UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

o **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: 001-38118

DERMTECH, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**84-2870849**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
12340 El Camino Real, San Diego ,CA	**92130**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 450-4222

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 $0.0001 per share	DMTK	The Nasdaq Capital 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 x No o

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 x No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
Emerging growth company	o		

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. o

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

As of October 27, 2023, the registrant had 34,243,022 shares of common stock, $0.0001 par value per share, outstanding.

Table of Contents

		Page
PART I.	FINANCIAL INFORMATION	1
Item 1.	Financial Statements (Unaudited)	1
	Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022	1
	Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2023 and 2022	2
	Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2023 and 2022	3
	Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2023	4
	Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2022	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022	6
	Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	28
PART II.	OTHER INFORMATION	29
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 5.	Other Information	29
Item 6.	Exhibits	30
	Signatures	31

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

DERMTECH, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 37,230	$ 77,757
Short-term marketable securities	30,970	48,411
Accounts receivable	3,605	4,172
Inventory	1,196	1,757
Prepaid expenses and other current assets	2,928	3,940
Total current assets	75,929	136,037
Property and equipment, net	5,611	6,375
Operating lease right-of-use assets	52,889	56,007
Restricted cash	3,467	3,488
Other assets	—	168
Total assets	$ 137,896	$ 202,075
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,703	$ 2,419
Accrued compensation	5,773	7,894
Accrued liabilities	1,946	3,464
Short-term deferred revenue	236	109
Current portion of operating lease liabilities	2,941	1,634
Current portion of finance lease obligations	37	116
Total current liabilities	12,636	15,636
Warrant liability	1	5
Long-term finance lease obligations, less current portion	42	53
Operating lease liabilities, long-term	52,153	54,028
Total liabilities	64,832	69,722
Stockholders' equity:		
Common stock, $0.0001 par value per share; 100,000,000 and 50,000,000 shares authorized as of September 30, 2023 and December 31, 2022, respectively; 34,241,523 and 30,297,408 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	3	3
Additional paid-in capital	477,778	456,171
Accumulated other comprehensive income/(loss)	127	(774)
Accumulated deficit	(404,844)	(323,047)
Total stockholders' equity	73,064	132,353
Total liabilities and stockholders' equity	$ 137,896	$ 202,075

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Test revenue	$ 3,692	$ 3,433	$ 10,682	$ 11,098
Contract revenue	223	140	690	426
Total revenues	3,915	3,573	11,372	11,524
Cost of revenues:				
Cost of test revenue	3,661	3,644	11,361	10,410
Cost of contract revenue	82	50	175	111
Total cost of revenues	3,743	3,694	11,536	10,521
Gross profit/(loss)	172	(121)	(164)	1,003
Operating expenses:				
Sales and marketing	8,123	14,632	36,573	45,076
Research and development	3,595	5,702	11,891	18,955
General and administrative	8,264	8,806	35,359	26,258
Total operating expenses	19,982	29,140	83,823	90,289
Loss from operations	(19,810)	(29,261)	(83,987)	(89,286)
Other income:				
Interest income, net	641	485	2,186	700
Change in fair value of warrant liability	5	4	4	126
Total other income	646	489	2,190	826
Net loss	$ (19,164)	$ (28,772)	$ (81,797)	$ (88,460)
Weighted average shares outstanding used in computing net loss per share, basic and diluted	33,835,370	30,096,261	32,073,448	29,969,435
Net loss per share of common stock outstanding, basic and diluted	$ (0.57)	$ (0.96)	$ (2.55)	$ (2.95)

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (19,164)	$ (28,772)	$ (81,797)	$ (88,460)
Unrealized net gain/(loss) on marketable securities and cash equivalents	228	(230)	901	(971)
Comprehensive loss	$ (18,936)	$ (29,002)	$ (80,896)	$ (89,431)

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2022	30,297,408	$ 3	$ 456,171	$ (774)	$ (323,047)	$ 132,353
Issuance of common stock at a weighted average price of $3.68 through at-the-market offering, net of $0.1 million issuance costs	107,451	—	270	—	—	270
Issuance of common stock from option exercises and RSU releases	510,027	—	92	—	—	92
Issuance of common stock from Employee Stock Purchase Plan	174,025	—	576	—	—	576
Unrealized net gain on available-for-sale marketable securities and cash equivalents	—	—	—	485	—	485
Stock-based compensation	—	—	4,736	—	—	4,736
Net loss	—	—	—	—	(31,270)	(31,270)
Balance, March 31, 2023	31,088,911	$ 3	$ 461,845	$ (289)	$ (354,317)	$ 107,242
Issuance of common stock at a weighted average price of $2.62 through at-the-market offering, net of $0.1 million in issuance costs	1,759,210	—	4,495	—	—	4,495
Issuance of common stock from RSU releases	560,689	—	—	—	—	—
Unrealized net gain on available-for-sale marketable securities and cash equivalents	—	—	—	188	—	188
Stock-based compensation	—	—	7,515	—	—	7,515
Net loss	—	—	—	—	(31,363)	(31,363)
Balance, June 30, 2023	33,408,810	$ 3	$ 473,855	$ (101)	$ (385,680)	$ 88,077
Issuance of common stock at a weighted average price of $2.55 through at-the-market offering, net of $0.3 million in issuance costs	302,598	—	483	—	—	483
Issuance of common stock from RSU releases	371,448	—	(34)	—	—	(34)
Issuance of common stock from Employee Stock Purchase Plan	158,667	—	311	—	—	311
Unrealized net gain on available-for-sale marketable securities and cash equivalents	—	—	—	228	—	228
Stock-based compensation	—	—	3,163	—	—	3,163
Net loss	—	—		—	(19,164)	(19,164)
Balance, September 30, 2023	34,241,523	$ 3	$ 477,778	$ 127	$ (404,844)	$ 73,064

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share and per share data)
(Unaudited)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2021	29,772,922	$ 3	$ 436,183	$ (124)	$ (206,364)	$ 229,698
Issuance of common stock from option exercises and RSU releases	109,275	—	40	—	—	40
Issuance of common stock from warrant exercises	11,101	—	12	—	—	12
Issuance of common stock from Employee Stock Purchase Plan	47,339	—	515	—	—	515
Unrealized net loss on available-for-sale marketable securities	—	—	—	(570)	—	(570)
Stock-based compensation	—	—	3,894	—	—	3,894
Net loss	—	—	—	—	(30,108)	(30,108)
Balance, March 31, 2022	29,940,637	$ 3	$ 440,644	$ (694)	$ (236,472)	$ 203,481
Issuance of common stock from option exercises and RSU releases	88,591	—	—	—	—	—
Issuance of common stock from warrant exercises	9,219	—	10	—	—	10
Unrealized net loss on available-for-sale marketable securities	—	—	—	(171)	—	(171)
Stock-based compensation	—	—	4,837	—	—	4,837
Net loss	—	—	—	—	(29,580)	(29,580)
Balance, June 30, 2022	30,038,447	$ 3	$ 445,491	$ (865)	$ (266,052)	$ 178,577
Issuance of common stock from option exercises and RSU releases	74,010	—	—	—	—	—
Issuance of common stock from warrant exercises	—	—	—	—	—	—
Issuance of common stock from Employee Stock Purchase Plan	100,749	—	477	—	—	477
Unrealized net loss on available-for-sale marketable securities	—	—	—	(230)	—	(230)
Stock-based compensation	—	—	4,936	—	—	4,936
Net loss	—	—	—	—	(28,772)	(28,772)
Balance, September 30, 2022	30,213,206	$ 3	$ 450,904	$ (1,095)	$ (294,824)	$ 154,988

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (81,797)	$ (88,460)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,382	1,187
Change in fair value of warrant liability	(4)	(126)
Amortization of operating lease right-of-use assets	3,118	1,788
Stock-based compensation	15,414	13,667
Amortization of premiums, net of accretion of discounts on marketable securities	(344)	328
Loss on disposal of equipment	14	350
Changes in operating assets and liabilities:		
Accounts receivable	567	(2,254)
Inventory	561	(911)
Prepaid expenses and other current assets	1,180	(1,046)
Operating lease liabilities	(568)	(2,709)
Accounts payable, accrued liabilities and deferred revenue	(1,674)	955
Accrued compensation	(2,121)	3,201
Net cash used in operating activities	(64,272)	(74,030)
Cash flows from investing activities:		
Purchases of marketable securities	(34,373)	(26,420)
Sales and maturities of marketable securities	53,059	19,934
Purchases of property and equipment	(1,065)	(1,372)
Net cash provided by/(used in) investing activities	17,621	(7,858)
Cash flows from financing activities:		
Proceeds from issuance of common stock in connection with at-the-market offering, net	5,248	—
Proceeds from exercise of common stock warrants	—	22
Proceeds from exercise of stock options	58	40
Proceeds from contributions to the Employee Stock Purchase Plan	887	992
Principal repayments of finance lease obligations	(90)	(104)
Net cash provided by financing activities	6,103	950
Net decrease in cash, cash equivalents and restricted cash	(40,548)	(80,938)
Cash, cash equivalents and restricted cash, beginning of period	81,245	179,907
Cash, cash equivalents and restricted cash, end of period	$ 40,697	$ 98,969
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	$ 37,230	$ 95,492
Restricted cash	3,467	3,477
Total cash, cash equivalents and restricted cash	$ 40,697	$ 98,969
Supplemental cash flow information:		
Cash paid for interest on finance lease obligations	$ 4	$ 10
Supplemental disclosure of noncash investing and financing activities:		
Purchases of property and equipment recorded in accounts payable	$ 15	$ 511
Right-of-use assets obtained in exchange for lease obligations	$ —	$ 18,688
Property and equipment acquired under finance leases	$ —	$ 48
Change in unrealized net gains/(losses) on available-for-sale marketable securities	$ 913	$ (971)

See accompanying notes to unaudited condensed consolidated financial statements.

DERMTECH, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

1. The Company and a Summary of its Significant Accounting Policies

(a) Nature of Operations

On August 29, 2019, DermTech, Inc., formerly known as Constellation Alpha Capital Corp, (the "Company"), and DermTech Operations, Inc., formerly known as DermTech, Inc., ("DermTech Operations"), consummated the transactions contemplated by the Agreement and Plan of Merger, dated as of May 29, 2019, by and among the Company, DT Merger Sub, Inc., a wholly owned subsidiary of the Company ("Merger Sub"), and DermTech Operations. The Company refers to this agreement, as amended by that certain First Amendment to Agreement and Plan of Merger dated as of August 1, 2019, as the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub merged with and into DermTech Operations, with DermTech Operations surviving as a wholly-owned subsidiary of the Company. The Company refers to this transaction as the Business Combination. In connection with and two days prior to the completion of the Business Combination, the Company domesticated from the British Virgin Islands to Delaware. DermTech Operations changed its name from DermTech, Inc. to DermTech Operations, Inc. shortly before the completion of the Business Combination. On August 29, 2019, immediately following the completion of the Business Combination, the Company changed its name from Constellation Alpha Capital Corp. to DermTech, Inc., and then effected a one-for-two reverse stock split of its common stock.

The Company is a molecular diagnostic company developing and marketing its Clinical Laboratory Improvement Amendments of 1988 ("CLIA") laboratory services including molecular pathology tests to facilitate the diagnosis of melanoma and management of skin cancer. The Company has developed a proprietary, non-invasive technique for sampling the surface layers of the skin using an adhesive patch called the DermTech Smart Sticker™ (the "Smart Sticker") in order to collect individual biological information for commercial applications in the medical diagnostic field.

The Company has incurred operating losses since inception and has an accumulated deficit of $404.8 million at September 30, 2023. As of September 30, 2023, cash and cash equivalents totaled approximately $37.2 million and short-term marketable securities totaled approximately $31.0 million. The Company's transition to profitable operations is dependent upon achieving a level of revenues adequate to support its cost structure. The timing and amount of the Company's actual expenditures will be based on many factors, including cash flows from operations and the potential growth of its business, and may vary from current estimates. The Company's management believes that based on its currently planned business operations and considering the restructuring activities (Note 5) implemented in June 2023, currently available resources will provide sufficient funds to meet its anticipated operating costs for at least the next 12 months from the issuance of these unaudited condensed consolidated financial statements for the quarter ended September 30, 2023 (this 12-month period from the date of issuance, the "Evaluation Period"). This assessment must be made by management on a quarterly basis based on the facts and circumstances then in existence and available to or known by management. The Company currently anticipates that it will need to raise additional capital, increase average selling prices and revenues, or further reduce operating costs following the Evaluation Period and by the time of filing of the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2023, in order for the Company to have sufficient funds to meet its anticipated operating costs for at least 12 months following the next Evaluation Period. In the event the Company is not successful in raising additional capital, the Company may be required to further reduce operating expenses, which could have an adverse impact on its ability to achieve its intended business objectives.

(b) Basis of Presentation

The condensed consolidated financial statements include the accounts of DermTech, Inc. and its subsidiary. All intercompany balances and transactions among the consolidated entity have been eliminated in consolidation. These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited condensed consolidated financial statements and accompanying notes do not include all the information and disclosures required by U.S. GAAP for complete financial statements and should be read together with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. In the opinion of management, all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation, have been included.

The accompanying unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the unaudited condensed consolidated financial statements. As of September 30, 2023, there have been no material changes in the Company's significant accounting policies from those that were disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

(c) Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the amounts of revenues and expenses reported during the period. On an ongoing basis, management evaluates these estimates and judgments, including but not limited to those related to test revenue, stock-based compensation, short-term marketable securities, accounts receivable, accrued bonus, warrant liability, right-of-use ("ROU") assets and the realization of deferred tax assets. Actual results may differ from those estimates.

(d) Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and available-for-sale marketable securities. The Company invests its cash balances in major financial institutions that it believes have high credit quality and are insured with the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, cash deposits might exceed FDIC insurance limits. The Company has not experienced any losses and does not believe it is exposed to any significant credit risk.

(e) Revenue Recognition

The Company's revenue is generated from two revenue streams: contract revenue and test revenue. The Company accounts for revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). The core principle of ASC 606 is that the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The ASC 606 revenue recognition model consists of the following five steps: (1) identify the contracts with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company recognizes revenue from its test and contract services in accordance with the core principles and key aspects considered by the Company. These considerations are described in detail below, first for test revenue and then for contract revenue.

Test Revenue

The Company generates revenues from its DermTech Melanoma Test or "DMT" which may consist at the option of the ordering clinician of either (i) the DMT or (ii) the DMT with TERT test, which assists a clinician's diagnosis of melanoma in patients. The Company provides prescribing clinicians with its Smart Sticker to perform non-invasive skin biopsies of clinically ambiguous pigmented skin lesions on patients. The Company also offers clinicians a telemedicine solution where they can request the Smart Sticker collection kit be sent to the patient's home for a clinician-guided remote sample collection of ambiguous pigmented skin lesions. A patient can also initiate the process by downloading the Company's telemedicine app, DermTech Connect, which uses store-and-forward technology to allow the patient to take a picture of a suspicious lesion with their phone and have the picture reviewed by an independent clinician who is subscribing to the DermTech Connect platform to assess the suspicious lesion, and if medically necessary, order a DMT and send a collection kit to the patient. The DermTech Connect app and telemedicine service are currently available in most states where permitted by law and applicable standards of practice guidelines. Once the sample is collected by the patient via the telemedicine solution or by a healthcare clinician in person, it is returned to the Company's CLIA laboratory for analysis. The patient's ribonucleic acid ("RNA") and deoxyribonucleic acid ("DNA") are extracted from the Smart Sticker and analyzed using gene expression and sequencing technology to determine if the pigmented skin lesion contains certain genomic features indicative of melanoma. Upon completion of the gene expression analysis, test results are provided to the clinician indicating whether the sample collected is indicative of melanoma or not.

The Company periodically updates its estimate of the variable consideration recognized for previously delivered performance obligations. These updates resulted in a decrease of $37,000 and $0.9 million in revenue for the three and nine months ended September 30, 2023, respectively, and a decrease of $0.5 million and $0.5 million in revenue for the three and nine months ended September 30, 2022, respectively. These amounts included (i) adjustments for actual collections versus estimated variable consideration as of the beginning of the reporting period and (ii) cash collections and the related recognition of revenue in the current period for tests delivered in prior periods due to the release of the constraint on variable consideration, offset by (iii) reductions in revenue for the accrual for reimbursement claims and settlements.

Contract Revenue

Contract revenue is generated from the sale of laboratory services and Smart Stickers to third-party companies through contract research agreements. Revenues are generated from providing gene expression services to facilitate the development of drugs designed to treat dermatologic conditions. The provision of gene expression services may include sample collection using the Company's Smart Sticker, assay development for research partners and RNA extraction, isolation, expression, amplification and detection, including data analysis and reporting. Contract revenue can be highly variable in any period as it is closely linked to the clinical trial progress of the Company's biopharma customers.

(a) Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by revenue source during the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Test Revenue:				
DermTech Melanoma Test	$ 3,692	$ 3,433	$ 10,682	$ 11,098
Contract Revenue:				
Adhesive patch kits	75	22	499	126
RNA extractions	141	94	157	204
Project management fees	7	24	34	96
Total revenues	$ 3,915	$ 3,573	$ 11,372	$ 11,524

(b) Deferred Revenue and Remaining Performance Obligations

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue on the condensed consolidated balance sheets.

In a majority of historical agreements that produced contract revenue, the Company received a substantial up-front payment and additional payments upon the achievement of various milestones over the life of the agreement. This results in deferred revenue and is relieved upon delivery of the applicable Smart Stickers or RNA extraction results. Changes in accounts receivable and deferred revenue were not materially impacted by any other factors.

The Company records a deferred revenue liability if a customer pays consideration before the Company transfers a good or service to the customer. Deferred revenue primarily represents upfront milestone payments, for which consideration is received prior to when goods/services are completed or delivered. Upfront fees that are estimated to be recognized as revenue more than one year from the date of collection are classified as long-term deferred revenue. Short-term deferred revenue as of September 30, 2023 and December 31, 2022 was $0.2 million and $0.1 million, respectively. As of December 31, 2022, the Company reclassified $1.0 million of short-term deferred revenue to accrued liabilities for a customer refund obligation in connection with cancellation of future services.

Remaining performance obligations include deferred revenue and amounts the Company expects to receive for goods and services that have not yet been delivered or provided under existing agreements. For agreements that have an original duration of one year or less, the Company has elected the practical expedient applicable to such agreements and does not disclose the remaining performance obligations at the end of each reporting period. As of September 30, 2023, the estimated revenue expected to be recognized in future periods related to performance obligations that are unsatisfied for executed agreements with an original duration of one year or more was immaterial.

(f) Accounts Receivable

Test Accounts Receivable

Due to the nature of the Company's test revenue, it can take a significant amount of time to collect upon billed tests. The Company prepares an analysis on reimbursement collections and data obtained for each financial reporting period to determine the amount of receivables to be recorded relating to tests performed in the applicable period. The Company generally does not perform evaluations of customers' financial condition and generally does not require collateral. Accounts receivable are written off when all efforts to collect the balance have been exhausted. Adjustments for implicit price concessions attributable to variable consideration are incorporated into the measurement of the accounts receivable balances. The Company recorded $3.3 million and $4.1 million of net test accounts receivable as of September 30, 2023 and December 31, 2022, respectively.

Contract Accounts Receivable

Contract accounts receivable are recorded at the net invoice value and are not interest bearing. The Company reserves specific receivables if collectability is no longer reasonably assured, and, as of September 30, 2023, the Company did not maintain any reserves over contract receivables as they relate to large established credit worthy customers. The Company re-evaluates such reserves on a regular basis and adjusts its reserves as needed. Once a receivable is deemed to be uncollectible, such balance is charged against the reserve. The Company recorded $0.3 million and $0.1 million of contract accounts receivable as of September 30, 2023 and December 31, 2022, respectively.

(g) Net Loss Per Share

Basic and diluted net loss per share of common stock is determined by dividing net loss applicable to holders of common stock by the weighted average number of shares of common stock outstanding during the period. Because there is a net loss attributable to holders of common stock during the periods presented, the outstanding common stock warrants, stock options and restricted stock units ("RSUs") have been excluded from the calculation of diluted loss per share of common stock because their effect would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted loss per share are the same.

Outstanding anti-dilutive securities not included in diluted net loss per share (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Shares issuable upon exercise of common stock warrants	706	714	706	714
Shares issuable upon exercise of stock options	1,908	1,732	1,908	1,732
Shares issuable upon the release of restricted stock units	2,702	3,292	2,702	3,292
	5,316	5,738	5,316	5,738

(h) Accounting Pronouncements Issued But Not Yet Effective

In June 2022, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* ("ASU 2022-03"). Under the guidance of ASU 2022-03, a contractual restriction on the sale of an equity security is not considered in measuring the security's fair value. ASU 2022-03 also requires certain disclosures for equity securities that are subject to contractual restrictions. For public business entities, the provisions of ASU 2022-03 are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024 and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company is still evaluating the impact of this pronouncement on the consolidated financial statements.

The Company does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material impact on its condensed consolidated financial statements or disclosures.

2. Balance Sheet Details

Short-Term Marketable Securities

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of debt securities classified as available-for-sale securities by major security type and class of security as of September 30, 2023 were as follows (in thousands):

	September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Short-term marketable securities, available-for-sale:				
Corporate debt securities	$ 2,623	$ —	$ (22)	$ 2
U.S. government debt securities	28,234	234	(99)	28
Total short-term marketable securities, available-for-sale	$ 30,857	$ 234	$ (121)	$ 30

The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value of debt securities classified as available-for-sale securities by major security type and class of security as of December 31, 2022 were as follows (in thousands):

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Short-term marketable securities, available-for-sale:				
Corporate debt securities	$ 13,535	$ 2	$ (236)	$ 13
Municipal debt securities	1,001	—	(8)	
U.S. government debt securities	34,675	10	(568)	34
Total short-term marketable securities, available-for-sale	$ 49,211	$ 12	$ (812)	$ 48

As of September 30, 2023, the estimated market value of debt securities with contractual maturities of less than twelve months was $29.7 million; the remaining debt securities that the Company held at that date had an estimated market value of $1.3 million and contractual maturities of up to 14 months. As of December 31, 2022, the estimated market value of debt securities with contractual maturities of less than twelve months was $40.2 million; the remaining debt securities that the Company held at that date had an estimated market value of $8.2 million and contractual maturities of up to 23 months.

The Company evaluates securities with unrealized losses to determine whether such losses, if any, are due to credit-related factors. It was determined that no credit losses existed as of September 30, 2023 or December 31, 2022 because the change in market value for those securities in an unrealized loss position has resulted from fluctuating interest rates rather than a deterioration of the credit worthiness of the issuers. Gross realized gains and losses on the Company's debt securities for the three and nine months ended September 30, 2023 and 2022 were not significant.

The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2023 aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	September 30, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealiz Loss
Short-term marketable securities, available-for-sale:						
Corporate debt securities	$ 2,004	$ (15)	$ 596	$ (7)	$ 2,600	$ (2
U.S. government debt securities	7,768	(93)	716	(6)	8,484	(9
Total short-term marketable securities, available-for-sale	$ 9,772	$ (108)	$ 1,312	$ (13)	$ 11,084	$ (12

The following table presents gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2022, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	December 31, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealiz Loss
Short-term marketable securities, available-for-sale:						
Corporate debt securities	$ 6,533	$ (105)	$ 5,503	$ (131)	$ 12,036	$ (23
Municipal securities	—	—	992	(8)	992	(
U.S. government debt securities	10,907	(196)	19,026	(372)	29,933	(56
Total short-term marketable securities, available-for-sale	$ 17,440	$ (301)	$ 25,521	$ (511)	$ 42,961	$ (81

Prepaid Expenses and Property and Equipment, Net

Condensed consolidated balance sheet details are as follows (in thousands):

	September 30, 2023	December 31, 2022
Prepaid expenses and other current assets:		
Prepaid expenses	$ 2,398	$ 3,207
Other current assets	530	733
Total prepaid expenses and other current assets	$ 2,928	$ 3,940
Property and equipment, gross:		
Laboratory equipment	$ 6,297	$ 6,250
Computer equipment	831	872
Furniture and fixtures	1,247	913
Leasehold improvements	604	1,344
Total property and equipment, gross	8,979	9,379
Less accumulated depreciation	(3,368)	(3,004)
Total property and equipment, net	$ 5,611	$ 6,375

Accrued Compensation and Accrued Liabilities

Condensed consolidated balance sheet details are as follows (in thousands):

	September 30, 2023	December 31, 2022
Accrued compensation:		
Accrued bonus and commissions	$ 2,591	$ 3,257
Accrued salaries and wages	3,182	4,637
Total accrued compensation	$ 5,773	$ 7,894
Accrued liabilities:		
Accrued consulting services	$ 125	$ 894
Customer refund liability	980	980
Restructuring liability	65	—
Other accrued expenses	776	1,590
Total accrued liabilities	$ 1,946	$ 3,464

3. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis. 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 an orderly transaction between market participants at the measurement date. The Company uses a three-tier fair value hierarchy to prioritize the inputs used in the Company's fair value measurements. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table provides a summary of the assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2023 (in thousands):

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market	$ 8,883	$ —	$ —	$ 8,883
Corporate debt securities	—	5,504	—	5,504
U.S. government debt securities	—	8,689	—	8,689
Total cash equivalents	8,883	14,193	—	23,076
Marketable securities, available for sale:				
Corporate debt securities	—	2,601	—	2,601
U.S. government debt securities	—	28,369	—	28,369
Total marketable securities, available for sale	—	30,970	—	30,970
Total assets measured at fair value on a recurring basis	$ 8,883	$ 45,163	$ —	$ 54,046
Liabilities:				
Warrant liability	$ —	$ —	$ 1	$ 1
Total liabilities measured at fair value on a recurring basis	$ —	$ —	$ 1	$ 1

The following table provides a summary of the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 (in thousands):

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money Market	$ 9,365	$ —	$ —	$ 9,365
Corporate debt securities	—	7,374	—	7,374
U.S. government debt securities	—	18,396	—	18,396
Total cash equivalents	9,365	25,770	—	35,135
Marketable securities, available for sale:				
Corporate debt	—	13,301	—	13,301
Municipal debt securities	—	993	—	993
U.S. government debt securities	—	34,117	—	34,117
Total marketable securities, available for sale	—	48,411	—	48,411
Total assets measured at fair value on a recurring basis	$ 9,365	$ 74,181	$ —	$ 83,546
Liabilities:				
Warrant liability	$ —	$ —	$ 5	$ 5
Total liabilities measured at fair value on a recurring basis	$ —	$ —	$ 5	$ 5

The Company’s marketable debt securities are classified as available-for-sale securities based on management's intentions and are at Level 2 of the fair value hierarchy, as these investment securities are valued based upon quoted prices for identical or similar instruments in markets that are not active. The Company has classified marketable securities with original maturities of greater than one year as short-term investments based upon the Company’s ability to use all of those marketable securities to satisfy the liquidity needs of the Company’s current operations.

The fair value of the Private SPAC Warrants (as defined below) was determined using the Black-Scholes-Merton valuation model and included an unobservable input: expected volatility. Expected volatility is considered by the Company to be an unobservable input and is calculated using a weighted average of historical volatilities of a combination of the Company and peer companies, due to the lack of sufficient historical data of the Company's own stock price. The model also incorporated several observable assumptions at each valuation date, including the price of the Company's common stock on the date of valuation, the remaining contractual term of the warrant and the risk-free interest rate over the remaining term.

The following assumptions were used to calculate the fair value of the Company's warrant liability using the Black-Scholes-Merton valuation model:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Assumed risk-free interest rate	5.46%	4.22%	4.35% - 5.46%	2.37% - 4.22%
Assumed volatility	134.91%	118.13%	123.28% - 134.91%	92.77% - 118.13%
Expected term	0.92 years	1.92 years	0.92 - 1.42 years	1.92 - 2.42 years
Expected dividend yield	—	—	—	—

The following table summarizes the changes in the fair value of the Company's Level 3 liabilities (in thousands):

Balance as of December 31, 2022	$	5
Change in fair value of warrant liability		7
Balance as of March 31, 2023	$	12
Change in fair value of warrant liability		(6)
Balance as of June 30, 2023	$	6
Change in fair value of warrant liability		(5)
Balance as of September 30, 2023	$	1

As of September 30, 2023 and December 31, 2022, the Company maintains letters of credit of $3.5 million and $3.5 million, respectively, related to its lease arrangements, secured by cash of September 30, 2023 and money market accounts as of December 31, 2022, in accordance with certain of its lease agreements. The amounts are recorded at fair value using Level 1 inputs and included as restricted cash in the condensed consolidated balance sheets.

The Company believes the carrying amount of cash and cash equivalents, accounts payable and accrued expenses approximate their estimated fair values due to the short-term nature of these accounts.

4. Stockholders' Equity

(a) Common Stock

On June 2, 2023, the Company filed an amendment to its Amended and Restated Certificate of Incorporation, as amended, with the Secretary of State of Delaware to increase the authorized number of shares of common stock of the Company from 50,000,000 to 100,000,000 shares (the "Amended Certificate"). The Amended Certificate was approved by the Company's stockholders at the 2023 Annual Meeting.

(b) At-The-Market Offering

On November 10, 2020, the Company entered into a sales agreement (the "2020 Sales Agreement") with Cowen and Company, LLC ("Cowen") relating to the sale of shares of the Company's common stock from time to time with an aggregate offering price of up to $50.0 million. Through December 31, 2021, the Company issued an aggregate of 1,482,343 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $30.05, net of $1.6 million in issuance costs resulting in net proceeds to the Company of approximately $42.9 million. During 2022, the Company did not issue or sell any shares of common stock pursuant to the 2020 Sales Agreement.

During the three months ended September 30, 2023, the Company issued an aggregate of 172,000 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $2.59 resulting in aggregate gross and net proceeds of approximately $0.4 million. For the nine months ended September 30, 2023, the Company issued an aggregate of 2,038,661 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $2.68 resulting in aggregate gross proceeds of approximately $5.5 million, reduced by $0.3 million in issuance costs, resulting in net proceeds to the Company of approximately $5.2 million. As of September 30, 2023, the 2020 Sales Agreement has been fully utilized, and no additional shares of common stock may be sold pursuant to the 2020 Sales Agreement.

On August 8, 2022, the Company entered into a second sales agreement (the “2022 Sales Agreement”) with Cowen relating to the sale of shares of the Company’s common stock from time to time with an aggregate offering price of up to $75.0 million under a second at-the-market offering program. The Company did not issue any shares of common stock pursuant to the 2022 Sales Agreement prior to the three months ended September 30, 2023. During the three months ended September 30, 2023, the Company issued an aggregate of 130,598 shares of common stock pursuant to the 2022 Sales Agreement at a weighted average purchase price of $2.49 resulting in aggregate gross proceeds of approximately $0.3 million, reduced by $0.2 million in issuance costs, resulting in net proceeds to the Company of approximately $0.1 million. As of September 30, 2023, $74.7 million is available pursuant to the Company's 2022 Sales Agreement.

(c) Warrants

SPAC Warrants

The Company previously issued a total of 14,936,250 SPAC warrants (the "SPAC Warrants") to purchase common stock in public and private placement offerings, which were consummated on June 23, 2017. As part of the public offering, the Company issued 14,375,000 warrants (the "Public SPAC Warrants") and, as part of the private placement offering, the Company issued 561,250 warrants (the "Private SPAC Warrants"). The SPAC Warrants have a five-year life from the date the Business Combination was consummated, and every four SPAC Warrants entitle the holder to purchase one whole share of common stock at an exercise price of $23.00 per whole share.

The Private SPAC Warrants are identical to the Public SPAC Warrants, but they (i) are exercisable either for cash or on a cashless basis at the holder’s option, (ii) are not redeemable by the Company as long as such warrants are held by the initial purchasers or their affiliates and permitted transferees, and (iii) may be subject to the limitations on exercise as specified in the warrant agreement. As a result of these differences in features between the Public SPAC Warrants and Private SPAC Warrants, the Company concluded that the Private SPAC Warrants should be classified as a liability, if still held by the original Private SPAC Warrant holder, and marked to market each financial reporting period in the Company’s statement of operations.

In 2021, a total of 12,120,397 SPAC Warrants were exercised, resulting in the Company’s issuance of 3,030,092 shares of common stock and the receipt of $69.7 million in gross proceeds. Outstanding SPAC Warrants totaled 2,815,853 as of September 30, 2023 and December 31, 2022. Private SPAC Warrants that were still owned by the original holder totaled 80,350 as of September 30, 2023 and December 31, 2022.

Placement Agent Warrants

In connection with several of DermTech Operations’ financings that took place between 2015 and 2018, DermTech Operations engaged a registered placement agent to assist in marketing and selling common and preferred units. From 2015 to 2016, DermTech Operations issued 168,522 seven-year warrants to purchase one share of common stock each at an exercise price of $8.68 per share. From 2016 to 2018, DermTech Operations issued 72,658 seven-year warrants to purchase one share of common stock at an exercise price of $9.54 per share. In 2020, the Company issued 15,724 seven-year warrants to purchase one share of common stock at an exercise price of $9.54 per share in connection with the Company’s 2018 bridge note financing. Outstanding placement agent warrants totaled 1,656 and 4,510 as of September 30, 2023 and December 31, 2022, respectively.

(d) Stock-Based Compensation

Stock-based compensation expense for employee options, RSUs, the purchase rights issued under the DermTech, Inc. 2020 Employee Stock Purchase Plan, as amended (the "2020 ESPP"), and consultant options was recorded in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 383	$ 353	$ 1,230	$ 986
Sales and marketing	642	1,294	3,698	3,822
Research and development	701	1,074	1,938	2,899
General and administrative	1,437	2,215	8,548	5,960
Total stock-based compensation	$ 3,163	$ 4,936	$ 15,414	$ 13,667

The total compensation cost related to non-vested awards not yet recognized as of September 30, 2023 was $22.5 million, which is expected to be recognized over a weighted average term of 2.45 years.

Departure of Former Chief Executive Officer

Stock-based compensation expense for the three and nine months ended September 30, 2023 includes accelerated expense of zero and $3.0 million, respectively, in connection with the transition agreement dated March 1, 2023, between the Company and its former Chief Executive Officer, John Dobak, M.D. (the "Transition Agreement"). The accelerated expense is included within general and administrative expenses in the condensed consolidated statement of operations.

Dr. Dobak resigned from his position as Chief Executive Officer and member of the board of directors of the Company (the "Board") effective May 8, 2023 and agreed to serve as a consultant to the Company on an as needed basis until January 1, 2024. The terms of the Transition Agreement allow for continuing vesting of Dr. Dobak's equity awards through the end of the consulting period on January 1, 2024. At the termination of the consulting period, consistent with Dr. Dobak's change of control and severance plan, he will immediately receive an additional 10 months vesting of equity awards and the period to exercise his vested stock options will be increased from 90 days to 12 months.

The Company assessed the consulting services under the Transition Agreement as nonsubstantive pursuant to *ASC 718, Compensation – Stock Compensation (ASC 718)* and recognized all stock-based compensation expense related to Dr. Dobak's equity awards vesting in connection with the Transition Agreement upon his resignation.

5. Commitments and Contingencies

Restructuring Plan

On June 26, 2023, the Board approved a restructuring plan (the "Restructuring Plan") to prioritize growth opportunities for the DMT, streamline operations, suspend pipeline programs, and significantly reduce overall operating expenses. The Restructuring Plan included a reduction of the Company's workforce by approximately 15%. The actions associated with the employee restructuring under the Restructuring Plan were substantially completed in the third quarter of 2023.

The Company incurred $2.1 million in restructuring charges in connection with the Restructuring Plan for the nine months ended September 30, 2023, which consist of $1.8 million in charges related to severance payments and employee benefits and $0.3 million in charges related to stock-based compensation for the acceleration of share-based awards. No restructuring charges were incurred for the three months ended September 30, 2023. Restructuring charges are included in general and administrative expenses in the condensed consolidated statement of operations.

The restructuring liability as of September 30, 2023 is $0.1 million and is included within accrued liabilities in the condensed consolidated balance sheets.

Legal Proceedings

From time to time, the Company may be subject to legal proceedings and claims arising in the ordinary course of business. Because legal proceedings are inherently uncertain, we are unable to predict the ultimate outcome of these matters, management does not believe that the outcome of any of these matters will have a material effect on the Company's consolidated financial position, results of operations or cash flows. However, there can be no assurance as to the ultimate outcome of these matters.

On October 16, 2023, a purported class action lawsuit titled Bagheri v. DermTech, Inc., et al., Case No. 23-cv-1885-DMS-JLB, was filed in the United States District Court for the Southern District of California against the Company and certain of its current and/or former officers (collectively, "Defendants"). The complaint was filed on behalf of persons who purchased or otherwise acquired the Company's publicly traded securities between May 3, 2022 and November 3, 2022. The complaint generally alleges that the Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false and misleading statements regarding the Company's business, operations, and prospects. The action includes claims for damages and an award of reasonable costs and attorneys' fees and expert fees. Given the early stage of this litigation, the probability of an outcome cannot be determined at this time. The Company intends to vigorously defend against all claims.

6. Related Party Transactions

During 2022 and 2023, the Company engaged EVERSANA Life Science Services, LLC and its subsidiary Intouch Group, LLC (collectively, "EVERSANA") to provide certain marketing services to the Company. Leana Wood, the spouse of Todd Wood, the Company's former Chief Commercial Officer, is an employee of EVERSANA. Mr. Wood's last day of employment as Chief Commercial Officer of the Company was July 3, 2023. The Company incurred $2,000 and $1.1 million in costs for the three months ended September 30, 2023 and 2022, respectively, and $0.9 million and $2.8 million in costs for the nine months ended September 30, 2023 and 2022, respectively. Amounts due to EVERSANA were zero and $0.3 million as of September 30, 2023 and December 31, 2022, respectively.

There were no other related party transactions identified during the three and nine months ended September 30, 2023 and 2022.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of DermTech, Inc. (together with its subsidiaries, "DermTech," "we," "us," "our" or the "Company") should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited condensed consolidated financial statements and notes thereto and the MD&A for the fiscal year ended December 31, 2022, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, (the "SEC") on March 2, 2023.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the following MD&A, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that are intended to be covered by the "safe harbor" created by those sections. All statements, other than statements of historical facts, contained in this report, including statements regarding DermTech's or its management's intentions, beliefs, expectations and strategies for the future and its statements, estimates and expectations regarding market size, future performance estimates or estimates of future results, the Restructuring Plan, its potential cost savings and any related future effects of the Restructuring Plan, are forward looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "expect," "plan," "anticipate," "believe," "estimate," "intend," "potential," "could," "would," or "continue" or the negative of these terms or other comparable terminology. Forward-looking statements are made as of the date of this report, 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 could cause actual results to differ materially are more fully described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 or in this Quarterly Report on Form 10-Q. We may disclose changes to risk factors or additional risk factors from time to time in our future filings with the SEC. We assume no obligation to update any of the forward-looking statements after the date of this report or to conform these forward-looking statements to actual results.

Overview

We are a molecular diagnostic company developing and marketing novel non-invasive genomics tests to aid in the diagnosis and management of melanoma. Our technology enhances evaluation of lesions suspicious for melanoma using non-invasive sample collection and detecting genomic markers associated with melanoma to identify higher risk lesions or to rule out melanoma with a 99% negative predictive value ("NPV") (Gerami et al. J Am Acad Dermatol. 2017; Skelsey et al. SKIN. 2021). Our scalable genomics assays have been designed to work with our adhesive patch, the DermTech Smart Sticker™ (the "Smart Sticker"), which is used to non-invasively collect skin tissue samples for analysis.

We are initially commercializing tests that will address unmet needs in the diagnostic pathway of pigmented skin lesions, such as moles or dark colored skin spots. The DermTech Melanoma Test ("DMT") facilitates the clinical assessment of pigmented skin lesions for melanoma. We initially focused on marketing the DMT to a large group of dermatologists and are currently prioritizing billable samples in geographies where we have payor coverage versus overall volume growth as one factor to potentially increase average selling price. The application of our Smart Sticker to collect samples non-invasively may allow us to eventually market the DMT to primary care physicians more broadly, beyond integrated primary care networks. We process our tests in our high complexity molecular laboratory that is Clinical Laboratory Improvement Amendments of 1988 ("CLIA") certified, College of American Pathologists accredited and New York licensed. We also provide laboratory services to several pharmaceutical companies that access our technology on a contract basis for their clinical trials or other studies to advance new drugs.

In the United States, approximately 12 million surgical biopsies are performed each year to diagnose approximately 5.4 million non-melanoma skin cancers. Many of the initial surgical procedures for these skin cancers are performed on cosmetically sensitive areas of the body, such as the face, neck and chest, creating significant demand for a non-invasive alternative. We believe the total market opportunity for our non-melanoma skin cancer products may exceed $3 billion in the United States and $1 billion in select world-wide markets. Based on publicly available estimates, approximately 4 million total skin biopsies are completed in the United States each year to diagnose approximately 190,000 melanomas, consisting of approximately 2 million biopsies covered by Medicare with a market value of approximately $1.5 billion per year and approximately 2 million biopsies that could potentially be reimbursed by commercial payors for an approximate value of $1 billion per year. In 2023, we increased covered lives for our tests by approximately 45%.

Events, Trends and Uncertainties

The DMT without the additional test for the presence of telomerase reverse transcriptase gene driver mutations (“TERT”) (formerly known as PLA*plus*) became eligible for Medicare reimbursement on February 10, 2020. Each reference to the DMT in this paragraph refers only to the DMT without the add-on test for TERT. In late October 2019, the American Medical Association provided us with a Proprietary Laboratory Analyses Code (“PLA Code”). Pricing of $760 for the PLA Code was published on December 24, 2019 as part of the Clinical Laboratory Fee Schedule for 2020. The final Local Coverage Determination (“LCD”) expanded the coverage proposal in the draft LCD from one to two tests per date of service, and it allows clinicians to order the DMT if they have sufficient skill and experience to decide whether a pigmented lesion should be biopsied. Our local Medicare Administrative Contractor, Noridian, has issued its own LCD (“Noridian’s LCD”) announcing coverage of the DMT. Even though the effective date of Noridian’s LCD was June 7, 2020, Noridian began reimbursing us for the DMT as of February 10, 2020. With Medicare coverage granted, we have the opportunity to approach commercial payors, and, as a result, we believe that the DMT may generate significant revenues in the future. No LCD currently covers the optional add-on test for TERT available to those ordering the DMT.

Despite the grant of Medicare coverage for the DMT (without the add-on test for TERT), uncertainty surrounds commercial payor reimbursement, including governmental and commercial payors, of any test incorporating new technology, including tests developed using our technologies. Because each payor generally determines for its own enrollees or insured patients whether to cover or otherwise establish a policy to reimburse our tests, seeking payor approvals is a time-consuming and costly process. Payors can change, and have changed, their policies and procedures regarding their coverage of or reimbursement for our tests, from time to time, even after we have received relevant payor approvals. We cannot be certain that coverage for our current tests and our planned tests will be provided in the future by additional commercial payors or that existing policy decisions or reimbursement levels will remain in place or be fulfilled under existing terms and provisions. If we cannot obtain or maintain coverage and reimbursement from private and governmental payors, such as Medicare and Medicaid, for our current tests, or new tests or test enhancements, our ability to generate revenues could be limited. This may have a material adverse effect on our business, financial condition, results of operation and cash flows.

Restructuring Plan

On June 26, 2023, the board of directors of the Company (the “Board”) approved restructuring actions (the "Restructuring Plan") that were intended to prioritize the significant growth opportunities for the DMT, streamline operations, suspend pipeline programs and significantly reduce overall operating expenses. These restructuring actions primarily related to sales, marketing and general and administrative functions and resulted in a workforce reduction of approximately 15% of the Company’s workforce. The Company currently estimates annualized operating expenses savings of between $25 million and $30 million as a result of the Restructuring Plan and based on fourth quarter 2023 operating expenses.

As part of the Restructuring Plan, the Company incurred one-time charges of $2.1 million in the second quarter of 2023. The one-time charges consist primarily of severance payments, employee benefits and stock-based compensation for the acceleration of share-based awards. The actions associated with the employee restructuring under the Restructuring Plan were substantially completed in the third quarter of 2023. The restructuring liability as of September 30, 2023 is $0.1 million and is included within accrued liabilities in the condensed consolidated balance sheets.

Contract Revenue

Contract revenues with pharmaceutical companies relate to ongoing clinical trial contracts and new contracts. Contract revenue can be highly variable as it is dependent on the pharmaceutical customers’ clinical trial progress, which can be difficult to forecast due to variability of patient enrollment, drug safety and efficacy and other factors. Many of our historical contracts with third parties were structured to contain milestone billing payments, which typically are advance payments on work yet to be performed. These advanced payments are structured to help fund operations and are included in deferred revenue as the work has not yet been performed. These advance payments will remain in deferred revenue until we process the laboratory portion of the contracts allowing us to recognize the revenue.

Supply Chain and Inflationary Environment

Global supply chain disruptions and the higher inflationary environment have resulted in higher prices, which could impact our liquidity, business, financial condition and results of operations.

Financial Overview

Revenue

We generate revenue through laboratory services that are billed to Medicare, private medical insurance companies and pharmaceutical companies who order our laboratory services, which can include sample collection kits, test development, patient segmentation and stratification, genomic analysis, data analysis and reporting. Our revenue is generated from two revenue streams: test revenue and contract revenue. Test revenue can be highly variable as it is based on payments received by government and private insurance payors that are and are not under contract and can vary based on patient insurance coverage, deductibles and co-pays. As much of our test revenue is driven by the samples that are sent by physicians to our central lab for testing, a key performance measure for us is samples that are received and processed by our central lab successfully, also known as billable samples. We are currently prioritizing billable samples in geographies where we have payor coverage versus overall volume growth as one factor to potentially increase average selling price. Historically, less than one third of our total test volume has been reimbursed. We continuously take measures with the goal of improving that proportion by leveraging our Medicare coverage and the 133 million total covered lives for our test, as well as increasing our appeals and administrative process with payors' claim processing and medical affairs departments. In the first quarter of 2023, we stopped testing samples from pediatric patients and certain Fitzpatrick skin types based on guidance from our lab accrediting organization. We are working on a plan to reintroduce testing for these cohorts with extremely low prevalence of melanoma. Based on these factors, we expect test volumes in 2023 to be relatively flat or slightly lower than 2022.

Our laboratory services are ordered by customers on projects that may span over several years, which makes our contract revenue highly variable. Segments of these contracts may be increased, delayed or eliminated based on the success of our customers' clinical trials or other factors.

Operating Expenses

Sales and Marketing Expenses

Sales and marketing expenses are primarily related to our specialty field sales force, market research, reimbursement efforts, conference attendance, public relations, advertising and general marketing.

Research and Development Expenses

Our research and development ("R&D") expenses consist primarily of salaries and fringe benefits, clinical trials, consulting costs, facilities costs, laboratory costs, equipment expense and depreciation. We also conduct clinical trials to validate the performance characteristics of our tests and to show medical cost benefit in support of our reimbursement efforts.

General and Administrative Expenses

Our general and administrative expenses consist of senior management compensation, consulting, legal, billing and collections, human resources, information technology, accounting, insurance, and general business expenses.

Financing Activities

2020 At-The-Market Offering

On November 10, 2020, the Company entered into a sales agreement with Cowen and Company, LLC ("Cowen") relating to the sale of shares of the Company's common stock from time to time with an aggregate offering price of up to $50.0 million (the "2020 Sales Agreement"). Through December 31, 2021, the Company issued an aggregate of 1,482,343 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $30.05, net of $1.6 million in issuance costs resulting in net proceeds to the Company of approximately $42.9 million. During 2022, the Company did not issue or sell any shares of common stock pursuant to the 2020 Sales Agreement. During the three months ended September 30, 2023, the Company issued an aggregate of 172,000 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $2.59 resulting in aggregate gross and net proceeds of approximately $0.4 million. During the nine months ended September 30, 2023, the Company issued an aggregate of 2,038,661 shares of common stock pursuant to the 2020 Sales Agreement at a weighted average purchase price of $2.68 resulting in aggregate gross proceeds of approximately $5.5 million, reduced by $0.3 million in issuance costs, resulting in net proceeds to the Company of approximately $5.2 million.

As of September 30, 2023, the 2020 Sales Agreement has been fully utilized, and no additional shares of common stock may be sold pursuant to the 2020 Sales Agreement.

2022 At-The-Market Offering

On August 8, 2022, the Company entered into a sales agreement with Cowen relating to the sale of shares of the Company's common stock from time to time with an aggregate offering price of up to $75.0 million (the "2022 Sales Agreement"). The Company did not issue any shares of common stock pursuant to the 2022 Sales Agreement prior to the three months ended September 30, 2023. During the three months ended September 30, 2023, the Company issued an aggregate of 130,598 shares of common stock pursuant to the 2022 Sales Agreement at a weighted average purchase price of $2.49 resulting in aggregate gross proceeds of approximately $0.3 million, reduced by $0.2 million in issuance costs, resulting in net proceeds to the Company of approximately $0.1 million. As of September 30, 2023, $74.7 million is available pursuant to the Company's 2022 Sales Agreement.

Results of Operations

Three Months Ended September 30, 2023 and September 30, 2022

(In thousands, except per share amounts, percentages and billable test revenue samples)	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Revenues:				
Test revenue	$ 3,692	$ 3,433	$ 259	8 %
Contract revenue	223	140	83	59 %
Total revenues	3,915	3,573	342	10 %
Cost of revenues:				
Cost of test revenue	3,661	3,644	17	— %
Cost of contract revenue	82	50	32	64 %
Total cost of revenues	3,743	3,694	49	1 %
Gross profit	172	(121)	293	*
Gross profit (loss) as a percent of total revenue	4 %	(3)%		
Operating expenses:				
Sales and marketing	8,123	14,632	(6,509)	(44)%
Research and development	3,595	5,702	(2,107)	(37)%
General and administrative	8,264	8,806	(542)	(6)%
Total operating expenses	19,982	29,140	(9,158)	(31)%
Loss from operations	(19,810)	(29,261)	9,451	(32)%
Other income:				
Interest income, net	641	485	156	32 %
Change in fair value of warrant liability	5	4	1	25 %
Total other income	646	489	157	32 %
Net loss	$ (19,164)	$ (28,772)	$ 9,608	(33)%
Basic and diluted net loss per share	$ (0.57)	$ (0.96)	$ 0.39	(41)%
Other Operating Data:				
Billable test revenue samples	15,710	18,080	(2,370)	(13)%

* Absolute value percentage change greater than 100

Test Revenue

Test revenues increased $0.3 million, or 8%, to $3.7 million for the three months ended September 30, 2023, compared to $3.4 million for the three months ended September 30, 2022. The increase in test revenues was primarily driven by an increase in average selling price as we have started to prioritize billable sample volume with contracted payors, and lower revenue adjustments for tests run in prior periods.

Billable samples decreased to approximately 15,710 for the three months ended September 30, 2023, compared to approximately 18,080 for the three months ended September 30, 2022. Sample volume is dependent on two major factors: the number of clinicians who order a test in any given quarter and the number of tests ordered by each clinician during the period. The number of ordering clinicians and the utilization per clinician can vary based on a number of factors, including the types of skin cancer conditions presented to clinicians, clinician reimbursement, office workflow, market awareness, clinician education and other factors. We are also currently prioritizing volume in geographies where we have payor coverage versus overall volume growth as one factor to potentially increase average selling price.

Contract Revenue

Contract revenues with pharmaceutical companies increased $0.1 million to $0.2 million for the three months ended September 30, 2023, compared to $0.1 million for the three months ended September 30, 2022. The increase is attributable to a higher number of kit shipments and more laboratory services performed for several pharmaceutical companies. Contract revenues can be highly variable as it is dependent on the pharmaceutical customers' clinical trial progress, which can be difficult to forecast due to variability of patient enrollment, drug safety and efficacy and other factors.

Cost of Revenue

Cost of revenues was flat at $3.7 million for the three months ended September 30, 2023 and September 30, 2022. While billable sample volume for the quarter ended September 30, 2023 decreased relative to billable sample volume for the quarter ended September 30, 2022, cost of revenue remained flat over the same period largely due to higher overhead costs pertaining to our new facility. As of September 30, 2023, a large portion of the costs of revenue are fixed, and these costs include the CLIA facility, quality assurance, management and supervision and equipment calibration and depreciation. The variable cost of revenue expenses incurred primarily relate to compensation-related costs for our laboratory scientists and technicians, laboratory supplies, shipping costs and Smart Sticker collection kits. We remain committed to continuing the improvements of our laboratory processes in order to become more cost efficient and productive.

Operating Expenses

Sales and Marketing

Sales and marketing expenses decreased $6.5 million, or 44%, to $8.1 million for the three months ended September 30, 2023, compared to $14.6 million for the three months ended September 30, 2022. The decrease was due to a reduction in employee compensation related cost from our Restructuring Plan, reduced spend around marketing activities and reduced consulting costs.

Research and Development

R&D expenses decreased $2.1 million, or 37%, to $3.6 million for the three months ended September 30, 2023, compared to $5.7 million for the three months ended September 30, 2022. The decrease was due to reduced compensation costs from lower headcount, lower lab supply spending and lower clinical study costs.

General and Administrative

General and administrative expenses decreased $0.5 million, or 6%, to $8.3 million for the three months ended September 30, 2023, compared to $8.8 million for the three months ended September 30, 2022. The decrease was due to a reduction in employee compensation related costs from our Restructuring Plan, reduced legal fees and reduced insurance costs, offset by higher overhead related costs from our new facility.

Interest Income, net

Interest income, net of $0.6 million and $0.5 million for the three months ended September 30, 2023 and 2022, respectively, consists primarily of interest earned on our short-term marketable securities.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the three months ended September 30, 2023 was a gain of $5,000, compared to a gain of $4,000 for the three months ended September 30, 2022. The change in fair value of warrant liability is calculated by adjusting the value of the outstanding Private SPAC Warrants held by original holders to the current market value at each reporting period.

Nine Months Ended September 30, 2023 and September 30, 2022

(In thousands, except per share amounts, percentages and billable test revenue samples)	Nine Months Ended September 30,			
	2023	**2022**	**$ Change**	**% Change**
Revenues:				
Test revenue	$ 10,682	$ 11,098	$ (416)	(4)%
Contract revenue	690	426	264	62 %
Total revenues	11,372	11,524	(152)	(1)%
Cost of revenues:				
Cost of test revenue	11,361	10,410	951	9 %
Cost of contract revenue	175	111	64	58 %
Total cost of revenues	11,536	10,521	1,015	10 %
Gross (loss) profit	(164)	1,003	(1,167)	*
Gross (loss) profit as a percent of total revenue	(1)%	9 %		
Operating expenses:				
Sales and marketing	36,573	45,076	(8,503)	(19)%
Research and development	11,891	18,955	(7,064)	(37)%
General and administrative	35,359	26,258	9,101	35 %
Total operating expenses	83,823	90,289	(6,466)	(7)%
Loss from operations	(83,987)	(89,286)	5,299	(6)%
Other income:				
Interest income, net	2,186	700	1,486	*
Change in fair value of warrant liability	4	126	(122)	*
Total other income	2,190	826	1,364	*
Net loss	$ (81,797)	$ (88,460)	$ 6,663	(8)%
Basic and diluted net loss per share	$ (2.55)	$ (2.95)	$ 0.40	(14)%
Other Operating Data:				
Billable test revenue samples	50,960	50,770	190	— %

* Absolute value percentage change greater than 100

Test Revenue

Test revenues decreased $0.4 million, or 4%, to $10.7 million for the nine months ended September 30, 2023, compared to $11.1 million for the nine months ended September 30, 2022. The decrease in test revenues was primarily driven by a decrease in average selling price from lower collection estimates for certain non-contracted commercial payors, including revenue adjustments for tests run in prior periods. Billable samples increased to approximately 50,960 for the nine months ended September 30, 2023, compared to approximately 50,770 for the nine months ended September 30, 2022.

Contract Revenue

Contract revenues with pharmaceutical companies increased $0.3 million, or 62%, to $0.7 million for the nine months ended September 30, 2023, compared to $0.4 million for the nine months ended September 30, 2022. Contract revenue can be highly variable as it is dependent on the pharmaceutical customers' clinical trial progress, which can change due to variability of patient enrollment, drug safety and efficacy and other factors.

Cost of Revenue

Cost of revenues increased $1.0 million, or 10%, to $11.5 million for the nine months ended September 30, 2023, compared to $10.5 million for the nine months ended September 30, 2022. The increase was largely attributable to higher overhead costs pertaining to our new facility. As of September 30, 2023, a large portion of the costs of revenue are fixed, and these costs include the CLIA facility, quality assurance, management and supervision and equipment calibration and depreciation. The variable cost of revenue expenses incurred primarily relate to compensation-related costs for our laboratory scientists and technicians, laboratory supplies, shipping costs, equipment maintenance, and utilities. We remain committed to continuing the improvements of our laboratory processes in order to become more cost efficient and productive.

Operating Expenses

Sales and Marketing

Sales and marketing expenses decreased $8.5 million, or 19%, to $36.6 million for the nine months ended September 30, 2023, compared to $45.1 million for the nine months ended September 30, 2022. The decrease was due to a reduced spend around marketing activities, a reduction in employee compensation related cost from our Restructuring Plan and reduced consulting costs.

Research and Development

R&D expenses decreased $7.1 million, or 37%, to $11.9 million for the nine months ended September 30, 2023, compared to $19.0 million for the nine months ended September 30, 2022. The decrease was due to reduced compensation costs from lower headcount, lower clinical study costs and lower lab supply spending.

General and Administrative

General and administrative expenses increased $9.1 million, or 35%, to $35.4 million for the nine months ended September 30, 2023, compared to $26.3 million for the nine months ended September 30, 2022. The increase was primarily due to $2.1 million in costs related to the Restructuring Plan, separation benefits of $3.6 million related to our former CEO, (including $3.0 million of stock-based compensation for the acceleration of share-based awards), higher overhead from our new facility and higher employee compensation related costs offset by reduced insurance costs and reduced legal costs.

Interest Income, net

Interest income, net of $2.2 million and $0.7 million for the nine months ended September 30, 2023 and 2022, respectively, consists primarily of interest earned on our short-term marketable securities.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability for the nine months ended September 30, 2023 was a gain of $4,000, compared to a gain of $0.1 million for the nine months ended September 30, 2022. The change in fair value of warrant liability is calculated by adjusting the value of the outstanding Private SPAC Warrants held by original holders to the current market value at each reporting period.

Liquidity and Capital Resources

We have never been profitable and have historically incurred substantial net losses, including net losses of $116.7 million for the twelve months ended December 31, 2022 and $81.8 million for the nine months ended September 30, 2023. As of September 30, 2023, our accumulated deficit was $404.8 million. At the end of 2020 and throughout 2021 and 2023, we raised approximately $50.3 million in gross proceeds facilitated through our at-the-market offering. In addition, we completed an underwritten public offering in January 2021, which raised a total of $143.7 million in gross proceeds. We have historically financed operations through private placement and public equity offerings.

We expect our losses to continue as a result of costs relating to ongoing R&D expenses, general and administrative expenses and sales and marketing costs for existing products. These losses have had, and will continue to have, an adverse effect on our working capital. Because of the numerous risks and uncertainties associated with our commercialization and development efforts, we are unable to predict when we will become profitable, and we may never become profitable. Our inability to achieve and then maintain profitability would negatively affect our business, financial condition, results of operations and cash flows.

As of September 30, 2023, our cash and cash equivalents totaled approximately $37.2 million and short-term marketable securities totaled approximately $31.0 million. The Company's management has evaluated whether or not our cash and cash equivalents on hand would be sufficient to sustain projected operating activities through at least the next 12 months from the issuance of our unaudited condensed consolidated financial statements for the quarter ended September 30, 2023 (this 12-month period from the date of issuance, the “Evaluation Period”) as required by Accounting Standards Codification (ASC) 205-40 *Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern.* The Company's management believes that based on its currently planned business operations and considering the Restructuring Plan, currently available resources will provide sufficient funds to meet its anticipated operating costs for at least the next 12 months from the Evaluation Period. This assessment must be made by management on a quarterly basis based on the facts and circumstances then in existence and available to or known by management. The Company currently anticipates that it will need to raise additional capital, increase average selling prices and revenues, or further reduce operating costs following the Evaluation Period and by the time of filing of the Company’s Annual Report on Form 10-K for the fiscal year ending December 31, 2023, in order for the Company to have sufficient funds to meet its anticipated operating costs for at least 12 months following the next Evaluation Period. In the event the Company is not successful in raising additional capital, the Company may be required to further reduce operating expenses, which could have an adverse impact on its ability to achieve its intended business objectives.

While we believe we have enough capital to fund anticipated operating costs for at least the next 12 months, we expect to incur significant additional operating losses over at least the next several years. We anticipate that we will raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements in order to support our planned operations and to continue developing and commercializing genomic tests. We may also consider raising additional capital in the future to expand our business and to pursue strategic investments. Our present and future funding requirements will depend on many factors, including:

- our revenue growth rate and ability to generate cash flows from operating activities;
- our ability to successfully execute and realize the intended benefits of the Restructuring Plan;
- our sales and marketing and R&D activities;
- effects of competing technological and market developments;
- costs of and potential delays in product development;
- changes in regulatory oversight applicable to our tests;
- timing of and costs related to future international expansion; and
- our ability to maintain the listing of our common stock on The Nasdaq Capital Market.

There can be no assurances as to the availability of additional financing or the terms upon which additional financing may be available to us. If we are unable to obtain sufficient funding at acceptable terms, we may be forced to significantly curtail our operations, and lack of sufficient funding may have a material adverse impact on our ability to continue as a going concern.

Cash Flow Analysis

(amounts in thousands)	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (64,272)	$ (74,030)
Net cash provided by/(used in) investing activities	17,621	(7,858)
Net cash provided by financing activities	6,103	950

Net cash used in operating activities for the nine months ended September 30, 2023 totaled $64.3 million, primarily driven by the $81.8 million net loss, offset partially by non-cash related items, including $15.4 million in stock-based compensation, $3.1 million in amortization of operating lease ROU assets and $1.4 million in depreciation. In addition, we had a net cash outflow of $2.1 million through net changes in working capital balances driven primarily by cash inflows of $0.6 million due to the decrease in accounts receivable, $0.6 million from the decrease in inventory, $1.2 million through the decrease of prepaid expenses and other current assets offset by the cash outflows of $2.1 million from the decrease in accrued compensation, $1.7 million through the decrease in accounts payable, accrued liabilities and deferred revenue and $0.6 million from the decrease in operating lease liabilities.

Net cash provided by investing activities for the nine months ended September 30, 2023 totaled $17.6 million, which related to the outflow from the purchase of $34.4 million of marketable securities and $1.1 million from the purchase of equipment offset by the inflow from the sales and maturities of marketable securities of $53.1 million.

Net cash provided by financing activities for the nine months ended September 30, 2023 totaled $6.1 million, which was driven primarily by $5.2 million in net proceeds raised through our at-the-market offerings from the 2020 Sales Agreement and the 2022 Sales Agreement and $0.9 million in proceeds from contributions to the 2020 ESPP.

Off-Balance Sheet Arrangements

As of September 30, 2023, we did not have any off-balance sheet arrangements, as such term is defined under Item 303 of Regulation S-K, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Significant Judgments and Estimates

Critical accounting policies, significant judgments and estimates are those that we believe are most important for the portrayal of the Company's financial condition and results and that require management's most subjective and complex judgments. Judgments and uncertainties regarding the application of these policies may result in materially different amounts being reported under various conditions or using different assumptions. There have been no material changes to the critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Recent Accounting Pronouncements

See Item 1 of Part I, Note 1(h) of the condensed consolidated financial statements herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined by Rule 12b-2 under the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Disclosure controls and procedures enable us to record, process, summarize and report information required to be included in our Exchange Act filings within the required time period. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the periodic reports filed with the SEC is accumulated and communicated to our management, including our principal executive, financial and accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2023, the Company's disclosure controls and procedures were effective as of such date for this purpose.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitation on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On October 16, 2023, a purported class action lawsuit titled *Bagheri v. DermTech, Inc., et al*., Case No. 23-cv-1885-DMS-JLB, was filed in the United States District Court for the Southern District of California against the Company and certain of its current and/or former officers (collectively, "Defendants"). The complaint was filed on behalf of persons who purchased or otherwise acquired the Company's publicly traded securities between May 3, 2022 and November 3, 2022. The complaint generally alleges that the Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false and misleading statements regarding the Company's business, operations, and prospects. The action includes claims for damages and an award of reasonable costs and attorneys' fees and expert fees. Given the early stage of this litigation, the probability of an outcome cannot be determined at this time. The Company intends to vigorously defend against all claims.

Item 1A. Risk Factors.

There have not been any material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, except for the addition of the following risk factor:

We may fail to achieve the expected cost savings and related benefits from our Restructuring Plan.

On June 26, 2023, the Board approved the Restructuring Plan, which was intended to prioritize the significant growth opportunities for the DMT, streamline operations, suspend pipeline programs and significantly reduce overall operating expenses. The Restructuring Plan primarily related to sales, marketing and G&A functions and resulted in a workforce reduction of approximately 15% of the Company's workforce. As part of the Restructuring Plan, the Company incurred one-time charges of $2.1 million in the second quarter of 2023. The one-time charges consist primarily of severance payments, employee benefits and stock-based compensation for the acceleration of share-based awards.

The Company currently estimates annualized operating expense savings of between $25 million and $30 million as a result of the Restructuring Plan and based on the fourth quarter of 2023. There is no guarantee that the Restructuring Plan will achieve its intended benefits. For example, the Company's cost restructuring efforts may not result in the anticipated savings or other economic benefits, or could result in total costs and expenses that are greater than expected. In addition, the Company may not be able to effectively realize all the cost savings anticipated by the Restructuring Plan and may incur termination and other costs not previously contemplated, which could be material. The Restructuring Plan may cause disruption to the Company's business operations. For example, the Restructuring Plan resulted in the loss of a number of long-term employees, which could result in the loss of institutional knowledge and expertise and the reallocation and combination of certain roles and responsibilities across the organization, all of which could adversely affect the Company's operations. In addition, the Restructuring Plan could negatively impact the Company's ability to attract, integrate, retain and motivate key employees.

Item 5. Other information.

On October 31, 2023, as recommended by the Compensation Committee of the Board, our Board approved and adopted the DermTech, Inc. Clawback Policy (the "Clawback Policy"), which was established in accordance with the listing requirements of The Nasdaq Stock Market. The Clawback Policy provides for the recovery or "clawback" of certain erroneously awarded incentive-based compensation in the event that the Company is required to prepare an accounting restatement. The Clawback Policy is effective as of October 2, 2023. The foregoing description of the material terms of Clawback Policy is qualified in its entirety by reference to the full text of the Clawback Policy, which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Item 6. Exhibits.

The following documents are filed as part of this Form 10-Q.

Exhibit No.	Description	Filed Herewith	Form	Incorporated by Reference File No.	Date Filed
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended		10-Q	001-38118	08/03/23
3.2	Bylaws of the Company		10-K	001-38118	3/11/20
10.1*	Offer Letter, dated September 6, 2023 by and between the Company and Mark Aguillard		8-K	001-38118	9/11/23
10.2*	DermTech, Inc. Clawback Policy	X			
10.3*^	Separation Agreement, by and between the Company and Todd Wood, dated June 26, 2023		8-K/A	001-38118	7/13/23
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	Inline XBRL Instance Document	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X			
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 has been formatted in Inline XBRL.	X			

*Management contract or compensatory plan or arrangement

^Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule upon request by the SEC.

** This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation by reference language in such filing.

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.

DermTech, Inc.

Date: November 2, 2023

By: /s/ Bret Christensen

Bret Christensen
Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2023

By: /s/ Kevin Sun

Kevin Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)

DERMTECH, INC.

CLAWBACK POLICY

I. Introduction

The Board of Directors (the "**Board**") of DermTech, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and final rules and amendments adopted by the Securities and Exchange Commission (the "**SEC**") to implement the aforementioned legislation.

II. Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee of the Board, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

III. Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC and any national securities exchange on which the Company's securities are listed, and such other employees who may from time to time be deemed subject to the Policy by the Board ("**Covered Executives**").

IV. Incentive-Based Compensation

For purposes of this Policy, incentive-based compensation ("**Incentive-Based Compensation**") includes any compensation that is granted, earned, or vested based wholly or in part upon the attainment of any financial reporting measures that are determined and presented in accordance with the accounting principles ("**GAAP Measures**") used in preparing the Company's financial statements and any measures derived wholly or in part from such measures, as well as non-GAAP Measures, stock price, and total shareholder return (collectively, "**Financial Reporting Measures**"); however, it does not include: (i) base salaries; (ii) discretionary cash bonuses; (iii) awards (either cash or equity) that are solely based upon subjective, strategic or operational standards or standards unrelated to Financial Reporting Measures, and (iv) equity awards that vest solely on completion of a specified employment period or without any performance condition. Incentive-Based Compensation is considered received in the fiscal period during which the applicable reporting measure is attained, even if the payment or grant of such award occurs after the end of that period. If an award is subject to both time-based and performance-based vesting conditions, the award is considered received upon satisfaction of the performance-based conditions, even if such an award continues to be subject to the time-based vesting conditions.

For the purposes of this Policy, Incentive-Based Compensation may include, among other things, any of the following:

- Annual bonuses and other short- and long-term cash incentives.
- Stock options.
- Stock appreciation rights.
- Restricted stock or restricted stock units.
- Performance shares or performance units.

For purposes of this Policy, Financial Reporting Measures may include, among other things, any of the following:

- Company stock price.
- Total shareholder return.
- Revenues.
- Net income.
- Earnings before interest, taxes, depreciation, and amortization (EBITDA).
- Funds from operations.
- Liquidity measures such as working capital or operating cash flow.
- Return measures such as return on invested capital or return on assets.
- Earnings measures such as earnings per share.

V. Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that (i) is material to the previously issued financial statements or (ii) is not material to previously issued financial statements, but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reimbursement or forfeiture of any excess Incentive-Based Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare the accounting restatement (the "**Look-Back Period**"). For the purposes of this Policy, the date on which the Company is required to prepare an accounting restatement is the earlier of (i) the date the Board concludes or reasonably should have concluded that the Company is required to prepare a restatement to correct a material error, and (ii) the date a court, regulator, or other legally authorized body directs the Company to restate its previously issued financial statements to correct a material error. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

Recovery of the Incentive-Based Compensation is only required when the excess award is received by a Covered Executive (i) after the beginning of their service as a Covered Executive, (ii) who served as an executive officer at any time during the performance period for that Incentive-Based Compensation, (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the Look-Back Period immediately preceding the date on which the Company is required to prepare an accounting restatement.

VI. Excess Incentive Compensation: Amount Subject to Recovery

The amount of Incentive-Based Compensation subject to recovery is the amount the Covered Executive received in excess of the amount of Incentive-Based Compensation that would have been paid to the Covered Executive had it been based on the restated financial statements, as determined by the Board. The amount subject to recovery will be calculated on a pre-tax basis.

For Incentive-Based Compensation received as cash awards, the erroneously awarded compensation is the difference between the amount of the cash award that was received (whether payable in a lump sum or over time) and the amount that should have been received applying the restated Financial Reporting Measure. For cash awards paid from bonus pools, the erroneously awarded Incentive-Based Compensation is the pro rata portion of any deficiency that results from the aggregate bonus pool that is reduced based on applying the restated Financial Reporting Measure.

For Incentive-Based Compensation received as equity awards that are still held at the time of recovery, the amount subject to recovery is the number of shares or other equity awards received or vested in excess of the number that should have been received or vested applying the restated Financial Reporting Measure. If the equity award has been exercised, but the underlying shares have not been sold, the erroneously awarded compensation is the number of shares underlying the award.

In instances where the Company is not able to determine the amount of erroneously awarded Incentive-Based Compensation directly from the information in the accounting restatement, the amount will be based on the Company's reasonable estimate of the effect of the accounting restatement on the applicable measure. In such instances, the Company will maintain documentation of the determination of that reasonable estimate.

VII. Method of Recoupment

The Board will determine, in its sole discretion, subject to applicable law, the method for recouping Incentive-Based Compensation hereunder, which may include, without limitation:

- requiring reimbursement of cash Incentive-Based Compensation previously paid;
- seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- cancelling outstanding vested or unvested equity awards; and/or
- taking any other remedial and recovery action permitted by law, as determined by the Board.

VIII. No Indemnification; Successors

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive-Based Compensation. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

IX. Exception to Enforcement

The Board shall recover any excess Incentive-Based Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and any applicable rules or standards adopted by the SEC and the listing standards of any national securities exchange on which the Company's securities are listed.

X. Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC and any national securities exchange on which the Company's securities are listed.

XI. Effective Date

This Policy shall be effective as of October 2, 2023 (the "**Effective Date**") and shall apply to Incentive-Based Compensation that is received by a Covered Executive on or after that date, as determined by the Board in accordance with applicable rules or standards adopted by the SEC and the listing standards of any national securities exchange on which the Company's securities are listed.

XII. Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to comply with any rules or standards adopted by the SEC and the listing standards of any national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

XIII. Other Recoupment Rights

Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

COVERED EXECUTIVE ACKNOWLEDGMENT AND AGREEMENT

PERTAINING TO THE DERMTECH CLAWBACK POLICY

This Acknowledgment & Agreement (the "Acknowledgment") is delivered by the undersigned employee ("Covered Executive"), as of the date set forth below, to DermTech, Inc.(the "Company"). Effective as of October 2, 2023 (the "Effective Date"), the Board of Directors (the "Board") of the Company adopted the DermTech, Inc. Clawback Policy, attached as Exhibit A hereto (as amended, restated, supplemented or otherwise modified from time to time by the Board, the "Clawback Policy").

In consideration of the continued benefits to be received from the Company (and/or any subsidiary of the Company) and Covered Executive's right to participate in, and as a condition to the receipt of, Incentive-Based Compensation (as defined in the Clawback Policy), Covered Executive hereby acknowledges and agrees to the following:

1. Covered Executive has read and understands the Clawback Policy and has had an opportunity to ask questions to the Company regarding the Clawback Policy.
2. Covered Executive is bound by and to abide by the terms of the Clawback Policy and intends for the Clawback Policy to be applied to the fullest extent of the law.
3. The Clawback Policy shall apply to any and all Incentive-Based Compensation that is (i) approved, awarded or granted to Covered Executive on or after the Effective Date or received by Covered Executive during the Look-Back Period (as defined in the Clawback Policy).
4. Covered Executive is not entitled to indemnification or right of advancement of expenses in connection with any enforcement of the Clawback Policy by the Company.
5. In the event of any inconsistency between the provisions of the Clawback Policy and this Acknowledgment or any applicable incentive-based compensation arrangements, change in control and/or severance plan, employment agreement, equity agreement, indemnification agreement or similar agreement or arrangement setting forth the terms and conditions of any Incentive-Based Compensation, the terms of the Clawback Policy shall govern.

No modifications, waivers or amendments of the terms of this Acknowledgment shall be effective unless signed in writing by Covered Executive and the Company. The provisions of this Acknowledgment shall inure to the benefit of the Company, and shall be binding upon, the successors, administrators, heirs, legal representatives and assigns of Covered Executive.

By signing below, Covered Executive agrees to the application of the Clawback Policy and the other terms of this Acknowledgment.

_____

Name:

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bret Christensen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of DermTech, 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: November 2, 2023

By: /s/ Bret Christensen

Bret Christensen

Chief Executive Officer

(principal executive officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin Sun, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of DermTech, 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: November 2, 2023

By: /s/ Kevin Sun

Kevin Sun

Chief Financial Officer

(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 of DermTech, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as the specified officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

Date: November 2, 2023 By: /s/ Bret Christensen
Bret Christensen
Chief Executive Officer
(principal executive officer)

Date: November 2, 2023 By: /s/ Kevin Sun
Kevin Sun
Chief Financial Officer
(principal financial and accounting officer)

This certification accompanies the Quarterly Report on Form 10-Q to which it relates and shall not be deemed filed with the Securities and Exchange Commission or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.