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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 9, 2020

Progenity, Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware	**001-39334**	**27-3950390**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**
4330 La Jolla Village Drive, Suite 200, San Diego, CA		**92122**
(Address of Principal Executive Offices)		**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (855) 293-2639

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On November 9, 2020, Progenity, Inc. issued a press release and earnings presentation announcing its financial results for the third quarter ended September 30, 2020. The press release and earnings presentation are furnished as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K.

As provided in General Instruction B.2 of Form 8-K, the information in this Item 2.02 and Exhibits 99.1 and 99.2 incorporated herein shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall such information or Exhibits 99.1 and 99.2 be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1	Press release, dated November 9, 2020
99.2	Earnings presentation, dated November 9, 2020

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 hereunto duly authorized.

Date: November 9, 2020

Progenity, Inc.

By: /s/ Harry Stylli, Ph.D.
Harry Stylli, Ph.D.
President and Chief Executive Officer

progenity®
Prepare for life.

Progenity Provides Corporate Updates and Reports Third Quarter 2020 Financial Results

Reported 84 thousand tests in the third quarter, up 12% compared to the second quarter

Achieved a preeclampsia test analytical verification milestone

Management will host conference call and webcast today at 4:30 p.m. ET/1:30 p.m. PT

SAN DIEGO, November 9, 2020 – Progenity, Inc. (Nasdaq: PROG), a biotechnology company with an established track record of success in developing and commercializing molecular testing products, today provided corporate updates and reported financial results for the third quarter ended September 30, 2020.

Progenity made significant progress during the third quarter, both with its revenue generating business and especially with its innovation pipeline programs. The company continued to grow its overall volume demand and increased its in-network position by adding national and regional contracts, and saw additional commercial and government payors covering average risk NIPT. The company also announced it had secured additional COVID-19 testing capacity in order to meet anticipated higher demand for the test ahead of the winter season.

On the innovation front, the company announced it successfully achieved a preeclampsia test analytical verification milestone, with the program now transferred to the operations group which will be responsible for both validation and full commercialization of the test in 2021.

“We continue to make progress in establishing a strong foundation with our core molecular testing business and anticipate these efforts to translate into stronger and consistent operating performance near term. We are particularly excited with the progress and transformational potential of our R&D pipeline and look forward to our upcoming preeclampsia R&D day for investors on November 20, 2020,” said Harry Stylli, Ph.D., CEO, chairman of the board, and co-founder of Progenity.

Third Quarter 2020 Results and Other Corporate Highlights

- Reported approximately 84 thousand tests in the third quarter, up 12% compared to the second quarter including COVID-19 test volume.
- Increased in-network covered lives with the addition of the Multiplan national contract, providing access to up to 60 million lives and added 1.5 million lives from additional regional payors.
- Secured a substantial increase in its COVID-19 PCR testing capacity and supply chain access through its existing relationship with ThermoFisher.

- Successfully achieved a key milestone in the analytical verification phase of the LDT version of the preecludia™ preeclampsia test. The company also announced an upcoming preeclampsia R&D day for November 20, 2020.
- Announced encouraging preclinical data supporting the potential of the Company's oral drug delivery system (DDS) using a proprietary autonomous localization technology designed to identify the ileal/ileocecal region of the GI tract in targeting the colon for drug delivery.
- Received a $15.7 million tax refund related to the 2019 net operating loss (NOL) carryback provisions available under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) legislation, a majority of which was used to make accelerated payments to the government under our government settlement agreements.

Third Quarter 2020 Financial Results

Comparison of Three Months Ended September 30, 2020 and June 30, 2020

Revenue was $25.9 million in the three months ended September 30, 2020, up from $17.3 million in the three months ended June 30, 2020. The second quarter revenues reflected a $10.3 million accrual for refunds to government payors.

Total accessioned tests volume, which includes the company's Innatal, Preparent, Riscover and COVID-19 testing, was 84,067 in the third quarter of 2020, up by 12% compared to the accessioned tests volume in the second quarter of 2020, which was 75,017 tests.

Gross margin was 9.2% for the three months ended September 30, 2020, compared to negative 26.5% for the three months ended June 30, 2020, which primarily reflected the effect of revenue reduction related to refund accrual in the second quarter.

Operating expenses were $46.9 million for the three months ended September 30, 2020, compared to $42.2 million in the three months ended June 30, 2020.

Net loss attributable to common stockholders was $47.1 million for the three months ended September 30, 2020 and basic and diluted net loss per share was $1.01, compared to a net loss attributable to common stockholders of $53.1 million and a net loss per share of $6.11 for the three months ended June 30, 2020.

Comparison of Three Months Ended September 30, 2020 and 2019

Revenue was $25.9 million in the three months ended September 30, 2020, compared to $18.8 million in the three months ended September 30, 2019.

Gross margin was 9.2% for the three months ended September 30, 2020, compared to negative 33.2% for the three months ended September 30, 2019.

Operating expenses were $46.9 million for the three months ended September 30, 2020, compared to $48.6 million in the three months ended September 30, 2019.

Net loss attributable to common stockholders was $47.1 million for the three months ended September 30, 2020 and basic and diluted net loss per share was $1.01, compared to a net loss of $97.9 million and a net loss per share of $19.85 for the three months ended September 30, 2019.

Cash and cash equivalents were $60.0 million as of September 30, 2020. As of September 30, 2020, Progenity had 47.0 million shares outstanding.

COVID-19 Update
Public health measures related to the novel coronavirus are greatly impacting healthcare practices. We have responded to the COVID-19 pandemic by implementing and maintaining robust response plans, seamlessly continuing laboratory operations and maintaining pre-pandemic turnaround times. We enhanced our digital sales and support capabilities, increased proactive test reporting and remote genetic counseling capabilities, and expanded our mobile phlebotomy services, assisting our customers to continue serving their patients with the same quality care.

Webcast and Conference Call Information

Progenity will host a webcast and conference call to discuss the second quarter financial results and answer investment community questions today, Monday, November 9, 2020 at 4:30 p.m. ET / 1:30 p.m. PT. The live call may be accessed by dialing 833-519-1237 for domestic callers and 914-800-3810 for international callers and entering the conference code: 5878610. A live webcast and archive of the call will be available online from the investor relations section of the company website at www.progenity.com.

About Progenity

Progenity, Inc. is a biotechnology company with an established track record of success in developing and commercializing molecular testing products, as well as innovating in the field of precision medicine. Progenity provides in vitro molecular tests designed to improve lives by providing actionable information that helps guide patients and physicians in making medical decisions during key life stages. The company applies a multi-omics approach, combining genomics, epigenomics, proteomics, and metabolomics to its molecular testing products and to the development of a suite of investigational ingestible devices designed to provide precise diagnostic sampling and drug delivery solutions. Progenity's vision is to transform healthcare to become more precise and personal by improving diagnoses of disease and improving patient outcomes through localized treatment with targeted therapies. For additional information about Progenity, please visit the company's website at www.progenity.com.

Safe Harbor Statement or Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, which statements are subject

to substantial risks and uncertainties and are based on estimates and assumptions. All statements, other than statements of historical facts included in this press release, including statements concerning the impact of the COVID-19 pandemic on our business, operations, financial results, and future performance, and the progress of our research and development efforts are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect our plans, estimates, and expectations, as of the date of this press release. These statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the forward-looking statements expressed or implied in this press release. Such risks, uncertainties, and other factors include, among others, the ongoing COVID-19 pandemic, our ability to develop and commercialize our testing products as well as innovate in the field of precision medicine, our ability to obtain and maintain regulatory approval or clearance of our products on expected timelines or at all, our plans to research, develop, and commercialize new products, the unpredictable relationship between preclinical study results and clinical study results, our expectations regarding future test volumes, our expectations regarding our in network position, anticipated capacity for our tests, and those risks described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Progenity’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 to be filed with the SEC and other subsequent documents we file with the SEC.

Progenity expressly disclaims any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

Investor Contact:
Robert Uhl
Managing Director, Westwicke ICR
ir@progenity.com
(619) 228-5886

Media Contact:
Kate Blom-Lowery
CG Life
kblomlowery@cglife.com
(858) 457-2436

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

	Three Months Ended	
	September 30, 2020	**June 30, 2020**
Revenues	$ 25,943	$ 17,266
Cost of sales	23,601	21,835
Gross profit (loss)	2,342	(4,569)
Operating expenses:		
Research and development	13,043	12,234
Selling and marketing	13,244	12,736
General and administrative	20,626	17,181
Total operating expenses	46,913	42,151
Loss from operations	(44,571)	(46,720)
Interest expense	(2,476)	(2,507)
Interest and other income (expense), net	(18)	(3,556)
Loss before income taxes	(47,065)	(52,783)
Income tax benefit	—	—
Net loss	(47,065)	(52,783)
Dividend paid to preferred stockholders	—	(268)
Net loss attributable to common stockholders	$ (47,065)	$ (53,051)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.01)	$ (6.11)
Weighted average number of shares outstanding used in calculating net loss per share attributable to common stockholders, basic and diluted	46,632,043	8,687,250

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	$ 25,943	$ 18,772	$ 60,037	$ 123,509
Cost of Sales	23,601	24,997	72,006	75,531
Gross profit (loss)	2,342	(6,225)	(11,969)	47,978
Operating Expenses:				
Research and development	13,043	17,080	36,517	48,791
Selling and marketing	13,244	15,263	40,416	45,510
General and administrative	20,626	16,273	54,915	44,823
Total operating expenses	46,913	48,616	131,848	139,124
Loss from operations	(44,571)	(54,841)	(143,817)	(91,146)
Interest expense	(2,476)	(2,321)	(7,285)	(6,872)
Interest and other income (expense), net	(18)	29	(3,594)	457
Loss before income taxes	(47,065)	(57,133)	(154,696)	(97,561)
Income tax benefit	—	—	(37,696)	—
Net loss	(47,065)	(57,133)	(117,000)	(97,561)
Dividend paid to preferred shareholders	—	—	(268)	(3,652)
Stock dividend on exchange of Series A-1 to Series B Preferred Stock	—	(27,637)	—	(27,637)
Stock dividend on Series B Preferred Stock	—	(13,137)	—	(13,137)
Net loss attributable to common shareholders	$ (47,065)	$ (97,907)	$ (117,268)	$ (141,987)
Net loss per share attributable to common shareholders, basic and diluted	$ (1.01)	$ (19.85)	$ (5.80)	$ (29.27)
Weighted average number of shares outstanding used in calculating net loss per share, basic and diluted	46,632,043	4,931,204	20,201,325	4,851,603

Progenity, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands)

	September 30, 2020	December 31, 2019 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 60,013	$ 33,042
Accounts receivable, net	13,425	22,189
Inventory	10,383	10,937
Income tax receivable	—	634
Prepaid expenses and other current assets	9,216	7,846
Total current assets	93,037	74,648
Property and equipment, net	16,088	15,891
Goodwill and other intangible assets	10,294	10,990
Other assets	198	198
Total assets	$ 119,617	$ 101,727
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 15,666	$ 15,754
Accrued expenses and other current liabilities	71,013	83,615
Current portion of mortgages payable and capital lease obligations	667	968
Total current liabilities	87,346	100,337
Mortgages payable and capital lease obligations, net of current portion	2,961	3,439
Note payable to related party, net	69,642	68,966
Other long-term liabilities	20,088	12,859
Total liabilities	$ 180,037	$ 185,601
Stockholders' deficit:		
Common stock	50	9
Series A Preferred Stock	—	4
Series B Preferred Stock	—	102
Additional paid-in capital	424,047	283,260
Accumulated deficit	(465,746)	(348,478)
Treasury stock	(18,771)	(18,771)
Total stockholders' deficit	(60,420)	(83,874)
Total liabilities and stockholders' deficit	$ 119,617	$ 101,727

(1) The condensed, consolidated balance sheet at December 31, 2019 has been derived from the audited consolidated financial statements

progen

Business Update and Third Quarter 2020 Financial Results

November 9, 2020

Forward Looking Statements

This presentation contains "forward-looking statements" within the meaning of the federal securities laws, which statements are subject to substantial risks and u based on estimates and assumptions. All statements, other than statements of historical facts included in this presentation, including statements concerning our strategies, future events, future revenues or performance, financing needs, plans or intentions relating to product candidates, estimates of market size, estimates business trends, expected testing supply and demand, the anticipated timing, design and conduct of our planned clinical trials, the development of our product c timing and likelihood of regulatory filings and approvals for our product candidates, our ability to commercialize our product candidates, if approved, the pricing a our product candidates, if approved, the potential to develop future product candidates, the potential benefits of strategic collaborations and our intent to enter arrangements, the timing and likelihood of success, plans and objectives of management for future operations and future results of anticipated product develop forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," " "expect," "believe," "design," "estimate," "predict," "potential," "plan" or the negative of these terms, and similar expressions intended to identify forward-lookin statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from the forward-looking sta implied in this presentation, including those described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operat Report on Form 10-Q for the quarter ended September 30, 2020, and elsewhere in such filings and in other subsequent disclosure documents filed with the U.S. Commission (SEC).

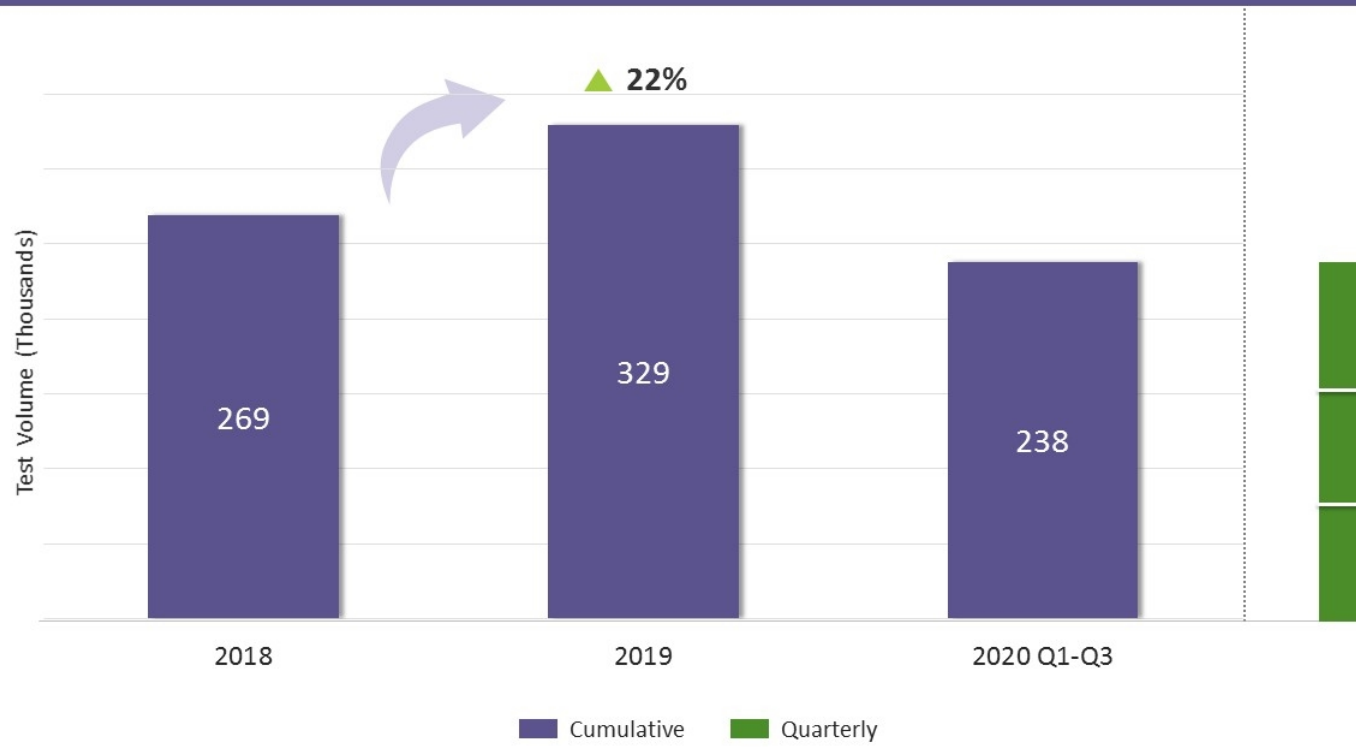
We cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result affect us or our business in the way expected. Forward-looking statements are not historical facts, and reflect our current views with respect to future events. Giv uncertainties, you should evaluate all forward-looking statements made in this presentation in the context of these risks and uncertainties and not place undue r looking statements as predictions of future events. All forward-looking statements in this presentation apply only as of the date made and are expressly qualified cautionary statements included in this presentation. We disclaim any intent to publicly update or revise any forward-looking statements to reflect subsequent ev except as required by law.

Industry and Market Data: We obtained the industry, market, and competitive position data used throughout this Presentation from our own internal estimates a from industry and general publications, and research, surveys, and studies conducted by third parties. Internal estimates are derived from publicly available infor industry analysts and third-party sources, our internal research and our industry experience, and are based on assumptions made by us based on such data and o industry and market, which we believe to be reasonable. In addition, while we believe the industry, market, and competitive position data included in this prospe based on reasonable assumptions, we have not independently verified any third-party information, and all such data involve risks and uncertainties and are subj various factors. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us

Q3 2020 Progenity Corporate Highlights

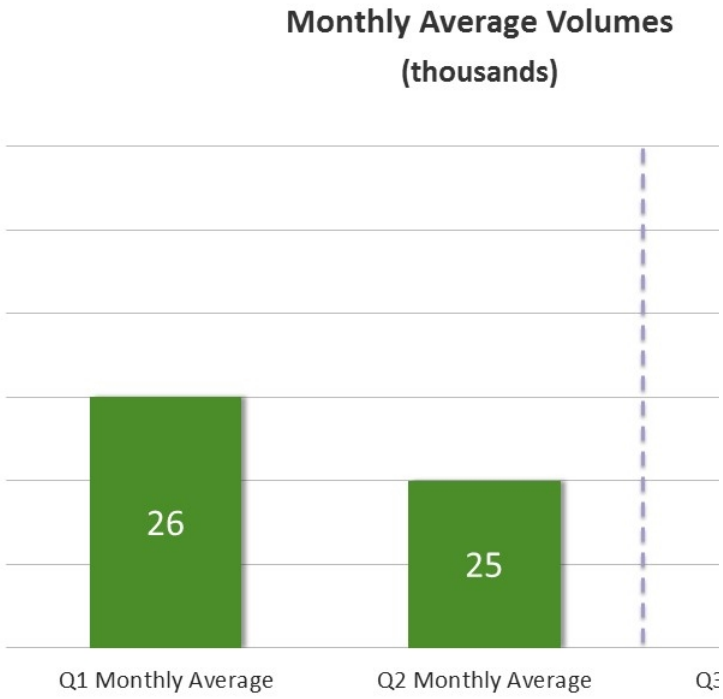
- Achieved an important analytical verification milestone for our Preeclampsia rule-out LDT, tradename Preecludia™.
- Added access for 60M health members with Multiplan con
- Achieved Innatal 4 development milestone: demonstrated ability to quantify fetal fraction.
- Grew total tests 12%; reporte in Q3 2020, mostly from COV
- Two abstracts, including category award winner, related to our PIL Dx capsule presented at American College of Gastroenterology (ACG) meeting in October 2020.
- Continued expansion of COV CoV-2 diagnostic testing to b geographies within our chanr unmet need.
- Work progressing well under precision medicine pharma collaboration; continued engagement with pharma for further potential partnerships.
- Continuing improvements in management to maximize re

Test Volumes: 2018 – 2020 (YTD)



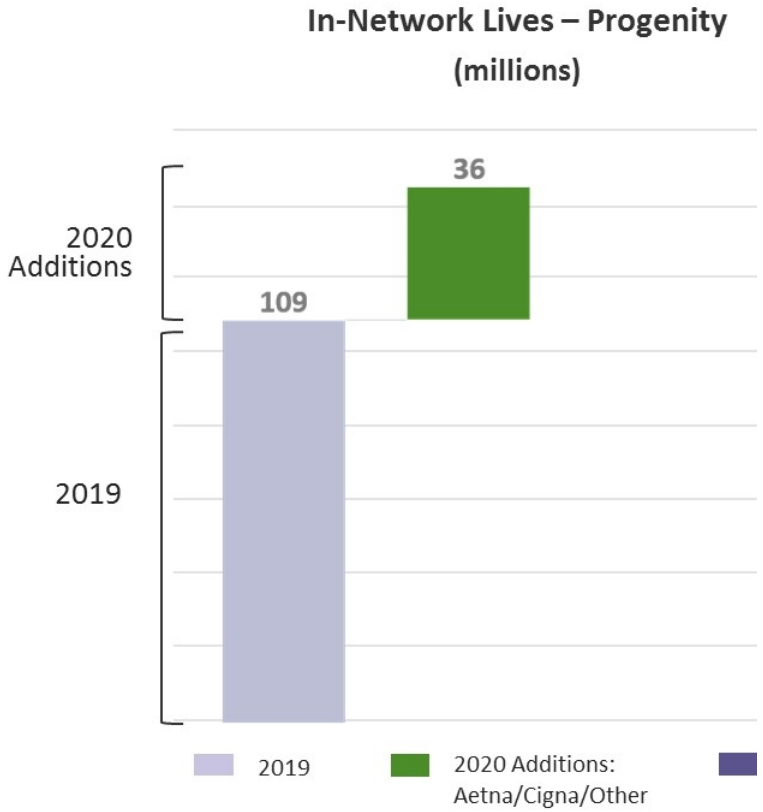
Volume Growth Surpassed Q1

- Monthly average volumes grew 12% in Q3 primarily from Covid testing
- Continued progress in Q3 toward recovery and growth
- Resilience in NIPT demand, supporting carrier screening demand
- Launch of new carrier test panels growing rapidly
- Demand for SARS CoV-2 tests increasing; expanding capacity



Expanding the In-Network Footprint

- New Multiplan contract; 60M health plan members have access to Multiplan services
- Added 1.5 million regional plan covered lives in Q3
- Aetna covering average risk NIPT through end of 2020
- Centene, Humana and some state Medicaid plans also began covering NIPT for average risk



(1) Does not include Multiplan; some overlap with current in-ne

R&D Pipeline Upda

Preeclampsia Rule-out LDT Test: One Step Closer to 2021 Launch

- Achieved an important analytical verification milestone
- Constructive FDA pre-sub meeting for IVD test version
- Brand name determined
- Preeclampsia R&D day on November 20, 2020

An Important Analytical Verification Mil

KEY TAKEAWAYS:

- High confidence in analytical results & accura
- Performance verified in operational CLIA lab
- Achieved acceptance criteria for CAP Validati Performance Specifications
- Provides confidence clinical studies will reflec responses
- De-risks clinical verification and overall preec

Source: Progenity internal study

preecludia™
preeclampsia rule-out test

Innatal 4: Innovating Next-Generation NIP

innatal®
prenatal screen

NOVEL, SINGLE-MOLECULE COUNTING ASSAY FOR NIPT

- ✓ ***Q2: Achieved a key development milestone enabling measurement of fetal fraction***
- ✓ ***Q3: Achieved second de-risking development milestone demonstrating ability to quantify fetal fraction***

QUALITY RESULTS

Maintain premium clinical value and reliability

FASTER TURNAROUND TIME

Set a new competitive benchmark in the market

GI Precision Medicine Programs

advancing toward the clinic and progressing partnership

Oral Biotherapeutics

OBDS

oral biopharmaceuticals

ORAL DELIVERY FOR SYSTEMIC BIOPHARMACEUTICAL DISTRIBUTION

- Adalimumab (PGN-OB1)
  GMP batch produced
- Emerging drug pipeline

✓ Expecting preclinical study with first fully autonomous device in Q4 2020

✓ Progress continues under current pharma partnership

DDS

targeted therapeutics

LOCALIZED DRUG DELIVERY FOR GI DISORDERS

- GI-targeted adalimumab (PG
  GMP batch produced
- GI-targeted tofacitinib (PGN

✓ Announced successful co preclinical device functio

✓ Expecting device clinical study initiation in Q1 202

GI Precision Medicine Programs

advancing toward the clinic

Diagnostics

RSS

sampling + preservation technology

LOCALIZATION → SAMPLING → PRESERVATION → RECOVERY → ANALYSIS

- Microbiome, cells
- Multi-omics
- Multiple GI diseases

✓ On track to initiate clinical proof of concept study in Q1 2021

PIL Dx

ingestible fluorescent laboratory

LOCALIZATION → SAMPLING → IN SITU ASSAY → TRANSMIT RES

- Multiple assays and diseases
- Lead indication in SIBO

✓ ACG Abstract Award/Oral Presentati

✓ Clinical study demonstrating s accuracy compared to invasive

✓ ACG Poster:

✓ Need & preference for PIL Dx

✓ Full function preclinical study

✓ On track to initiate clinical proof of


Third Quarter
Financial Results

Resilient Demand Reflected in Q3 Revenue

- Q3 revenue reflects continued In-Network and revenue cycle management transition
- INN transition expected to generate gradual improvement in reported revenue
- Operational improvements further enhance revenue potential

1. Includes $10.3M accrual for refund reserve

Financial Overview

$ in millions

	Q2 2020	Q3 2020	YTD 202
Revenues	$17.3 [1]	$25.9	$60.0
ASP *($/test)*	*230.2* [1]	*308.6*	*252.4*
COGS	21.8	23.6	72.0
SG&A	29.9	33.9	95.3
R&D	12.2	13.0	36.5
Net Loss	(53.1)	(47.1)	(117.3)
Operating Cash Flows	(13.5)	(51.3)	(95.7)
Cash & Cash Equivalents	113.6	60.0	60.0
Indebtedness	78.9	78.6	78.6

1. Includes $10.3M accrual for refund reserve

progenity®

- Increasing differentiation of OBGYN/MFM Business
- Accelerating revenue cycle enhancements
- Dx business generates recurring long-term cash flows
- In-network coverage supports volume growth and market share capture
- Potentially transformative GI Precision Medicine platform
- Potential additional pharma partnerships, revenues and growth catalysts

INNOVATION PIPELINE MILESTONES & VALUE DRIVERS Q4 2020 – Q1 2021

preecludia™ preeclampsia rule-out test	Finalize clinical verification, explore rule out window; initiate validation phase
SARS CoV-2 RNA diagnostic testing	Expanding SARS-CoV-2 testing broadly within our channel
innatal® prenatal screen	Innatal 4 : optimization phase assay performance; progressing through development milestones
RSS sampling + preservation technology	Initiate clinical proof of concept study
PIL Dx ingestible fluorescence laboratory	ACG presentation and poster on PILDx in SIBO
OBDS oral biopharmaceuticals	Initiate prototype preclinical studies and full function preclinical studies
DDS targeted therapeutics	Initiate prototype preclinical studies and full-function clinical study

Expar
withi
Healt

Launc
platfo

Expar
sales
lever

Q&A Session