

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): July 28, 2020

Dexcom

DEXCOM, INC.

(Exact Name of the Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

000-51222
(Commission File Number)

33-0857544
(I.R.S. Employer Identification No.)

6340 Sequence Drive, San Diego, CA 92121

(Address of Principal Executive Offices, including area code)

(858) 200-0200

(Registrant's Telephone Number, Including Area Code)
(Former Name, Former Address, and Former Fiscal Year, if changed from 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, \$0.001 Par Value Per Share	DXCM	Nasdaq Global Select 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 July 28, 2020, DexCom, Inc. (“DexCom”) issued a press release announcing its financial results for the quarter ended June 30, 2020 and certain other information. This press release has been furnished as Exhibit 99.01 to this report and is incorporated herein by this reference.

The information in this Item 2.02, including Exhibit 99.01 hereto, is furnished pursuant to Item 2.02 of Form 8-K, and is not 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. The information contained herein and in the accompanying exhibit is not incorporated by reference in any filing of DexCom under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

<u>Number</u>	<u>Description</u>
<u>99.01</u>	<u>Press release dated July 28, 2020 announcing the financial results for the quarter ended June 30, 2020 and certain other information.</u>
104	Cover Page Interactive Data File (formatted as Inline XBRL)

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.

DEXCOM, INC.

By: /s/ STEVEN R. PACELLI
Steven R. Pacelli
Executive Vice President, Strategy and Corporate Development

Date: July 28, 2020

Dexcom Reports Second Quarter 2020 Financial Results

SAN DIEGO, CA - (BUSINESS WIRE-July 28, 2020) - DexCom, Inc. (Nasdaq: DXCM) today reported its financial results as of and for the quarter ended June 30, 2020.

Second Quarter 2020 Financial Highlights:

- Revenue grew 34% versus the same quarter of the prior year to \$451.8 million
- U.S. revenue growth of 38% and international revenue growth of 21%
- GAAP operating income of \$67.8 million or 15.0% of revenue, an increase of 1520 basis points compared to the second quarter of 2019. Non-GAAP operating income* of \$76.7 million or 17.0% of revenue, an increase of 1510 basis points over the same quarter of the prior year
- Strengthened balance sheet with successful \$1.2 billion convertible note offering

Strategic Highlights:

- Made Dexcom CGM systems available in the U.S. for use in hospitals and other healthcare facilities to assist frontline workers during the COVID-19 pandemic
- Obtained the CE Mark for use of the Dexcom G6 CGM system on the back of the upper arm
- After the conclusion of the quarter, commenced launch of Dexcom G6 Pro CGM system, the first and only single-use, professional CGM available in blinded and unblinded modes

“Our growth in the second quarter reflects the commitment of the Dexcom teams to rapidly adjust during the COVID-19 pandemic and ensure service to our customers and our communities,” said Kevin Sayer, Dexcom’s chairman, president and CEO. “We are pleased to reinstate 2020 guidance as we press forward to bring Dexcom CGM to the many more who stand to benefit from real-time glucose monitoring.”

2020 Annual Guidance

The company is reinstating guidance for fiscal year 2020 revenue, gross profit, operating margin, and Adjusted EBITDA margin as follows:

- Revenue of approximately \$1.850 billion (25% growth)
- Non-GAAP Gross profit margin to meet or exceed 65%
- Non-GAAP Operating margin to meet or exceed 14%
- Adjusted EBITDA margin to meet or exceed 24%

Second Quarter 2020 Financial Results

Revenue: In the second quarter of 2020, worldwide revenue grew 34% to \$451.8 million, up from \$336.4 million in the second quarter of 2019. Volume growth in conjunction with strong new patient additions continues to be the primary driver of revenue growth as awareness of real-time CGM increases.

Gross Profit: GAAP gross profit totaled \$284.1 million or 62.9% of sales for the second quarter of 2020, compared to \$206.5 million or 61.4% of sales in the second quarter of 2019. Non-GAAP gross profit* totaled \$289.7 million or 64.1% of sales for the second quarter of 2020, compared to \$206.5 million or

61.4% of sales in the second quarter of 2019. The second quarter 2020 non-GAAP amount excludes \$5.6 million of incremental labor costs incurred as a result of the COVID-19 outbreak.

Operating Income: GAAP operating income for the second quarter of 2020 was \$67.8 million, compared to a GAAP operating loss of \$0.8 million for the second quarter of 2019.

Non-GAAP operating income* for the second quarter of 2020 was \$76.7 million, compared to non-GAAP operating income of \$6.2 million for the second quarter of 2019. The second quarter 2020 non-GAAP amount excludes \$7.8 million of incremental costs incurred as a result of the COVID-19 outbreak, primarily related to payroll, consulting support, IT infrastructure and facilities costs. The second quarter 2019 non-GAAP amount excludes \$6.7 million of business transition and related costs.

Net Income and Net Income per Share: GAAP net income was \$46.3 million, or \$0.48 per diluted share, for the second quarter of 2020, compared to a GAAP net loss of \$10.5 million, or \$0.12 per diluted share, for the same quarter of 2019.

Non-GAAP net income* was \$77.1 million, or \$0.79 per diluted share, for the second quarter of 2020, compared to non-GAAP net income of \$7.8 million, or \$0.08 per diluted share, for the same quarter of 2019. The second quarter 2020 non-GAAP amount excludes \$16.5 million of non-cash interest expense related to Dexcom's senior convertible notes, \$7.8 million of incremental costs incurred as a result of the COVID-19 outbreak and a \$5.4 million loss on extinguishment of debt. The second quarter 2019 non-GAAP amount excludes \$11.3 million of non-cash interest expense related to Dexcom's senior convertible notes and \$6.7 million of business transition and related costs.

Cash and Liquidity: As of June 30, 2020, Dexcom held \$2.51 billion in cash and marketable securities and our revolving credit facility remains undrawn. The cash balance represents significant financial and strategic flexibility as Dexcom continues to expand production capacity and explore new market opportunities.

* See Table E below for a reconciliation of these GAAP and non-GAAP financial measures.

Conference Call

Management will hold a conference call today starting at 4:30 p.m. (Eastern Time). The conference call will be concurrently webcast. The link to the webcast will be available on the Dexcom Investor Relations website at investors.dexcom.com by navigating to "Events and Presentations," and will be archived for future reference. To listen to the conference call, please dial (800) 447-0521 (US/Canada) or (847) 413-3238 (International) and use the confirmation number "49260064" approximately five minutes prior to the start time.

Statement Regarding Use of Non-GAAP Financial Measures

This press release and the accompanying tables include non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses each measure, and reconciliations of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP), please see the section of the accompanying tables titled "About Non-GAAP Financial Measures" as well as the related Table E.

About DexCom, Inc.

Dexcom, Inc. empowers people to take control of diabetes through innovative continuous glucose monitoring (CGM) systems. Headquartered in San Diego, California, Dexcom has emerged as a leader of diabetes care technology. By listening to the needs of users, caregivers, and providers, Dexcom simplifies and improves diabetes management around the world.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements that are not purely historical regarding Dexcom's or its management's intentions, beliefs, expectations and strategies for the future, including statements with respect to the impacts of the COVID-19 pandemic on Dexcom and our outlook for the full year 2020. All forward-looking statements and reasons why results might differ included in this press release are made as of the date of this release, based on information currently available to Dexcom, deal with future events, are subject to various risks and uncertainties, and actual results could differ materially from those anticipated in those forward-looking statements. The risks and uncertainties that may cause actual results to differ materially from Dexcom's current expectations are more fully described in Dexcom's Quarterly Report on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on July 28, 2020. Except as required by law, Dexcom assumes no obligation to update any such forward-looking statement after the date of this report or to conform these forward-looking statements to actual results.

INVESTOR RELATIONS CONTACT:

Steven R. Pacelli
Executive Vice President, Strategy and Corporate Development
(858) 200-0200
www.dexcom.com

MEDIA CONTACT:

James McIntosh
(619) 884-2118

DexCom, Inc.
Table A
Consolidated Balance Sheets
(In millions, except par value and share data)

	June 30, 2020	December 31, 2019
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 530.0	\$ 446.2
Short-term marketable securities	1,978.8	1,087.1
Accounts receivable, net	296.5	286.3
Inventory	165.3	119.8
Prepaid and other current assets	62.4	30.0
Total current assets	3,033.0	1,969.4
Property and equipment, net	384.3	321.3
Operating lease right-of-use assets	71.6	71.5
Goodwill	18.7	18.6
Other assets	14.2	14.2
Total assets	\$ 3,521.8	\$ 2,395.0
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 315.9	\$ 256.4
Accrued payroll and related expenses	67.4	88.5
Operating lease liabilities, current portion	15.1	13.6
Deferred revenue	1.7	1.7
Total current liabilities	400.1	360.2
Long-term senior convertible notes	1,658.8	1,059.7
Operating lease liabilities, net of current portion	73.7	72.4
Other long-term liabilities	35.3	20.1
Total liabilities	2,167.9	1,512.4
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5.0 million shares authorized; no shares issued and outstanding at June 30, 2020 and December 31, 2019	—	—
Common stock, \$0.001 par value, 200.0 million shares authorized; 96.2 million and 95.4 million shares issued and outstanding, respectively, at June 30, 2020; and 92.4 million and 91.6 million shares issued and outstanding, respectively, at December 31, 2019	0.1	0.1
Additional paid-in capital	2,079.8	1,675.9
Accumulated other comprehensive income	3.5	2.3
Accumulated deficit	(629.5)	(695.7)
Treasury stock, at cost; 0.8 million shares at June 30, 2020 and December 31, 2019	(100.0)	(100.0)
Total stockholders' equity	1,353.9	882.6
Total liabilities and stockholders' equity	\$ 3,521.8	\$ 2,395.0

DexCom, Inc.
Table B
Consolidated Statements of Operations
(In millions, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	\$ 451.8	\$ 336.4	\$ 856.9	\$ 616.9
Cost of sales	167.7	129.9	316.3	241.6
Gross profit	284.1	206.5	540.6	375.3
Operating expenses:				
Research and development	79.9	69.0	153.0	128.0
Selling, general and administrative	136.4	138.3	286.2	262.5
Total operating expenses	216.3	207.3	439.2	390.5
Operating income (loss)	67.8	(0.8)	101.4	(15.2)
Interest expense	(20.3)	(15.0)	(35.7)	(29.9)
Loss on extinguishment of debt	(5.4)	—	(5.4)	—
Loss from equity investments	—	—	—	(4.2)
Interest and other income, net	4.1	6.5	8.3	13.4
Income (loss) before income taxes	46.2	(9.3)	68.6	(35.9)
Income tax expense (benefit)	(0.1)	1.2	2.4	1.5
Net income (loss)	\$ 46.3	\$ (10.5)	\$ 66.2	\$ (37.4)
Basic net income (loss) per share	\$ 0.49	\$ (0.12)	\$ 0.71	\$ (0.41)
Shares used to compute basic net income (loss) per share	93.8	91.1	92.8	90.7
Diluted net income (loss) per share	\$ 0.48	\$ (0.12)	\$ 0.69	\$ (0.41)
Shares used to compute diluted net income (loss) per share	97.0	91.1	95.6	90.7

DexCom, Inc.
Table C
Revenue by Geography
(Dollars in millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
U.S. revenue	\$ 367.1	\$ 266.3	\$ 659.4	\$ 476.8
Year over year growth	38%	40%	38%	42%
% of total revenue	81%	79%	77%	77%
International revenue	\$ 84.7	\$ 70.1	\$ 197.5	\$ 140.1
Year over year growth	21%	33%	41%	52%
% of total revenue	19%	21%	23%	23%
Total revenue ⁽¹⁾	\$ 451.8	\$ 336.4	\$ 856.9	\$ 616.9
Year over year growth	34%	39%	39%	45%

⁽¹⁾ The sum of the revenue components may not equal total revenue due to rounding.

DexCom, Inc.
Table D
Revenue by Component
(Dollars in millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Sensor and other revenue ^{(1) (2)}	\$ 364.5	\$ 260.4	\$ 689.5	\$ 472.3
Year over year growth	40%	45%	46%	52%
% of total revenue	81%	77%	80%	77%
Hardware revenue ⁽¹⁾⁽³⁾	\$ 87.3	\$ 76.0	\$ 167.4	\$ 144.6
Year over year growth	15%	21%	16%	25%
% of total revenue	19%	23%	20%	23%
Total revenue ⁽⁴⁾	\$ 451.8	\$ 336.4	\$ 856.9	\$ 616.9
Year over year growth	34%	39%	39%	45%

⁽¹⁾ Includes allocated subscription revenue.

⁽²⁾ Includes services, freight, accessories, etc.

⁽³⁾ Includes transmitter and receiver revenue.

⁽⁴⁾ The sum of the revenue components may not equal total revenue due to rounding.

DexCom, Inc.
Table E
Itemized Reconciliation Between GAAP and Non-GAAP Financial Measures
(In millions, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
GAAP gross profit	\$ 284.1	\$ 206.5	\$ 540.6	\$ 375.3
COVID-19 costs (1)	5.6	—	7.8	—
Non-GAAP gross profit	<u>\$ 289.7</u>	<u>\$ 206.5</u>	<u>\$ 548.4</u>	<u>\$ 375.3</u>
GAAP operating income (loss)	\$ 67.8	\$ (0.8)	\$ 101.4	\$ (15.2)
Amortization of intangible assets	0.6	0.3	1.2	0.7
Business transition and related costs (2)	0.5	6.7	0.3	13.1
COVID-19 costs (1)	7.8	—	11.0	—
Litigation settlement costs (3)	—	—	6.1	—
Non-GAAP operating income (loss)	<u>\$ 76.7</u>	<u>\$ 6.2</u>	<u>\$ 120.0</u>	<u>\$ (1.4)</u>
GAAP net income (loss)	\$ 46.3	\$ (10.5)	\$ 66.2	\$ (37.4)
Business transition and related costs (2)	0.5	5.6	0.3	11.7
COVID-19 costs (1)	7.8	—	11.0	—
Depreciation and amortization	15.3	11.6	28.3	21.5
Litigation settlement costs (3)	—	—	6.1	—
Loss on extinguishment of debt (5)	5.4	—	5.4	—
Loss from equity investments (6)	—	—	—	4.2
Share-based compensation	30.7	29.7	54.6	54.7
Interest expense and interest income	16.7	8.3	26.1	15.8
Income tax benefit (expense)	(0.1)	1.2	2.4	1.5
Adjusted EBITDA	<u>\$ 122.6</u>	<u>\$ 45.9</u>	<u>\$ 200.4</u>	<u>\$ 72.0</u>
GAAP net income (loss)	\$ 46.3	\$ (10.5)	\$ 66.2	\$ (37.4)
Amortization of intangible assets	0.6	0.3	1.2	0.7
Business transition and related costs (2)	0.5	6.7	0.3	13.1
COVID-19 costs (1)	7.8	—	11.0	—
Litigation settlement costs (3)	—	—	6.1	—
Non-cash interest expense (4)	16.5	11.3	28.3	22.6
Loss on extinguishment of debt (5)	5.4	—	5.4	—
Loss from equity investments (6)	—	—	—	4.2
Tax effect of adjustments (7)	—	—	—	—
Non-GAAP net income	<u>\$ 77.1</u>	<u>\$ 7.8</u>	<u>\$ 118.5</u>	<u>\$ 3.2</u>
GAAP diluted net income (loss) per share	\$ 0.48	\$ (0.12)	\$ 0.69	\$ (0.41)
Impact of diluted shares on net income (basic net loss) per share (8)	—	—	—	0.01
Amortization of intangible assets	0.01	—	0.01	0.01
Business transition and related costs (2)	0.01	0.07	—	0.14
COVID-19 costs (1)	0.08	—	0.12	—
Litigation settlement costs (3)	—	—	0.06	—
Non-cash interest expense (4)	0.17	0.12	0.30	0.25
Loss on extinguishment of debt (5)	0.06	—	0.06	—
Loss from equity investments (6)	—	—	—	0.05
Tax effect of adjustments (7)	—	—	—	—
Non-GAAP net income per share (9)	<u>\$ 0.79</u>	<u>\$ 0.08</u>	<u>\$ 1.24</u>	<u>\$ 0.03</u>
Shares used in GAAP diluted per share calculations	97.0	91.1	95.6	90.7
Shares used in non-GAAP per share calculations	97.0	92.1	95.6	92.1

- (1) Represents costs associated with the COVID-19 outbreak related to taking the necessary precautions for essential personnel to operate safely both in person as well as remotely.
- (2) Business transition costs are primarily related to the Restructuring Plan that DexCom announced on February 21, 2019.
- (3) Represents costs associated with a settlement of litigation and proceedings related to a patent infringement lawsuit.
- (4) Non-cash interest expense represents accretion of the debt discount associated with our senior convertible notes.
- (5) Loss on extinguishment of debt is related to the repurchase and conversions of our Senior Convertible Notes due 2022.
- (6) Loss from equity investments is related to our investment in Tandem Diabetes Care, Inc.
- (7) We are tax-effecting GAAP-only items at a 0% tax rate because we record a full valuation allowance on our deferred tax assets.
- (8) Basic and diluted net loss per share are the same because in loss periods common share equivalents are anti-dilutive and therefore excluded from the calculation of diluted loss per share. The per share adjustments labeled "Impact of diluted shares on net income (basic net loss) per share" are necessary to transition from or to diluted net income per share, which includes diluted shares.
- (9) The sum of the non-GAAP net income (loss) per share components may not equal the totals due to rounding.

ABOUT NON-GAAP FINANCIAL MEASURES

The accompanying press release dated July 28, 2020 contains non-GAAP financial measures. Table E reconciles the non-GAAP financial measures in that press release to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (GAAP). These non-GAAP financial measures include non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income (loss), and non-GAAP net income (loss) per share as well as adjusted EBITDA.

Dexcom reports non-GAAP financial measures in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles, differ from GAAP measures with the same names, and may differ from non-GAAP financial measures with the same or similar names that are used by other companies. We believe that non-GAAP financial measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures. We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliations between these presentations, to more fully understand our business.

We compute non-GAAP financial measures using the same consistent method from quarter to quarter and year to year. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures.

We exclude the following items from non-GAAP gross profit:

- COVID-19 costs

We exclude the following items from non-GAAP operating income (loss):

- Amortization of intangible assets
- Collaborative research and development fees
- Business transition and related costs
- COVID-19 costs
- Litigation settlement costs

In addition to the items listed above, we exclude the following items from non-GAAP net income and non-GAAP net income per share:

- Non-cash interest expense on senior convertible notes
- Loss on extinguishment of debt
- Income and loss from equity investments
- Income tax effects of non-GAAP adjustments

We believe that presentation of financial results that exclude these items provides useful supplemental information to investors and facilitates the analysis of our core operating results as well as comparison of operating results across reporting periods. Our non-GAAP financial measures exclude amounts that we do not consider part of ongoing operating results when planning and forecasting and when assessing the performance of the organization and our senior management.

The following are descriptions of the items we exclude from non-GAAP gross profit, non-GAAP operating income (loss), non-GAAP net income, and non-GAAP net income per share.

Amortization of intangible assets. When we acquire an entity, we are required by GAAP to record the fair values of the intangible assets of the entity on our balance sheet and amortize them over their useful lives. We exclude these non-cash amortization charges from our non-GAAP financial measures.

Collaborative research and development fees. Represents milestone and incentive payments under our collaborative research and development arrangement. We may elect to pay these fees by issuing shares of our common stock, and when we do so we exclude these non-cash fees from our non-GAAP financial measures.

Business transition and related costs. Represents costs associated with acquisition, integration and business transition activities, including severance, relocation, consulting, leasehold exit costs, third party merger and acquisition costs, and other costs directly associated with such activities. We exclude business transition and related costs from our non-GAAP financial measures because they are unrelated to our ongoing business operating results.

COVID-19 costs. Represents costs associated with the COVID-19 outbreak related to taking the necessary precautions for essential personnel to operate safely both in person as well as remotely. Cost incurred include items like incremental payroll costs, consulting support, IT infrastructure and facilities related costs. We exclude these costs from our non-GAAP financial measures because they are unrelated to our ongoing business operating results.

Litigation settlement costs. Represents costs associated with the settlement of litigation and proceedings related to a patent infringement lawsuit. We exclude significant one-time litigation settlement charges and related costs when evaluating our operating performance because we do not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of our operating performance.

Non-cash interest expense on senior convertible notes. Represents the accretion of the debt discount associated with our senior convertible notes. We exclude these non-cash interest expenses from our non-GAAP financial measures.

Loss on extinguishment of debt. Represents losses associated with repurchases and/or conversions of our senior convertible notes. We exclude these losses from our non-GAAP financial measures because they are unrelated to our ongoing business operating results.

Income and loss from equity investments. Income and loss from equity investments is related to our investment in Tandem Diabetes Care. We exclude income and loss from equity investments from our non-GAAP financial measures because they are unrelated to our ongoing business operating results.

Income tax effects of non-GAAP adjustments. We currently reflect no income tax effects for our non-GAAP adjustments because we record a full valuation allowance on our deferred tax assets.

Adjusted EBITDA excludes non-cash operating charges for share-based compensation and depreciation and amortization as well as non-operating items such as interest income, interest expense, loss on extinguishment of debt, income and loss from equity investments, and income tax expense. For the reasons explained above, adjusted EBITDA also excludes non-cash collaborative research and development fees, business transition and related costs, COVID-19 costs, and litigation settlement costs.