operations or financial condition.

The diagnostics industry is highly regulated, and we cannot assure you that the regulatory environment in which we operate will not change significantly and adversely in the future. In many instances, there are no significant regulatory or judicial interpretations of these laws and regulations. Although the FDA has statutory authority to assure that medical devices are safe and effective for their intended uses, the FDA has generally exercised its enforcement discretion and not enforced applicable regulations with respect to in vitro diagnostics ("IVD") that are designed, manufactured and used within a single laboratory. These tests are referred to as LDTs. We may need currently market our products as LDTs.

On April 29, 2024, the FDA published final regulations under 21 CFR Part 809 under the Federal Food, Drug, and Cosmetic Act (the "FD&C Act") to raise additional capital make explicit that IVD products are devices under the FD&C Act, removing much of the FDA's historical enforcement discretion for most LDTs. In conjunction with this final rule, the FDA proposed to fund our existing operations, commercialize new products or expand our operations.*

phase out its general enforcement discretion approach for LDTs so that IVDs manufactured by a laboratory would generally fall under the same enforcement approach as other IVDs. This final rule also provides that FDA intends to exercise enforcement discretion and generally not enforce premarket review and quality system requirements (except for requirements under Part 820, subpart M (records)) for currently marketed IVDs offered as LDTs that were first marketed prior to April 29, 2024 and intends to exercise enforcement discretion and generally not enforce premarket review requirements for LDTs approved by the NYS CLEP. We believe that our existing cash and cash equivalents, marketable investment securities and anticipated cash generated from sales of our products tests will be sufficient to fund our operations for at least the next 12 months. If our available cash and cash equivalents, marketable investment securities and anticipated cash generated from sales of our products are insufficient to satisfy our liquidity requirements including because of lower demand for our products, lower than currently expected rates of reimbursement from third-party payors or other risks described in this Annual Report on Form 10-K, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. On March 26 2024 (the "Closing Date"), we entered into a loan and security agreement (the "2024 LSA"), by and between us, our wholly owned subsidiary, Castle Narnia Real Estate Holding 1, LLC and Silicon Valley Bank, a division of First-Citizens Bank & Trust Company (the "Lender"). The 2024 LSA provides for (i) on the Closing Date, $10.0 million aggregate principal amount of term loans, and (ii) from the Closing Date until March 31, 2025, an additional $25.0 million available at our option. We drew $10.0 million in Term Loans on the Closing Date. We expect to use the proceeds for the purpose of developing a commercial office building continue to be used as our future corporate headquarters, and subject to FDA enforcement discretion in their current forms. Additionally, pursuant to the remainder for working capital and other final rule, the FDA will gradually end its general corporate purposes.

We may consider raising additional capital enforcement discretion approach in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities or five stages over a four-year period for other reasons, including to:

- increase our sales LDTs not approved by NYS CLEP or not already on market. Each stage of the proposed phaseout period would subject LDTs to a set of regulatory requirements. For example, the first stage of the phaseout would require LDT developers to comply with medical device reporting requirements and marketing efforts for the DecisionDx-Melanoma, DecisionDx-SCC, MyPath Melanoma, DecisionDx-UM, TissueCypher correction and IDgenetix tests and address competitive developments among these or future commercial products;removal reporting requirements by May 6,

- fund ongoing evidence development 2025. LDTs that are considered higher risk IVDs would be subject to premarket review requirements within three and a half years, and LDTs that are considered moderate or low risk IVDs would be subject to premarket submission requirements within four years after the FDA publishes the final rule. While the enforcement policy is phased out, the FDA could still decide to pursue enforcement action at any time against LDTs that it deems to be violative of its regulations when appropriate.

All of our existing tests were marketed prior to April 29, 2024 and are conducted in labs licensed by the New York State Department of Health (the "NYSDOH"). If the FDA were to determine that our tests, or modifications thereof, are not within the scope of the FDA's enforcement discretion policy for LDTs for any reason, including based on these final rules or

new rules, regulations, policies or guidance, or due to changes in statute, our existing tests may become subject to extensive FDA requirements, or our business may otherwise be adversely affected and lead to potential adverse effects on our business, prospects, results of operations and financial condition. Furthermore, under the terms of this FDA final rule, any future Castle tests developed and commercialized are likely to be subject to extensive FDA requirements which may adversely impact our business, prospects, results of operations and financial conditions. In addition, we would be required to obtain 510(k) or PMA for certain of our tests by October 1, 2027. We would also be subject to device registration and listing requirements, medical device reporting requirements and the requirements of the FDA's Quality System Regulation. We may be required to conduct clinical trials prior to continuing to sell our existing products as well as additional pipeline programs;

- expand our laboratory testing facility and related testing capacity;
- expand our technologies into or launching any other types of dermatological, ocular, gastrointestinal or mental health disorders;
- acquire, license or invest in technologies;
- acquire or invest in complementary businesses or assets; and
- finance capital expenditures and general and administrative expenses.

Our present and future funding requirements will depend on many factors, including:

- our ability to achieve revenue growth;
- our rate of progress in establishing payor coverage and reimbursement arrangements with third-party payors;
- our rate of progress in, and cost of the sales, marketing, coverage and reimbursement activities associated with, establishing adoption of our lead product, DecisionDx-Melanoma, among our other products;
- products we may develop. This may increase the cost of expanding conducting, or otherwise harm, our laboratory business.

Even if the FDA does not modify its policy of enforcement discretion, the FDA may disagree that we are marketing our LDTs within the scope of its policy of enforcement discretion and may impose significant regulatory requirements. While we believe that we are currently in material compliance with applicable laws and regulations as historically enforced by the FDA, we cannot assure you that the FDA will agree with our determination. A determination that we have violated these laws and regulations, or a public announcement that we are being investigated for possible violations, could adversely affect our business, prospects, results of operations or financial condition.

We may be required to obtain premarket clearance under Section 510(k) of the FDCA or a PMA for any future test we wish to offer. The process for submitting a 510(k) premarket notification and offerings, receiving FDA clearance usually takes from three to 12 months, but it can take significantly longer and clearance is never guaranteed. The process for submitting and obtaining FDA approval of a PMA is much more costly, lengthy and uncertain. It generally takes from one to three years or even longer, and approval is not guaranteed. PMA approval typically requires extensive clinical data and can be significantly longer, more expensive and more uncertain than the 510(k) clearance process. Despite the time, effort and expense expended, there can be no assurance that a particular device ultimately will be cleared or approved by the FDA through either the 510(k) clearance process or the PMA process on a timely basis, or at all. Moreover, there can be no assurance that any cleared or approved labeling claims will be consistent with our current claims or adequate to support continued adoption of and reimbursement for our products. If premarket review is required for some or all of our products, the FDA may require that we stop selling our products pending clearance or approval, which would negatively impact our business. Even if our products are allowed to remain on the market prior to clearance or approval, demand or reimbursement for our products may decline if there is uncertainty about our products, if we are required to label our products as investigational by the FDA, or if the FDA limits the labeling claims we are permitted to make for our products. As a result, we could experience significantly increased development costs and a delay in generating additional revenue from our products, or from other pipeline products. Furthermore, it could reduce our revenues or increase our operating costs and adversely affect our business, prospects, results of operations or financial condition.

Risks Related to Reimbursement and Government Regulation

We generally have limited reimbursement coverage for our products, and if third-party payors, including government and commercial payors, do not provide sufficient coverage of, or adequate reimbursement for, our sales, marketing, products, our commercial success, including revenue, will be negatively affected.

Our revenue depends on achieving broad coverage and adequate reimbursement efforts;

- for our rate products from third-party payors, including both government and commercial third-party payors. If third-party payors do not provide coverage of, progress in, and cost or do not provide adequate reimbursement for, a substantial portion of research and development activities associated with, diagnostic the list price of our products, in research and early development;
- the potential cost of, and delays in, the development of new products as a result of changes in regulatory oversight applicable we may need to our products;
- acquisitions of businesses, assets, products or technologies;
- the duration and effects of elevated inflation;
- the effects on our operations of general political and economic conditions and evolving macroeconomic developments, including geopolitical and macroeconomic developments, such as the ongoing conflict between Ukraine by Russia and related sanctions or the Israel-Hamas war, public health crises, economic slowdowns, labor shortages, recessions or market corrections, supply chain disruptions, inflation and monetary policy shifts, bank failures or other disruptions in the banking system or financing markets, rising interest rates and tightening of credit markets resulting seek additional payment from the conflict or other evolving macroeconomic developments; patient beyond any co-payments and
- the effect of competing technological and market developments.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities deductibles, which may include liquidation or other preferences that adversely affect your rights as demand for our products. Coverage determinations by a common stockholder. Debt financing and preferred equity financing, if available, third-party payor may involve agreements that include covenants limiting depend on a number of factors, including, but not

limited to, a third-party payor's determination of whether our products are appropriate, medically necessary or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or products, or grant licenses on terms that may not be favorable to us.

Any disruptions to, or volatility in, the credit and financial markets or any deterioration in overall economic conditions may make any necessary debt or equity financing more difficult to obtain, more costly and/or more dilutive. cost-effective. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our commercialization, research and development efforts or grant rights to third parties to market and/or develop products that we would otherwise prefer to market and develop ourselves. provide third-party payors with sufficient evidence of the

The terms clinical utility and validity of the Loan and Security Agreement place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict products, they may not provide coverage, or may provide limited coverage, which will adversely affect our operating and financial flexibility.*

In March 2024, we entered into the 2024 LSA with the Lender, which provides for (i) on the Closing Date, $10.0 million aggregate principal amount of term loans, and (ii) from the Closing Date until March 31, 2025, an additional $25.0 million available at our option. The 2024 LSA includes customary affirmative and negative covenants, as well as standard events of default, including an event of default based on the occurrence of a material adverse event. The negative covenants include, among others, restrictions on us transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying cash dividends or making other distributions, making investments, creating liens, selling assets and making any payment on subordinated debt, in each case subject to certain exceptions. These restrictive covenants could limit our flexibility in operating our business revenues and our ability to pursue business opportunities succeed. To the extent that more competitors enter our markets, the availability of coverage and the reimbursement rate for our products may decrease as we encounter pricing pressure from these competitors.

Since each third-party payor makes its own decision as to whether to establish a policy to cover our products, enter into a contract with us and set the amount it will reimburse for a product, these negotiations are a time-consuming and costly process, and they do not guarantee that the third-party payor will provide coverage or adequate reimbursement for our stockholders may consider beneficial. products. In addition, the Lender could declare determinations by a default third-party payor whether to cover our products and the amount it will reimburse for them are often made on an indication-by-indication basis.

In cases where there is no coverage policy or we do not have a contracted rate for reimbursement as a participating provider, the patient is typically responsible for a greater share of the cost of the product, which may result in further delay of our revenue, increase our collection costs or decrease the likelihood of collection.

Our claims for reimbursement from third-party payors may be denied upon submission, and we may need to take additional steps to receive payment, such as appealing the occurrence denials. Such appeals and other processes are time-consuming and expensive and may not result in payment. Third-party payors may perform audits of historically paid claims and attempt to recoup funds years after the funds were initially distributed if the third-party payors believe the funds were paid in error or determine that our products were medically unnecessary. If a third-party payor audits our claims and issues a negative audit finding, and we are not able to overturn the audit findings through appeal, the recoupment may result in a material adverse effect on our revenue. Additionally, in some cases commercial third-party payors for whom we are not a participating provider may elect at any event time to review claims previously paid and determine the amount they paid was too much. In these situations, the third-party payor will typically notify us of their decision and then offset whatever amount they determine they overpaid against amounts they owe us on current claims. We cannot predict when, or how often, a third-party payor might engage in these reviews and we may not be able to dispute these retroactive adjustments.

Under ASC 606, we recognize revenue at the amount we expect to be entitled, subject to a constraint for variable consideration, in the period in which our tests are delivered to the treating clinician. We have determined that our contracts contain variable consideration under ASC 606 because the amounts paid by third-party payors may be paid at less than our standard rates or not paid at all, with such differences considered implicit price concessions. Variable consideration is recognized only to the extent it interprets is probable that a significant reversal of revenue will not occur in future periods when the uncertainties are resolved.

Variable consideration is evaluated each reporting period and adjustments are recorded as increases or decreases in revenues. Variable consideration for Medicare claims that are not covered by Medicare, including those claims undergoing appeal, is deemed to be fully constrained due to factors outside our influence (e.g., judgment or actions of third parties) and the uncertainty of the amount to be received is not expected to be resolved for a long period of time. For these fully constrained claims, we generally recognize revenue in the period the uncertainties are resolved, if favorable. Due to potential future changes in Medicare coverage policies and appeal cycles, insurance coverage policies, contractual rates and other trends in the reimbursement of our tests, our revenues may fluctuate significantly from period to period.

Although we are an in-network participating provider with some commercial third-party payors, including several Blue Cross Blue Shield plans, and certain large, national commercial third-party payors, including Aetna, other commercial third-party payors have issued non-coverage policies that currently categorize our tests as experimental or investigational. If we are not successful in obtaining coverage from third-party payors, in reversing existing non-coverage policies, or if other third-party payors issue similar non-coverage policies, this could have a material adverse effect as defined in the 2024 LSA. Upon the occurrence and continuance of an event of default, the Lender may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the 2024 LSA. Any declaration by the Lender of an event of default could significantly harm on our business and prospects operations.

The process to obtain Medicare coverage is lengthy, time-consuming, has changed over time, may change in the future and could cause requires significant dedication of resources, and as we develop or acquire new products, we may be unsuccessful in receiving Medicare coverage for those products or in maintaining our current Medicare coverage. On a periodic basis, CMS requests bids for its MAC services, and MAC jurisdictions have changed in the price past. A change in our MAC, or future changes in the MolDX program, the elimination of the program, or a change in the administrator of that program, may affect our common stock ability to decline. We maintain Medicare coverage and reimbursement for products for which we have coverage, obtain Medicare coverage for products for which we do not yet have coverage, or obtain Medicare coverage for any products we may launch in the future, or delay payments for our tests. Additionally, MACs that currently provide coverage for our products may periodically reevaluate their coverage decisions and decide to withdraw coverage based on a number of factors that we may not have enough available cash or be able to raise predict or control. Accordingly, current Medicare coverage of our tests or a history of coverage by Medicare is no guarantee of future Medicare coverage. We have received positive coverage decisions and receive Medicare reimbursement for our DecisionDx-Melanoma, DecisionDx-UM, MyPath Melanoma tests, and IDgenetix. Our DecisionDx-SCC and TissueCypher tests receive Medicare reimbursement as well. If coverage for one or more of our products is withdrawn, our business could be adversely impacted.

On June 2, 2023, Novitas the MAC responsible for administering claims for test reports issued by our Pittsburgh laboratory, posted a finalized oncology biomarker LCD pursuant to which the DecisionDx-SCC test would no longer be covered by Medicare effective July 17, 2023. However, on July 6, 2023, Novitas suspended the final version of the LCD and announced its intent to post a new proposed LCD for comment and presentation at an open meeting. On July 27, 2023, Novitas posted a nearly identical proposed oncology biomarker LCD that continues to intend to rely upon evidentiary reviews sourced from three databases: ClinGen, OncoKB and NCCN. The proposed LCD also recommends non-coverage for our DecisionDx-SCC test. The comment period for the proposed LCD ended on September 9, 2023. We cannot predict whether this LCD will be finalized as proposed or what the timing of any final LCD might be.

Palmetto's MolDX program oversees MAAA tests that are reported from our Phoenix laboratory and Noridian is the MAC responsible for administering claims for test reports issued by our Phoenix laboratory. On June 8, 2023, both Palmetto and Noridian posted a preliminary draft LCD recommending no coverage for DecisionDx-SCC. The comment period for the draft LCDs ended on July 22, 2023. On July 4, 2024, the LCD was finalized as proposed with a future effective date of August 18, 2024.

Under Medicare, payment for products like ours is generally made under the CLFS with payment amounts assigned to specific procedure billing codes. Medicare reimbursement rates for our tests are subject to change and may decrease from those currently in effect. For example, in February 2023, MolDX notified us that IDgenetix should shift billing to a different multi-test generic gene sequencing CPT code and continue using the IDgenetix Z-Code beginning in March 2023. As a result of this change, the Medicare reimbursement rate for the IDgenetix multi-gene panel decreased from approximately $1,500 to $917 per test. We subsequently obtained a test-specific PLA CPT code which became effective October 1, 2023. In November 2023, CMS posted its final CLFS determination which crosswalks our PLA CPT code to an existing PLA code at a rate of $1,336 per test effective January 1, 2024.

In April 2014, Congress passed the PAMA which included substantial changes to the way in which clinical laboratory services are paid under Medicare. Under PAMA, certain laboratories are required to report to CMS commercial third-party payor payment rates and volumes for each test they perform. CMS uses this data to calculate a weighted median payment rate for each test, which will be used to establish revised Medicare CLFS reimbursement rates for the test. Laboratories that fail to report the required payment information may be subject to substantial civil monetary penalties. We bill Medicare for our products, and therefore we are subject to reporting requirements under PAMA.

If we are unable to obtain and maintain adequate reimbursement rates from commercial third-party payors, this may adversely affect our Medicare rate. It is unclear what impact new pricing structures, such as those adopted under PAMA, may have on our business, financial condition, results of operations or cash flows.

The U.S. federal government continues to show significant interest in pursuing healthcare reform and reducing healthcare costs. Similarly, commercial third-party payors may seek to reduce costs by limiting coverage or reducing reimbursement for our products. Any government-adopted reform measures or changes to commercial third-party payor coverage and reimbursement policies could cause significant pressure on the pricing of, and reimbursement for, healthcare products and services, including our products, which could decrease demand for our products, and adversely affect our sales and revenue.

In addition, some third-party payors have implemented, or are in the process of implementing, laboratory benefit management programs, often using third-party benefit managers to manage these programs. The stated goals of these programs are to help improve the quality of outpatient laboratory services, support evidence-based guidelines for patient care and lower costs. The impact on laboratories, such as ours, of active laboratory benefit management by third parties is unclear, and we expect that it could have a negative impact on our revenue in the short term. It is possible that third-party payors will resist reimbursement for the products that we offer, in favor of less expensive products, may require pre-approval for our products or may impose additional funds through equity pricing pressure on and substantial administrative burden for reimbursement for our products.

We expect to continue to focus substantial resources on increasing coverage and reimbursement for our current products and any future products we may develop. We believe it may take several years to achieve broad coverage and adequate contracted reimbursement with a majority of third-party payors for our products.

However, we cannot predict whether, under what circumstances, or debt financings at what payment levels third-party payors will cover and reimburse our products. If we fail to repay these outstanding obligations at the time any event establish and maintain broad adoption of, default occurs. Further, if we raise any additional capital through debt financing, the terms of such additional debt and coverage and reimbursement for, our products, our ability to generate revenue could further restrict be harmed and our operating future prospects and financial flexibility. our business could suffer.

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

Use of Proceeds from IPO of Common Stock

On July 29, 2019, we completed our IPO, pursuant to which we issued and sold 4,600,000 shares of our common stock, including 600,000 shares associated with the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $16.00 per share.

The offer and sale of all of the shares of our common stock in the IPO were registered under the Securities Act pursuant to our Registration Statements on Form S-1, as amended (File Nos. 333-232369 and 333-232796), which were declared or became effective on July 24, 2019.

There has been no material change in our planned use of the net proceeds from the IPO as described in the final prospectus filed with the SEC on July 26, 2019 relating to our Registration Statements on Form S-1 (File Nos. 333-232369 and 333-232796).

Since the effective date of our registration statement through March 31, 2024 June 30, 2024, we have not used any of the net proceeds from the IPO. Pending such uses, we have invested, and plan to continue to invest, the balance of the net proceeds from the IPO in cash and cash equivalent securities or highly liquid investment securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On March 10, 2024 May 6, 2024, Tobin Juvenal, our Frank Stokes, Chief Commercial Financial Officer, terminated a trading arrangement for the sale of the Company's common stock. Such trading arrangement was intended to satisfy the affirmative defense conditions of the Securities Exchange Act Rule 10b5-1(c), but complied with the then applicable requirements of Rule 10b5-1(c) when adopted in November 5th, 2023. Such trading arrangement provided for the sale of up to 43,309 shares between February 5, 2024 and the completion of all the transactions under the trading agreement. Also, on May 6, 2024, Mr. Stokes adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time

of an aggregate of up to 76,361 10,000 shares of our common stock plus any additional shares that remain unsold under his previous arrangement. The new trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is estimated to be from June 9, 2024 May 6, 2024 until December 31, 2024. the earlier of all transaction under the trading arrangement being completed or the termination of the plan.

On March 15, 2024 May 10, 2024, Kristen Oelschlager, our Chief Operating Officer, Daniel Bradbury, Board Director, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 31,585 55,085 shares of our common stock. stock plus any additional shares that remain unsold under his previous arrangement. The new trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is estimated to be from July 1, 2024 August 12, 2024 until June 30, 2025 March 14, 2025.

On May 24, 2024, Derek J. Maetzold, Chief Executive Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 92,395 shares of our common stock adjusted for any shares that were sold under his previous arrangement. The new trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is estimated to be from September 9, 2024 until February 21, 2025.

No other officers or directors, as defined in Rule 16a-1(f), adopted and/or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as defined in Regulation S-K Item 408, during the last fiscal quarter.

Item 6. Exhibits.

Exhibit Number	Description of document
2.1#+	Agreement and Plan of Merger, dated October 18, 2021, by and among the Registrant, Space Merger Sub, Inc., Cernostics, Inc., and Shareholder Representative Services LLC, incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, as amended, originally filed with the SEC on December 6, 2021.
2.2#+	Agreement and Plan of Merger, dated April 4, 2022, by and among the Registrant, AltheaDx, Inc., Acorn Merger Sub, Inc. and Fortis Advisors LLC, incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 4, 2022.
3.1	Amended and Restated Certificate of Incorporation of the Registrant, incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on July 29, 2019.
3.2	Amended and Restated Bylaws of the Registrant, incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the SEC on July 29, 2019.
4.1	Form of Common Stock Certificate of the Registrant, incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-232369), as amended, originally filed with the SEC on June 26, 2019.
4.2	Sixth Amended and Restated Investors' Rights Agreement, dated July 12, 2019, by and among the Registrant and certain of its stockholders, incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-232369), as amended, originally filed with the SEC on June 26, 2019.
10.1# 10.1*+	Loan and Security Agreement, dated March 26, 2024, by and among the Registrant and Silicon Valley Bank, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2024 Non-Employee Director Compensation Policy, as amended effective May 31, 2024.
10.2*#^	First Amendment to Lease Agreement, dated March 26, 2024 by and between the Registrant and ACA Concourse East Unit 3 LLC.
10.3*	Amended Participation Agreement, dated April 1, 2024, by and between the Company and Tobin Juvenal.
10.4*	Amended Participation Agreement, dated April 1, 2024, by and between the Company and Kristen Oelschlager.
10.5*	Amended Participation Agreement, dated April 2, 2024, by and between the Company and Derek Maetzold.
10.6*	Amended Participation Agreement, dated April 2, 2024, by and between the Company and Frank Stokes.
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(b) or 15d-14(b) of the Exchange Act, and 18 U.S.C. Section 1350.
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Furnished herewith. herewith

\+ Indicates management contract or compensatory plan.

Certain schedules or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request; provided, however, that we may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule or exhibit so furnished.

^ Pursuant to Item 601(b)(10) of Regulation S-K, certain portions of this exhibit have been omitted (indicated by "[***]") because the Company has determined that the information is not material and is the type that the Company treats as private or confidential.

\+ Pursuant to Item 601(b)(2) of Regulation S-K, certain portions of this exhibit have been omitted (indicated by "[***]") because the Company has determined that the information is not material and is the type that the Company treats as private or confidential.

SIGNATURES

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

CASTLE BIOSCIENCES, INC.

Date: May 2, August 5, 2024

By: /s/ Derek J. Maetzold

Derek J. Maetzold
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 2, August 5, 2024

By: /s/ Frank Stokes

Frank Stokes
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

Castle Biosciences, Inc.
Non-Employee Director Compensation Policy
Adopted: June 8, 2019
Amended: January 28, 2021
Amended January 24, 2022
Amended: January 31, 2023
Amended: May 31, 2024 (the "Effective Date")

Each member of the Board of Directors (the "***Board***") of Castle Biosciences, Inc. (the "***Company***") who is a non-employee director of the Company (each such member, a "***Non-Employee Director***") will receive the compensation described in this Non-Employee Director Compensation Policy (the "***DirectorCompensation Policy***") for his or her Board service. This policy is updated and effective as of the Effective Date and may be amended at any time in the sole discretion of the Board or the Compensation Committee of the Board.

A Non-Employee Director may decline all or any portion of his or her compensation by giving notice to the Company prior to the date cash is to be paid or equity awards are to be granted, as the case may be.

Annual Cash Compensation

Commencing at the beginning of the first calendar quarter following the Effective Date, each Non-Employee Director will receive the cash compensation set forth below for service on the Board. The annual cash compensation amounts will be payable in equal quarterly installments, in arrears following the end of each quarter in which the service

occurred, pro-rated for any partial months of service. All annual cash fees are vested upon payment.

1. Annual Board Service Retainer

    a. All Eligible Directors: $47,500

2. Annual Board Chair Service Retainer (in addition to Board Service Retainer):

    a. Chair of the Board: $45,000

3. Annual Committee Member Service Retainer (committee chairs will not receive this retainer in addition to the Committee Chair Service Retainer):

    a. Member of the Audit Committee: $10,000

    b. Member of the Compensation Committee: $7,500

    c. Member of the Nominating and Corporate Governance Committee: $5,000

4. Annual Committee Chair Service Retainer:

    a. Chair of the Audit Committee: $20,000

    b. Chair of the Compensation Committee: $20,000

    c. Chair of the Nominating and Corporate Governance Committee: $10,000

Equity Compensation

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The equity compensation set forth below will be granted under the Company's 2019 Equity Incentive Plan (the "***Plan***").

(a)Automatic Equity Grants.

(i)Initial Grant for New Directors. Without any further action of the Board, each person who, after the Effective Date, is elected or appointed for the first time to be a Non-Employee Director will automatically, upon the date of his or her initial election or appointment to be a Non-Employee Director (or, if such date is not a market trading day, the first market trading day thereafter), be granted an equity award (the "***Initial Grant***") having a value of $350,000, which shall be comprised of a restricted stock unit ("***RSU***") award covering shares of common stock. The total number of shares subject to the Initial Grant will be calculated as the value of the Initial Grant divided by the average of the closing prices of the Company's common stock for each trading day within the 30 calendar days prior to the grant date (such price, the "***Average Price***") rounded down to the nearest whole share (the "***Total Initial Shares***").

In the event that more than one Non-Employee Director is elected or appointed within a single calendar year, for each Non-Employee Director elected or appointed after the first election or appointment of a Non-Employee Director in such calendar year (each, a "***Subsequent Director***"), if the Average Price calculated for purposes of determining the Total Initial Shares underlying the Initial Grant for a Subsequent Director has not increased or decreased more than 10% compared to the Average Price calculated for purposes of determining the Total Initial Shares underlying the Initial Grant for the first Non-Employee Director elected or appointed in that same calendar year (the "***First Director***"), then the Total Initial Shares underlying the Initial Grant for such Subsequent Non-Employee Director shall be equal to the Total Initial Shares calculated for the First Director.

The shares subject to the Initial Grant will vest in a series of three successive equal annual installments over the three-year period measured from the date of grant.

(ii)Annual Grant. Without any further action of the Board, at the close of business on the date of each Annual Meeting of Stockholders following the Effective Date, each person who is then a Non-Employee Director will automatically be granted an equity awards (the "***Annual Grant***") having a value of $200,000, which shall be comprised of a RSU award covering shares of common stock. The total number of shares subject to the Annual Grant will be calculated as the value of the Annual Grant divided by the average of the closing prices of the Company's common stock for each trading day within the 30 calendar days prior to the grant date rounded down to the nearest whole share.

The shares subject to the Annual Grant will vest in full on the earlier of the (a) one-year anniversary of the date of grant and (b) the day immediately preceding the next Annual Meeting of Stockholders following the date of grant.

(b)Vesting; Change in Control. All vesting is subject to the Non-Employee Director's Continuous Service (as defined in the Plan) on each applicable vesting date. Notwithstanding the foregoing vesting schedules, for each Non-Employee Director who remains in Continuous Service with the Company until immediately prior to the closing of a Change in Control (as defined in the Plan), the shares subject to his or her then-outstanding equity awards that were granted pursuant to this policy will become fully vested immediately prior to the closing of such Change in Control.

(c)Remaining Terms. The remaining terms and conditions of each award, including transferability, will be as set forth in the Company's Director Option Grant Package in the form adopted from time to time by the Board.

Eligible Director Compensation Limit

Notwithstanding anything herein to the contrary, the cash compensation and equity compensation that each Eligible Director is entitled to receive under this Policy shall be subject to the limits set forth in Section 3(d) of the Plan.

Exhibit 10.2

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [***], HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made and entered into as of the date of the last party to sign below (the "**Effective Date**"), by and between **ACA CONCOURSE EAST UNIT 3 LLC**, a Delaware limited liability company ("**Landlord**") and **CASTLE BIOSCIENCES, INC.**, a Delaware corporation ("**Tenant**"). Landlord and Tenant are sometimes individually referenced herein as "**Party**" and collectively as "**Parties**".

R E C I T A L S :

A. Landlord and Tenant entered into that certain Lease Agreement dated April 1, 2022 (the "**Lease**"), pursuant to which Landlord has leased to Tenant and Tenant leased from Landlord certain space in the Unit, which is located at Nova Place, Pittsburgh, Pennsylvania (the "**Premises**").

B. The Premises contains an agreed upon 20,856 rentable square feet of space for the first thirty-six months of the Term and will automatically expand on May 1, 2026 by incorporating an additional 23,821 rentable square feet of space for a total of 44,677 rentable square feet of space.

C. Landlord and Tenant now desire to: (**i**) allow for the expansion of the Premises to occur prior to May 1, 2026; and (**ii**) modify various terms and provisions of the Lease, all as hereinafter provided.

D. All capitalized terms when used herein shall have the same meanings given such terms in the Lease unless expressly superseded by the terms of this Amendment.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Expansion of Leased Premises. Pursuant to the Lease, the Premises will automatically expand on May 1, 2026 to incorporate an additional 23,821 rentable square feet of space (the "***Expansion Space***"), subject to Landlord's performance of the Landlord's Work (as defined in Section 5.1 and Exhibit C of the Lease). For avoidance of doubt, Landlord is only required to spend One Million Three Hundred Ten Thousand, One Hundred Fifty-Five and NO/100 Dollars ($1,310,155.00) on the Expansion Space (the "***Landlord's Expansion Work Cap***"). The Parties desire the flexibility to incorporate the Expansion Space into the Premises before May 1, 2026 and to have Landlord begin the Landlord's Work on the Expansion Space in order to accommodate this request. Therefore, as of the Effective Date, the Lease is amended as follows:

(**a**) Section 1.1, Floor Area of the Premises is hereby deleted in its entirety and replaced with the following:

"Floor Area of the Premises: Agreed to be 20,856 rentable square feet of space in the Unit, as hereafter defined, for the first thirty-six months of the Term. On the earlier of May 1, 2026 or the date Landlord notifies Tenant that Landlord's Work regarding the Expansion Space (as defined in the First Amendment to Lease Agreement) is Substantially Complete (the "***Expansion Date***"), an additional 23,821 rentable square feet of space in the Unit shall be added to the Premises, so that the total rentable square feet of the Premises is 44,677 ("***Expanded Premises***"). As of the Expansion Date, all references to the "Premises" or the "Leased Premises" in the Lease shall be deemed to mean the Expanded Premises, unless such reference would be illogical or inconsistent with the provisions of the Lease. Landlord and Tenant shall execute a written instrument certifying the Expansion Date in the form attached hereto and incorporated herein as **Exhibit B-1**, within thirty (30) days after the Expansion Date, but the failure by either party to

execute and deliver such memorandum shall have no effect on the Expansion Date, as herein above determined.Subject to Section 1.3(c) of the Lease, Landlord anticipates the Expansion Date shall be no later than one hundred eighty (180) days after receipt of a Building Permit for the Landlord's Work related to the Expansion Space. Landlord shall promptly begin the Landlord's Work for the Expansion Space upon receipt of written direction (which, notwithstanding anything to the contrary set forth herein, may be given by electronic mail only) from [***] of Tenant that Landlord should begin such Landlord's Work."

(**b**) The first sentence of Section 1.2(d) is deleted in its entirety and replaced with the following:

"Tenant shall be provided with forty-two parking passes until the Expansion Date and thereafter a total of eighty-nine (89) parking passes."

(**c**) The last sentence of Section 2.2 is deleted in its entirety and replaced with the following:

"Therefore, Tenant's Proportionate Share will be 15.99% until the Expansion Date and thereafter 34.25%."

(**d**) The Basic Rent table set forth in Section 2.3 of the Lease will need to be revised based on the determination of the Expansion Date. The revised Basic Rent Table shall be set forth in the Confirmation of Amendment Provisions, the form of which is attached hereto and incorporated herein as Exhibit B-1.

(**e**) The following is added as a new sub-paragraph in Section 2.3:

"In the event that the Expansion Date is other than a first day of a calendar month, for purposes of calculating the Basic Rent payments owed pursuant to this Section 2.3 the "first month" of the Term after the Expansion Date shall be deemed to mean the number of days between the Expansion Date and the last day of such calendar month plus the next full calendar month."

(**f**) The first sentence of Section 13.29(a) is deleted in its entirety and replaced with the following:

"(a) Grant of Option. Subject to the terms of Section 13.29(e) below, after the Expansion Date, in the event that all or any portion of the 11,663 rentable square feet of contiguous space in the Unit on the Terrace Level (the "**Offered Space**") is available for lease by Landlord, and if Landlord intends to enter into a lease (the "**Proposed Lease**") for such Offered Space with a third party (a "**Proposed Tenant**"), Landlord shall offer to Tenant the right to lease the applicable portion of the Offered Space upon all the terms and conditions of the Proposed Lease."

(**g**) Exhibit A to the Lease is deleted in its entirety and replaced with Exhibit A-1 attached hereto and incorporated herein.

2. Heating, Ventilating and Air Conditioning Services. Tenant desires to have the ability to provide heating, ventilating and air conditioning ("HVAC") services on a 24 hours a day, 7 days a week basis, in addition to the Normal Business Hours set forth in Exhibit E of the Lease. As a result, the Parties need to memorialize how Tenant shall reimburse Landlord for the water related to such HVAC services. Therefore, the following is added to the end of Section 5.5 of the Lease:

"In accordance with the provisions of Exhibit E, Landlord shall provide reasonable heat and air conditioning to the Premises within the Unit's Normal Business Hours.In the event that Tenant desires to utilize heat or air conditioning service outside of the Unit's Normal Business Hours,

*****Certain Confidential Information Omitted**

Tenant may do so, provided that Tenant reimburses Landlord for all costs to provide such service, including without limitation, Electric Charge and Water Charge (as defined below). The Premises shall be sub-metered by Landlord at Tenant's sole cost and expense so that Tenant's use of steam (which is converted to hot water for use in the HVAC system) and chilled water in connection with providing HVAC services to the Premises ("**Water Charge**") outside of Normal Business Hours is documented. The Water Charge shall be determined by multiplying the total amount of water bill received by Landlord for water service supplied to the Unit (or portion thereof) containing the Premises, during the Term of this Lease by a fraction, of which (**a**) the numerator shall be the amount of water supplied to the Premises during the period covered by such water bill, as determined by Landlord's reading of the sub-meter, and (**b**) the denominator shall be the total amount of water supplied to the Unit (or such portion thereof) during the same period, as determined by the municipal or other utility supplying such water service. Landlord shall invoice Tenant periodically for amounts due for the Water Charge under this Section 5.5, but no less frequently than annually and no more frequently than monthly. Such invoices shall be accompanied by copies of the water bills and the water sub-meter readings on which they are based. The Water Charge shall be deemed Additional Rent under the Lease. Each such invoice for the Water Charge shall be paid by Tenant to Landlord within thirty (30) days after Tenant's receipt thereof."

3. Confession of Judgment. Notwithstanding anything to the contrary set forth in the Lease, Tenant hereby agrees that **IN ADDITION TO ANY AND ALL REMEDIES PROVIDED HEREUNDER OR BY LAW, FOR VALUE RECEIVED AND UPON ANY EVENT OF DEFAULT BY TENANT HEREUNDER, OR UPON TERMINATION OF THE TERM AND THE FAILURE OF TENANT TO DELIVER POSSESSION OF THE PREMISES TO LANDLORD, TENANT HEREBY EMPOWERS ANY ATTORNEY OF ANY COURT OF COMPETENT JURISDICTION TO APPEAR FOR TENANT AND, WITHOUT COMPLAINT FILED, EITHER IN ADDITION TO OR WITHOUT A JUDGEMENT FOR THE SPECIFIC AMOUNT OF RENT OR ACCELERATED RENT DUE UNDER THIS LEASE, TO APPEAR FOR TENANT, AND FOR ANY OTHER PERSONS CLAIMING UNDER, BY OR THROUGH TENANT, AND CONFESS JUDGEMENT, OR A SERIES OF JUDGEMENTS, FORTHWITH AGAINST TENANT AND SUCH OTHER PERSONS AND IN FAVOR OF LANDLORD, ITS SUCCESSORS AND/OR ASSIGNS, IN AN AMICABLE ACTION OF EJECTMENT FOR THE PREMISES, AND FOR COSTS OF SUIT AND ATTORNEY;S COMMISSION OF FIVE THOUSAND AND NO/100 DOLLARS ($5,000.00) AND WITH RELEASE OF ALL ERRORS, AND WITHOUT STAY OF EXECUTION, AND THE ENTRY OF JUDGEMENT UNDER THE FOREGOING WARRANT SHALL NOT EXHAUST THE WARRANT, BUT SUCCESSIVE JUDGEMENT MAY BE ENTERED THEREUNDER FROM TIME TO TIME AS OFTEN AS DEFAULTS OCCUR.**

TENANT'S INITIALS: /S/ DM

4. Broker. Landlord and Tenant each hereby represents and warrants to the other party that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Amendment except CBRE, Inc., as Landlord's agent, and Rise Pittsburgh, as Tenant's agent (collectively, "***Broker***") and that no other broker or agent is entitled to a commission or any other remuneration on account of this Amendment. Landlord agrees to pay any commission due Broker. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent in connection with this Amendment other than Broker.

5. No Further Modification. Except as set forth in this Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect and that, except as expressly amended hereby, the terms and conditions of the Lease are hereby ratified and confirmed. The Lease and this Amendment, along with any exhibits or attachments, constitute the entire agreement between the parties relative to the Premises and there are no oral agreements or representations between the parties

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with respect to the subject matter hereof. The Lease, as amended by this Amendment, supersedes and cancels all other prior agreements and understandings with respect to the subject matter hereof. This Amendment shall be effective only upon the execution hereof by Landlord and Tenant.The parties acknowledge that this Amendment is drafted jointly and, for interpretation purposes, neither party is deemed the drafting party. The parties acknowledge that they have had the opportunity to have counsel review and explain the contents and effects of this Amendment and that they execute the same voluntarily, knowingly and with a full understanding of the legal effect hereof. In case suit shall be brought for any breach of or to interpret or enforce this Amendment by either party hereto, the prevailing party shall be entitled to a reasonable attorneys' fees which shall be fixed by the Court, or in any compromise or settlement such attorneys' fees shall be deemed to have accrued on the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Tenant hereby represents and warrants to Landlord that, to Tenant's actual knowledge, Landlord is not in default of any of its obligations under the Lease, and that no events have occurred which, with the passage of time or the giving of notice, or either of them, would constitute a breach or default by Landlord under the Lease. Landlord hereby represents and warrants to Tenant that, to Landlord's actual knowledge, Tenant is not in default of any of its obligations under the Lease, and that no events have occurred which, with the passage of time or the giving of notice, or either of them, would constitute a breach or default by Tenant under the Lease. Tenant hereby represents and warrants that as of the Effective Date, the Lease is in full force and effect, and is an enforceable obligation of Tenant, and that Tenant has no rights of offset, defenses or counterclaims to Landlord's enforcement thereof.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOLLOWS

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

"TENANT":		**"LANDLORD":**	
CASTLE BIOSCIENCES, INC.,		**ACA CONCOURSE EAST UNIT 3 LLC,**	
a Delaware corporation		a Delaware limited liability company	
By:	/S/ Derek Maetzold	By:	/S/ Alexander Leventhal
Name:	Derek Maetzold	Name:	Alexander Leventhal
Title:	President and CEO	Title:	Manager
Date:	3/20/2024	Date:	March 26, 2024

By:	/S/ Franklin Stokes
Name:	Franklin Stokes
Title:	CFO
Date:	February 26 2024

EXHIBIT A-1 PREMISES

EXHIBIT B-1 - CONFIRMATION OF AMENDMENT PROVISIONS

THIS CONFIRMATION OF AMENDMENT PROVISIONS (the "**Agreement**"), made and agreed as of the date of the last party to sign below by and between **CASTLE BIOSCIENCES, INC.** ("**Tenant**") and **ACA CONCOURSE EAST UNIT 3 LLC** ("**Landlord**").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a certain Lease Agreement dated April 1, 2022 as amended by the First Amendment to Lease Agreement dated _____, 2024 (collectively, the "**Lease**") covering certain Premises in Unit 3 of the Nova Place Condominium located in Pittsburgh, Pennsylvania, as more particularly described in said Lease. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Lease.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. The Expansion Date of the Lease is , 202. Any improvements required by the terms of the Lease to be made by Landlord, including the Landlord's Work (as defined in the Lease) regarding the Expansion Space, have been completed to the satisfaction of Tenant in all respects in accordance with any plans and

specifications approved by Tenant, and Landlord has fulfilled all of its duties under the Lease regarding such improvements.

2. As of the Expansion Date, the Basic Rent Table set forth in Section 2.3 of the Lease shall be deleted in its entirety and replaced with the following:

Basic Rent Period	Basic Rent (per Basic Rent Period)	Monthly Basic Rent	Rate per r.s.f.
April 5, 2023-October 31, 2023	$37,800.00	$6,300.00	$3.62
November 1, 2023-***insert actual dates & revise table based on Expansion Date***			$28.62
insert actual dates & revise table based on Expansion Date			$29.20
insert actual dates & revise table based on Expansion Date			$29.78
insert actual dates & revise table based on Expansion Date			$30.34
insert actual dates & revise table based on Expansion Date			$30.94
insert actual dates & revise table based on Expansion Date			$31.56
insert actual dates & revise table based on Expansion Date			$32.19
insert actual dates & revise table based on Expansion Date			$32.84
insert actual dates & revise table based on Expansion Date			$33.49
insert actual dates & revise table based on Expansion Date			$34.17
insert actual dates & revise table based on Expansion Date			$34.84

3. The Lease is in full force and effect and has not been modified, altered or amended except as follows: _____.

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4. This Agreement, and each and all of the provisions hereof, shall inure to the benefit, or bind, as the case may require, the parties hereto and their respective heirs, successors and assigns. A scanned signature hereon shall have the same force and effect as an original signature.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year of the last party to sign below.

"Landlord":	**"Tenant":**
ACA CONCOURSE EAST UNIT 3 LLC,	**CASTLE BIOSCIENCES, INC.,**
a Delaware limited liability company	a Delaware corporation
By: FORM ONLY	By: FORM ONLY
Name: NOT FOR EXECUTION	Name: NOT FOR EXECUTION
Title: a Manager	Title:
Date:	Date:

Exhibit 10.3

APPENDIX A
AMENDED PARTICIPATION AGREEMENT

Name: Tobin Juvenal

Section 1. ELIGIBILITY.

You have been designated as eligible to participate in the Castle Biosciences, Inc. Severance and Change in Control Plan (the "***Plan***"), a copy of which is attached to this Amended Participation Agreement (the "***Participation Agreement***"). Capitalized terms not explicitly defined in this Participation Agreement but defined in the Plan shall have the same definitions as in the Plan. You will receive the benefits set forth below if you meet all the eligibility requirements set forth in the Plan and this Participation Agreement, including, without limitation, executing the required Release within the applicable time period set forth therein and allowing such Release to become effective in accordance with its terms. Notwithstanding the schedule for provision of benefits as set forth below, the schedule and timing of payment of any benefits under this Participant Agreement is subject to any delay in payment that may be required under Section 5 of the Plan. All severance benefits described herein are subject to standard deductions and withholdings.

Section 2. CHANGEIN CONTROL SEVERANCE BENEFITS.

If your employment is terminated in a Covered Termination that occurs during the Change in Control Period (a "***CIC Covered Termination***"), you will receive the severance benefits set forth in this Section 2.

(a) Base Salary. You shall receive a cash payment in an amount equal to 12 months (the "***Severance Period***") of payment of your Base Salary. The Base Salary payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(b) Bonus Payment. You shall receive a cash payment equal to the annual bonus payment you earned, if any, pursuant to the annual performance bonus or annual variable compensation plan established for you by the Board of Directors or Committee (or any authorized committee or designee thereof) for the year preceding the year in which your CIC Covered Termination occurs. The bonus payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(c) Payment of Continued Group Health Plan Benefits. If you timely elect continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") following your CIC Covered Termination date, the Company shall pay directly to the carrier the full amount of your COBRA premiums on behalf of you for your continued coverage under the Company's group health plans, including coverage for your eligible dependents, until the earliest of (i) the end of the Severance Period following the date

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of your CIC Covered Termination, (ii) the expiration of your eligibility for the continuation coverage under COBRA, or (iii) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment (such period from your termination date through the earliest of (i) through (iii), the "***COBRA Payment Period***"). Upon the conclusion of such period of insurance premium payments made by the Company, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period, if any. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility. You agree to promptly notify the Company as soon as you become eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on your behalf, the Company will instead pay you on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of your monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "***Special Severance Payment***"), such Special Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA

coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. You are not obligated to use such Special Severance Payment for COBRA premiums.

(a) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that you hold covering Company common stock as of the date of your CIC Covered Termination (each, an "***Equity Award***") that is subject to time-vesting shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any time-vesting Equity Award granted to you shall lapse in full. With respect to any then-outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance. To the extent your CIC Covered Termination occurs prior to the Change in Control, the acceleration set forth in this Section 2(d) shall be contingent and effective upon the Change in Control and your Equity Awards will remain outstanding following your CIC Covered Termination to give effect to such acceleration as necessary.

(e) PTO. PTO will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

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Section 3. NON-CHANGE IN CONTROL SEVERANCE BENEFITS. If your employment is terminated in a Covered Termination that occurs at a time that is not during the Change in Control Period, you will receive:

(a) severance pay in the form of continuation of your Base Salary for the first 12 months (the "***Non-CIC Severance Period***"**)** after the date of such Covered Termination. The continued Base Salary payments will be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; provided, however, that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the salary continuation payments that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the cash severance being paid as originally scheduled;

(b) a cash payment equal to the annual target cash bonus established for you, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board of Directors or Committee (or any authorized committee or designee thereof) (such annual bonus, the "***Annual Target Bonus***") for the year in which your Covered Termination occurs. If at the time of the Covered Termination you are eligible for the Annual Target Bonus for the year in which the Covered Termination occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for you for the preceding year (but adjusted, if necessary for your position for the year in which the Covered Termination occurs). For the avoidance of doubt, the amount of the Annual Target Bonus to which you are entitled under this Section 3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the Covered Termination was achieved at target levels;
(2) as if you had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in your Base Salary that would give rise to your right to resignation for Good Reason (such actual bonus to which you are entitled under this Section 3(b), the "***Non-CIC Bonus Severance Payment***"). The Non-CIC Bonus Severance Payment shall be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the portion of the Non-CIC Bonus Severance Payment that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the Non-CIC Bonus Severance Payment being paid as originally scheduled;

(c) the COBRA benefits described in Section 2(c) above;

(d) with respect to then-outstanding time-vesting Equity Awards, acceleration of the vesting and exercisability (as applicable) of any such Equity Awards to the extent such awards were scheduled to vest during the 12-month period following the date of your Covered Termination

based solely on your continued employment with the Company, had you remained employed by the Company through such date, such that such portion of your then-outstanding time-vesting Equity Awards will be deemed immediately vested and exercisable (as applicable) as of the date immediately preceding your Covered Termination date;

(e) with respect to then-outstanding performance-vesting Equity Awards, such Equity Awards shall remain outstanding and eligible to vest to the same extent as if you had remained in Continuous Service, and if a number of shares underlying such Equity Award is determined to have been earned at the end of the relevant performance period based on achievement of the applicable performance conditions pursuant to the terms of the Equity Award (the "***Earned Shares***"), then you will receive a pro-rated number of vested shares equal to the number of Earned Shares, if any, multiplied by a fraction equal to (A) the number of days from the first day of the performance period applicable to the Equity Award to the date of your Covered Termination divided by (B) the total number of days in the performance period applicable to such Equity Award, as calculated by the Committee (unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award); and

(f) PTO, which will be paid to you in a lump sum cash payment no later than the second regular payroll date following the effective date of the Release.

You shall not be eligible to receive any other benefits under the Plan except as described in this Section 3.

For the avoidance of doubt, in no event shall you be entitled to benefits under both Section 2 and this Section 3. If you are eligible for severance benefits under both Section 2 and this Section 3, you shall receive the benefits set forth in Section 2 and such benefits shall be reduced by any benefits previously provided to you under Section 3.

Section 4. Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that you hold will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "***Terminating Award***") and (ii) your continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control, then you will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Plan Administrator in its sole discretion. For the avoidance of doubt, the benefits under this Section 4 are contingent on a Change in Control and do not require your Covered Termination or other termination of service. In addition, you may be eligible for benefits under this Section 4 in addition to benefits under Section 2 or Section 3 and in such case, you shall receive benefits under both sections, without duplication.

Section 5. Acknowledgements; Interaction with Prior Benefits.

As a condition to participation in the Plan, you hereby acknowledge each of the following:

(a) The benefits that may be provided to you under this Participation Agreement are subject to certain reductions and termination under the Plan, including without limitation under Section 2 and Section 3 of the Plan.

(b) Your eligibility for and receipt of any severance benefits to which you may become entitled as described in Section 2 or Section 3 above is expressly contingent upon your execution of and compliance with the terms and conditions of the Plan, the Release and the Confidentiality Agreement. Severance benefits under this Participation Agreement shall immediately cease in the event of your violation of the provisions of Confidentiality Agreement or any other written agreement with the Company, or as otherwise may be set forth in the Plan.

(c) As further described in Section 2(c) of the Plan, this Participation Agreement and the Plan supersede and replace any change in control or severance benefits previously provided to you, including but not limited to that certain Participation Agreement between you and the Company dated February 13, 2024, and any benefits under your employment, offer letter or other written agreement or plan, and by executing below you expressly agree to such treatment.

To accept the terms of this Participation Agreement and participate in the Plan, please sign and date this Participation Agreement in the space provided below no later than 04/30, 2024.

Castle Biosciences, Inc.

By: Keli Greenberg

/S/ Keli Greenberg

4/1/2024

Eligible Employee

/S/ Toby Juvenal

Tobin Juvenal

Date: 4/1/2024

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Exhibit 10.4

APPENDIX A
AMENDED PARTICIPATION AGREEMENT

Name: Kristen Oelschlager

Section 1. ELIGIBILITY.

You have been designated as eligible to participate in the Castle Biosciences, Inc. Severance and Change in Control Plan (the "***Plan***"), a copy of which is attached to this Amended Participation Agreement (the "***Participation Agreement***"). Capitalized terms not explicitly defined in this Participation Agreement but defined in the Plan shall have the same definitions as in the Plan. You will receive the benefits set forth below if you meet all the eligibility requirements set forth in the Plan and this Participation Agreement, including, without limitation, executing the required Release within the applicable time period set forth therein and allowing such Release to become effective in accordance with its terms. Notwithstanding the schedule for provision of benefits as set forth below, the schedule and timing of payment of any benefits under this Participant Agreement is subject to any delay in payment that may be required under Section 5 of the Plan. All severance benefits described herein are subject to standard deductions and withholdings.

Section 2. CHANGEIN CONTROL SEVERANCE BENEFITS.

If your employment is terminated in a Covered Termination that occurs during the Change in Control Period (a "***CIC Covered Termination***"), you will receive the severance benefits set forth in this Section 2.

(a) Base Salary. You shall receive a cash payment in an amount equal to 12 months (the "***Severance Period***") of payment of your Base Salary. The Base Salary payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(b) Bonus Payment. You shall receive a cash payment equal to the annual bonus payment you earned, if any, pursuant to the annual performance bonus or annual variable compensation plan established for you by the Board of Directors or Committee (or any authorized committee or designee thereof) for the year preceding the year in which your CIC Covered Termination occurs. The bonus payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(c) Payment of Continued Group Health Plan Benefits. If you timely elect continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") following your CIC Covered Termination date, the Company shall pay directly to the carrier the full amount of your COBRA premiums on behalf of you for your continued coverage under the Company's group health plans, including coverage for your eligible dependents, until the earliest of (i) the end of the Severance Period following the date

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of your CIC Covered Termination, (ii) the expiration of your eligibility for the continuation coverage under COBRA, or (iii) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment (such period from your termination date through the earliest of (i) through (iii), the "***COBRA Payment Period***"). Upon the conclusion of such period of insurance premium payments made by the Company, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period, if any. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility. You agree to promptly notify the Company as soon as you become eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on your behalf, the Company will instead pay you on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of your monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "***Special Severance Payment***"), such Special Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. You are not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that you hold covering Company common stock as of the date of your CIC Covered Termination (each, an "***Equity Award***") that is subject to time-vesting shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any time-vesting Equity Award granted to you shall lapse in full. With respect to any then-outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance. To the extent your CIC Covered Termination occurs prior to the Change in Control, the acceleration set forth in this Section 2(d) shall be contingent and effective upon the Change in Control and your Equity Awards will remain outstanding following your CIC Covered Termination to give effect to such acceleration as necessary.

(e) PTO. PTO will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

Section 3. NON-CHANGE IN CONTROL SEVERANCE BENEFITS. If your employment is terminated in a Covered Termination that occurs at a time that is not during the Change in Control Period, you will receive:

(a) severance pay in the form of continuation of your Base Salary for the first 12 months (the "***Non-CIC Severance Period***") after the date of such Covered Termination. The continued Base Salary payments will be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; provided, however, that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the salary continuation payments that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the cash severance being paid as originally scheduled;

(b) a cash payment equal to the annual target cash bonus established for you, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board of Directors or Committee (or any authorized committee or designee thereof) (such annual bonus, the "***Annual Target Bonus***") for the year in which your Covered Termination occurs. If at the time of the Covered Termination you are eligible for the Annual Target Bonus for the year in which the Covered Termination occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for you for the preceding year (but adjusted, if necessary for your position for the year in which the Covered Termination occurs). For the avoidance of doubt, the amount of the Annual Target Bonus to which you are entitled under this Section 3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the Covered Termination was achieved at target levels;
(2) as if you had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in your Base Salary that would give rise to your right to resignation for Good Reason (such actual bonus to which you are entitled under this Section 3(b), the "***Non-CIC Bonus Severance Payment***"). The Non-CIC Bonus Severance Payment shall be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the portion of the Non-CIC Bonus Severance Payment that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the Non-CIC Bonus Severance Payment being paid as originally scheduled;

(c) the COBRA benefits described in Section 2(c) above;

(d) with respect to then-outstanding time-vesting Equity Awards, acceleration of the vesting and exercisability (as applicable) of any such Equity Awards to the extent such awards were scheduled to vest during the 12-month period following the date of your Covered Termination based solely on your continued employment with the Company, had you remained employed by the Company through such date, such that such portion of your then-outstanding time-vesting Equity Awards will be deemed immediately vested and exercisable (as applicable) as of the date immediately preceding your Covered Termination date;

(e) with respect to then-outstanding performance-vesting Equity Awards, such Equity Awards shall remain outstanding and eligible to vest to the same extent as if you had remained in Continuous Service, and if a number of shares underlying such Equity Award is determined to have been earned at the end of the relevant performance period based on achievement of the applicable performance conditions pursuant to the terms of the Equity Award (the "***Earned Shares***"), then you will receive a pro-rated number of vested shares equal to the number of Earned Shares, if any, multiplied by a fraction equal to (A) the number of days from the first day of the performance period applicable to the Equity Award to the date of your

Covered Termination divided by (B) the total number of days in the performance period applicable to such Equity Award, as calculated by the Committee (unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award); and

(f) PTO, which will be paid to you in a lump sum cash payment no later than the second regular payroll date following the effective date of the Release.

You shall not be eligible to receive any other benefits under the Plan except as described in this Section 3.

For the avoidance of doubt, in no event shall you be entitled to benefits under both Section 2 and this Section 3. If you are eligible for severance benefits under both Section 2 and this Section 3, you shall receive the benefits set forth in Section 2 and such benefits shall be reduced by any benefits previously provided to you under Section 3.

Section 4. Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that you hold will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "***Terminating Award***") and (ii) your continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control, then you will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Plan Administrator in its sole discretion. For the avoidance of doubt, the benefits under this Section 4 are contingent on a Change in Control and do not require your Covered Termination or other termination of service. In addition, you may be eligible for benefits under this Section 4 in addition to benefits under Section 2 or Section 3 and in such case, you shall receive benefits under both sections, without duplication.

Section 5. Acknowledgements; Interaction with Prior Benefits.

As a condition to participation in the Plan, you hereby acknowledge each of the following:

(a) The benefits that may be provided to you under this Participation Agreement are subject to certain reductions and termination under the Plan, including without limitation under Section 2 and Section 3 of the Plan.

(b) Your eligibility for and receipt of any severance benefits to which you may become entitled as described in Section 2 or Section 3 above is expressly contingent upon your execution of and compliance with the terms and conditions of the Plan, the Release and the Confidentiality Agreement. Severance benefits under this Participation Agreement shall immediately cease in the event of your violation of the provisions of Confidentiality Agreement or any other written agreement with the Company, or as otherwise may be set forth in the Plan.

(c) As further described in Section 2(c) of the Plan, this Participation Agreement and the Plan supersede and replace any change in control or severance benefits previously provided to you, including but not limited to that certain Participation Agreement between you and the Company dated February 1, 2024, and any benefits under your employment, offer letter or other written agreement or plan, and by executing below you expressly agree to such treatment.

To accept the terms of this Participation Agreement and participate in the Plan, please sign and date this Participation Agreement in the space provided below no later than 04/30, 2024.

Castle Biosciences, Inc.

By: Keli Greenberg

/S/ Keli Greenberg

4/1/2024

Eligible Employee

/S/ Kristen Oelschlager

Kristen Oelschlager

Date: 4/1/2024

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Exhibit 10.5

APPENDIX A
AMENDED PARTICIPATION AGREEMENT

Name: Derek Maetzold

Section 1. ELIGIBILITY.

You have been designated as eligible to participate in the Castle Biosciences, Inc. Severance and Change in Control Plan (the "***Plan***"), a copy of which is attached to this Amended Participation Agreement (the "***Participation Agreement***"). Capitalized terms not explicitly defined in this Participation Agreement but defined in the Plan shall have the same definitions as in the Plan. You will receive the benefits set forth below if you meet all the eligibility requirements set forth in the Plan and this Participation Agreement, including, without limitation, executing the required Release within the applicable time period set forth therein and allowing such Release to become effective in accordance with its terms. Notwithstanding the schedule for provision of benefits as set forth below, the schedule and timing of payment of any benefits under this Participant Agreement is subject to any delay in payment that may be required under Section 5 of the Plan. All severance benefits described herein are subject to standard deductions and withholdings.

Section 2. CHANGEIN CONTROL SEVERANCE BENEFITS.

If your employment is terminated in a Covered Termination that occurs during the Change in Control Period (a "***CIC Covered Termination***"), you will receive the severance benefits set forth in this Section 2.

(a) Base Salary. You shall receive a cash payment in an amount equal to 36 months (the "***Severance Period***") of payment of your Base Salary. The Base Salary payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(b) Bonus Payment. You will be entitled to 300% of the annual target cash bonus established for you, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board of Directors or Committee (or any authorized committee or designee thereof) (such annual bonus, the "***Annual Target Bonus***") for the year in which your CIC Covered Termination occurs. If at the time of the CIC Covered Termination you are eligible for the Annual Target Bonus for the year in which the CIC Covered Termination occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for you for the preceding year (but adjusted, if necessary for your position for the year in which the CIC Covered Termination occurs). For the avoidance of doubt, the amount of the Annual Target Bonus to which you are entitled under this Section 2(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the CIC Covered Termination was achieved at target levels; (2) as if you had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in your Base Salary that

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would give rise to your right to resignation for Good Reason (such actual bonus to which you are entitled under this Section 2(b), the "***CIC Bonus Severance Payment***"). The CIC Bonus Severance Payment shall be paid in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(c) Payment of Continued Group Health Plan Benefits. If you timely elect continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") following your CIC Covered Termination date, the Company shall pay directly to the carrier the full amount of your COBRA premiums on behalf of you for your continued coverage under the Company's group health plans, including coverage for your eligible dependents, until the earliest of (i) the end of the Severance Period following the date of your CIC Covered Termination, (ii) the expiration of your eligibility for the continuation coverage under COBRA, or (iii) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment (such period from your termination date through the earliest of (i) through (iii), the "***COBRA Payment Period***"). Upon the conclusion of such period of insurance premium payments made by the Company, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period, if any. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility. You agree to promptly notify the Company as soon as you become eligible for health insurance coverage in connection with new employment or self-employment.

Notwithstanding the foregoing, if at any time the Company determines, in its sole discretion, that it cannot provide the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then in lieu of paying COBRA premiums directly to the carrier on your behalf, the Company will instead pay you on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of your monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the "***Special Severance Payment***"), such Special Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. You are not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that you hold covering Company common stock as of the date of your CIC Covered Termination (each, an "***Equity Award***") that is subject to time-vesting shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any time-vesting Equity Award granted to you shall lapse in full. With respect to any then-outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and

award agreement evidencing such Equity Award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance. To the extent your CIC Covered Termination occurs prior to the Change in Control, the acceleration set forth in this Section 2(d) shall be contingent and effective upon the Change in Control and your Equity Awards will remain outstanding following your CIC Covered Termination to give effect to such acceleration as necessary.

(e) PTO. PTO will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered

Termination occurs.

Section 3. Non-Change in Control Severance Benefits. If your employment is terminated in a Covered Termination that occurs at a time that is not during the Change in Control Period, you will receive:

(a) severance pay in the form of continuation of your Base Salary for the first 18 months (the "***Non-CIC Severance Period***") after the date of such Covered Termination. The continued Base Salary payments will be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the salary continuation payments that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the cash severance being paid as originally scheduled;

(b) the cash bonus payment calculated as described in Section 2(b) above, except it shall equal 150% of your Annual Target Bonus for the year in which your Covered Termination occurs (such actual bonus to which you are entitled under this Section 3(b), the "***Non- CIC Bonus Severance Payment***") and shall be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the portion of the Non-CIC Bonus Severance Payment that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the Non-CIC Bonus Severance Payment being paid as originally scheduled;

(c) the COBRA benefits described in Section 2(c) above, but the Severance Period for purposes of calculating such benefits shall be 18 months;

(d) with respect to then-outstanding time-vesting Equity Awards, acceleration of the vesting and exercisability (as applicable) of any such Equity Awards to the extent such awards were scheduled to vest during the 18-month period following the date of your Covered Termination based solely on your continued employment with the Company, had you remained employed by the Company through such date, such that such portion of your then-outstanding time-vesting Equity Awards will be deemed immediately vested and exercisable (as applicable) as of the date immediately preceding your Covered Termination date;

(e) with respect to then-outstanding performance-vesting Equity Awards, such Equity Awards shall remain outstanding and eligible to vest to the same extent as if you had remained in Continuous Service, and if a number of shares underlying such Equity Award is determined to have been earned at the end of the relevant performance period based on achievement of the applicable performance conditions pursuant to the terms of the Equity Award (the "***Earned Shares***"), then you will receive a pro-rated number of vested shares equal to the number of Earned Shares, if any, multiplied by a fraction equal to (A) the number of days from the first day of the performance period applicable to the Equity Award to the date of your Covered Termination divided by (B) the total number of days in the performance period applicable to such Equity Award, as calculated by the Committee (unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award); and

(f) PTO, which will be paid to you in a lump sum cash payment no later than the second regular payroll date following the effective date of the Release.

You shall not be eligible to receive any other benefits under the Plan except as described in this Section 3.

For the avoidance of doubt, in no event shall you be entitled to benefits under both Section 2 and this Section 3. If you are eligible for severance benefits under both Section 2 and this Section 3, you shall receive the benefits set forth in Section 2 and such benefits shall be reduced by any benefits previously provided to you under Section 3.

Section 4. Resignation Without Good Reason. Notwithstanding Section 2(d)(1) of the Plan, if your employment is terminated because you resign without Good Reason, you will receive:

(a) severance pay in the form of continuation of your Base Salary for the first 12 months (the "***Non-GR Severance Period***") after the date of such termination. The continued Base Salary payments will be paid in substantially equal installments on the Company's regular payroll schedule over the Non-GR Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the salary continuation payments that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the cash severance being paid as originally scheduled; and

(b) PTO, which will be paid to you in a lump sum cash payment no later than the second regular payroll date following the effective date of the Release.

You shall not be eligible to receive any other benefits under the Plan except as described in this Section 4. Notwithstanding the foregoing, you will be entitled to elect to continue participation in group health coverage at your own cost, to the extent available.

Section 5. Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that you hold will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "***Terminating Award***") and (ii) your continued employment with the Company has not terminated as of immediately prior to the

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effective time of such Change in Control, then you will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Plan Administrator in its sole discretion. For the avoidance of doubt, the benefits under this Section 5 are contingent on a Change in Control and do not require your Covered Termination or other termination of service. In addition, you may be eligible for benefits under this Section 5 in addition to benefits under Section 2, Section 3 or Section 4 and in such case, you shall receive benefits under both sections, without duplication.

Section 6. Acknowledgements; Interaction with Prior Benefits.

As a condition to participation in the Plan, you hereby acknowledge each of the following:

(a) The benefits that may be provided to you under this Participation Agreement are subject to certain reductions and termination under the Plan, including without limitation under Section 2, Section 3 and Section 4 of the Plan.

(b) Your eligibility for and receipt of any severance benefits to which you may become entitled as described in Section 2, Section 3 or Section 4 above is expressly contingent upon your execution of and compliance with the terms and conditions of the Plan, the Release and the Confidentiality Agreement. Severance benefits under this Participation Agreement shall immediately cease in the event of your violation of the provisions of Confidentiality Agreement or any other written agreement with the Company, or as otherwise may be set forth in the Plan.

(c) As further described in Section 2(c) of the Plan, this Participation Agreement and the Plan supersede and replace any change in control or severance benefits previously provided to you, including but not limited to that certain Participation Agreement between you and the Company dated February 23, 2024, and any benefits under your employment, offer letter or other written agreement or plan, and by executing below you expressly agree to such treatment.

[*The remainder of this page has been left blank intentionally*.]

To accept the terms of this Participation Agreement and participate in the Plan, please sign and date this Participation Agreement in the space provided below and return it no later than
04/30, 2024.

Castle Biosciences, Inc.

By: Keli Greenberg

/S/ Keli Greenberg

4/1/2024

Eligible Employee

/S/ Derek J. Maetzold

Derek J. Maetzold

Date: 4/2/2024

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Exhibit 10.6

APPENDIX A
AMENDED PARTICIPATION AGREEMENT

Name: Franklin Stokes

Section 1. ELIGIBILITY.

You have been designated as eligible to participate in the Castle Biosciences, Inc. Severance and Change in Control Plan (the "***Plan***"), a copy of which is attached to this Amended Participation Agreement (the "***Participation Agreement***"). Capitalized terms not explicitly defined in this Participation Agreement but defined in the Plan shall have the same definitions as in the Plan. You will receive the benefits set forth below if you meet all the eligibility requirements set forth in the Plan and this Participation Agreement, including, without limitation, executing the required Release within the applicable time period set forth therein and allowing such Release to become effective in accordance with its terms. Notwithstanding the schedule for provision of benefits as set forth below, the schedule and timing of payment of any benefits under this Participant Agreement is subject to any delay in payment that may be required under Section 5 of the Plan. All severance benefits described herein are subject to standard deductions and withholdings.

Section 2. CHANGEIN CONTROL SEVERANCE BENEFITS.

If your employment is terminated in a Covered Termination that occurs during the Change in Control Period (a "***CIC Covered Termination***"), you will receive the severance benefits set forth in this Section 2.

(a) Base Salary. You shall receive a cash payment in an amount equal to 12 months (the "***Severance Period***") of payment of your Base Salary. The Base Salary payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(b) Bonus Payment. You shall receive a cash payment equal to the annual bonus payment you earned, if any, pursuant to the annual performance bonus or annual variable compensation plan established for you by the Board of Directors or Committee (or any authorized committee or designee thereof) for the year preceding the year in which your CIC Covered Termination occurs. The bonus payment will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

(c) Payment of Continued Group Health Plan Benefits. If you timely elect continued group health plan continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") following your CIC Covered Termination date, the Company shall pay directly to the carrier the full amount of your COBRA premiums on behalf of you for your continued coverage under the Company's group health plans, including coverage for your eligible dependents, until the earliest of (i) the end of the Severance Period following the date

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of your CIC Covered Termination, (ii) the expiration of your eligibility for the continuation coverage under COBRA, or (iii) the date when you become eligible for substantially equivalent health insurance coverage in connection with new employment (such period from your termination date through the earliest of (i) through (iii), the "***COBRA Payment Period***"). Upon the conclusion of such period of insurance premium payments made by the Company, you will be responsible for the entire payment of premiums (or payment for the cost of coverage) required under COBRA for the duration of your eligible COBRA coverage period, if any. For purposes of this Section, (1) references to COBRA shall be deemed to refer also to analogous provisions of state law and (2) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by you under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are your sole responsibility. You agree to promptly notify the Company as soon as you become eligible for health insurance coverage in connection with new employment or self-employment. **Expenses**

Notwithstanding The Company will reimburse Non-Employee Director for ordinary, necessary and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in Board and committee meetings; *provided*, that the foregoing, if at any time Non - Employee Director timely submit to the Company determines, appropriate documentation substantiating such expenses in its sole discretion, that it cannot provide accordance with the COBRA premium benefits without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then Company's travel and expense policy, as in lieu of paying COBRA premiums directly effect from time to the carrier on your behalf, the Company will instead pay you on the last day of each remaining month of the COBRA Payment Period a fully taxable cash payment equal to the value of your monthly COBRA premium for the first month of COBRA coverage, subject to applicable tax withholding (such amount, the " time.***Special Severance Payment***"), such Special Severance Payment to be made without regard to your election of COBRA coverage or payment of COBRA premiums and without regard to your continued eligibility for COBRA coverage during the COBRA Payment Period. Such Special Severance Payment shall end upon expiration of the COBRA Payment Period. You are not obligated to use such Special Severance Payment for COBRA premiums.

(d) Equity Acceleration. The vesting and exercisability of each outstanding unvested stock option and other stock award, as applicable, that you hold covering Company common stock as of the date of your CIC Covered Termination (each, an "***Equity Award***") that is subject to time-vesting shall be accelerated in full and any reacquisition or repurchase rights held by the Company in respect of Company common stock issued pursuant to any time-vesting Equity Award granted to you shall lapse in full. With respect to any then-outstanding Equity Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award, each such performance-vesting award shall accelerate vesting at 100% of the target level of performance. To the extent your CIC Covered Termination occurs prior to the Change in Control, the acceleration set forth in this Section 2(d) shall be contingent and effective upon the Change in Control and your Equity Awards will remain outstanding following your CIC Covered Termination to give effect to such acceleration as necessary.

(e) PTO. PTO will be paid to you in a lump sum cash payment no later than the second regular payroll date following the later of (i) the effective date of the Release or (ii) the Closing, but in any event not later than March 15 of the year following the year in which your CIC Covered Termination occurs.

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Section 3. NON-CHANGE IN CONTROL SEVERANCE BENEFITS. If your employment is terminated in a Covered Termination that occurs at a time that is not during the Change in Control Period, you will receive:

(a) severance pay in the form of continuation of your Base Salary for the first 12 months (the "***Non-CIC Severance Period***") after the date of such Covered Termination. The continued Base Salary payments will be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; provided, however, that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the salary continuation payments that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the cash severance being paid as originally scheduled;

(b) a cash payment equal to the annual target cash bonus established for you, if any, pursuant to the annual performance bonus or annual variable compensation plan established by the Board of Directors or Committee (or any authorized committee or designee thereof) (such annual bonus, the "***Annual Target Bonus***") for the year in which your Covered Termination occurs. If at the time of the Covered Termination you are eligible for the Annual Target Bonus for the year in which the Covered Termination occurs, but the target percentage (or target dollar amount, if specified as such in the applicable bonus plan) for such bonus has not yet been established for such year, the target percentage shall be the target percentage established for you for the preceding year (but adjusted, if necessary for your position for the year in which the Covered Termination occurs). For the avoidance of doubt, the amount of the Annual Target Bonus to which you are entitled under this Section 3(b) will be calculated (1) assuming all articulated performance goals for such bonus (including, but not limited to, corporate and individual performance, if applicable), for the year of the Covered Termination was achieved at target levels;
(2) as if you had provided services for the entire year for which the bonus relates; and (3) ignoring any reduction in your Base Salary that would give rise to your right to resignation for Good Reason (such actual bonus to which you are entitled under this Section 3(b), the "***Non-CIC Bonus Severance Payment***"). The Non-CIC Bonus Severance Payment shall be paid in substantially equal installments on the Company's regular payroll schedule over the Non-CIC Severance Period; *provided, however,* that no payments will be made prior to the effectiveness of the Release. On the effective date of the Release, the Company will pay you the portion of the Non-CIC Bonus Severance Payment that you would have received on or prior to such date in a lump sum under the original schedule but for the delay while waiting for the effectiveness of the Release, with the balance of the Non-CIC Bonus Severance Payment being paid as originally scheduled;

(c) the COBRA benefits described in Section 2(c) above;

(d) with respect to then-outstanding time-vesting Equity Awards, acceleration of the vesting and exercisability (as applicable) of any such Equity Awards to the extent such awards were scheduled to vest during the 12-month period following the date of your Covered Termination based solely on your continued employment with the Company, had you remained employed by the Company through such date, such that such portion of your then-outstanding time-vesting Equity Awards will be deemed immediately vested and exercisable (as applicable) as of the date immediately preceding your Covered Termination date;

(e) with respect to then-outstanding performance-vesting Equity Awards, such Equity Awards shall remain outstanding and eligible to vest to the same extent as if you had remained in Continuous Service, and if a number of shares underlying such Equity Award is determined to have been earned at the end of the relevant performance period based on achievement of the applicable performance conditions pursuant to the terms of the Equity Award (the "***Earned Shares***"), then you will receive a pro-rated number of vested shares equal to the number of Earned Shares, if any, multiplied by a fraction equal to (A) the number of days from the first day of the performance period applicable to the Equity Award to the date of your Covered Termination divided by (B) the total number of days in the performance period applicable to such Equity Award, as calculated by the Committee (unless otherwise provided in the individual grant notice and award agreement evidencing such Equity Award); and

(f) PTO, which will be paid to you in a lump sum cash payment no later than the second regular payroll date following the effective date of the Release.

You shall not be eligible to receive any other benefits under the Plan except as described in this Section 3.

For the avoidance of doubt, in no event shall you be entitled to benefits under both Section 2 and this Section 3. If you are eligible for severance benefits under both Section 2 and this Section 3, you shall receive the benefits set forth in Section 2 and such benefits shall be reduced by any benefits previously provided to you under Section 3.

Section 4. Change in Control Acceleration Upon Acquiror's Failure to Assume, Continue or Substitute. If (i) in connection with a Change in Control, any outstanding unvested Equity Award that you hold will not be assumed or continued by the successor or acquiror entity (or its parent company) in such Change in Control or substituted for a similar award of the successor or acquiror entity (or its parent company) (a "***Terminating Award***") and (ii) your continued employment with the Company has not terminated as of immediately prior to the effective time of such Change in Control, then you will become vested, with respect to any then unvested portion of such Terminating Award, effective immediately prior to, but subject to the consummation of such Change in Control. With respect to any such outstanding Terminating Award that is subject to performance-vesting, unless otherwise provided in the individual grant notice and award agreement evidencing such award, such performance-vesting award will accelerate vesting at 100% of the target level of performance or, if greater, based on actual performance measured as of the effective time of such Change in Control, as determined by the Plan Administrator in its sole discretion. For the avoidance of doubt, the benefits under this Section 4 are contingent on a Change in Control and do not require your Covered Termination or other termination of service. In addition, you may be eligible for benefits under this Section 4 in addition to benefits under Section 2 or Section 3 and in such case, you shall receive benefits under both sections, without duplication.

Section 5. Acknowledgements; Interaction with Prior Benefits.

As a condition to participation in the Plan, you hereby acknowledge each of the following:

(a) The benefits that may be provided to you under this Participation Agreement are subject to certain reductions and termination under the Plan, including without limitation under Section 2 and Section 3 of the Plan.

(b) Your eligibility for and receipt of any severance benefits to which you may become entitled as described in Section 2 or Section 3 above is expressly contingent upon your execution of and compliance with the terms and conditions of the Plan, the Release and the Confidentiality Agreement. Severance benefits under this Participation Agreement shall immediately cease in the event of your violation of the provisions of Confidentiality Agreement or any other written agreement with the Company, or as otherwise may be set forth in the Plan.

(c) As further described in Section 2(c) of the Plan, this Participation Agreement and the Plan supersede and replace any change in control or severance benefits previously provided to you, including but not limited to that certain Participation Agreement between you and the Company dated February 10, 2024, and any benefits under your employment, offer letter or other written agreement or plan, and by executing below you expressly agree to such treatment.

To accept the terms of this Participation Agreement and participate in the Plan, please sign and date this Participation Agreement in the space provided below no later than 04/30, 2024.

Castle Biosciences, Inc.

By: Keli Greenberg

/S/ Keli Greenberg

4/1/2024

Eligible Employee

/S/ Franklin Stokes

Franklin Stokes

Date: 4/2/2024

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Derek J. Maetzold, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 2, August 5, 2024

/s/ Derek J. Maetzold

Derek J. Maetzold
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Frank Stokes, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 2, August 5, 2024

/s/ Frank Stokes

Frank Stokes
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 of Castle Biosciences, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Derek J. Maetzold, President and Chief Executive Officer of the Company, and Frank Stokes, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

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

Date: May 2, August 5, 2024

/s/ Derek J. Maetzold
Derek J. Maetzold
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Frank Stokes
Frank Stokes
Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Castle Biosciences, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

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