

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

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 2022**
- 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 **001-37998**

**JOUNCE THERAPEUTICS, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

45-4870634  
(I.R.S. Employer  
Identification No.)

780 Memorial Drive  
Cambridge, Massachusetts  
(Address of principal executive offices)

02139  
(Zip Code)

Registrant's telephone number, including area code: (857) 259-3840

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

| <u>Title of each class</u>                | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---|--------------------------|--|
| Common Stock, \$0.001 par value per share | JNCE                     | The Nasdaq Stock Market LLC                      |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input checked="" type="checkbox"/> |

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

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

As of July 29, 2022, there were 51,694,237 shares of common stock, \$0.001 par value per share, outstanding.

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## References to Jounce

Throughout this Quarterly Report on Form 10-Q, the “Company,” “Jounce,” “Jounce Therapeutics,” “we,” “us,” and “our,” except where the context requires otherwise, refers to Jounce Therapeutics, Inc. and its consolidated subsidiary, and “board of directors” refers to the board of directors of Jounce Therapeutics, Inc.

## Cautionary Note Regarding Forward-Looking Statements and Industry Data

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “target,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the timing, progress, and results of preclinical studies and clinical trials for our current and future product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, and our research and development programs;
- our plans and expectations in light of the COVID-19 pandemic and its impacts on our operations and global healthcare systems;
- the timing, scope, or likelihood of regulatory filings and approvals, including, as applicable, timing of our investigational new drug applications for, biologics license application filing for, and final Food and Drug Administration approval of our current and future product candidates;
- our ability to use our Translational Science Platform to identify targets for future product candidates and to match immunotherapies to select patient subsets;
- our ability to identify, develop and advance future product candidates into, and successfully complete, clinical studies;
- our ability to develop combination therapies, whether on our own or in collaboration with third parties, for our current and future product candidates;
- our expectations regarding the size of the patient populations for our product candidates, if approved for commercial use, and any product candidates we may develop;
- our commercialization and marketing capabilities and strategy;
- the pricing and reimbursement of our current and future product candidates, if approved;
- the implementation of our business model and our strategic plans for our business, our current and future product candidates, and our technology;
- our ability to develop and commercialize a companion diagnostic or complementary diagnostic for our current and future product candidates;
- the rate and degree of market acceptance and clinical utility of our current and future product candidates;
- the potential benefits of our exclusive license of GS-1811, formerly JTX-1811, to Gilead Sciences, Inc.;
- our ability to establish or maintain future collaborations or strategic relationships or obtain additional funding;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering our current and future product candidates, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- our competitive position, and developments and projections relating to our competitors and our industry;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and

- the impact of laws and regulations.

There are a number of important risks and uncertainties that could cause our actual results to differ materially from those indicated by forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. You should also read carefully the factors described in the sections “Summary of Risks Factors” and “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments that we may make.

You should read this Quarterly Report on Form 10-Q and the documents that we have filed as exhibits to this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made as of the date of this Quarterly Report on Form 10-Q, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

This Quarterly Report on Form 10-Q may include industry and market data, which we may obtain from our own internal estimates and research, as well as from industry and general publications and research, surveys, and studies conducted by third parties. Industry publications, studies, and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources.

#### **Website and Social Media Disclosure**

From time to time, we may use our website ([www.jouncetx.com](http://www.jouncetx.com)), investor and media relations website (<http://ir.jouncetx.com>), Facebook page (<https://www.facebook.com/jouncetx>), LinkedIn page (<https://www.linkedin.com/company/3494537/>) and Twitter feed (<https://twitter.com/JounceTx>) as channels for the distribution of information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, Securities and Exchange Commission filings and public conference calls and webcasts. The contents of our website and social media channels are not, however, a part of this report.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**Jounce Therapeutics, Inc.**  
**Condensed Consolidated Balance Sheets (unaudited)**  
**(amounts in thousands, except par value amounts)**

|   | June 30,<br>2022 | December 31,<br>2021 |
|---|------------------|----------------------|
| <b>Assets:</b>  |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents   | \$ 77,741        | \$ 95,529            |
| Short-term investments  | 70,823           | 83,037               |
| Prepaid expenses and other current assets   | 8,783            | 12,261               |
| Total current assets  | 157,347          | 190,827              |
| Property and equipment, net   | 4,406            | 4,882                |
| Long-term investments   | 13,691           | 41,657               |
| Operating lease right-of-use asset  | 10,271           | 11,877               |
| Other non-current assets  | 3,186            | 3,453                |
| Total assets  | \$ 188,901       | \$ 252,696           |
| <b>Liabilities and stockholders' equity:</b>  |                  |                      |
| Current liabilities:  |                  |                      |
| Accounts payable  | \$ 3,439         | \$ 1,674             |
| Accrued expenses  | 15,801           | 13,467               |
| Operating lease liability, current  | 3,912            | 3,695                |
| Other current liabilities   | 43               | 62                   |
| Total current liabilities   | 23,195           | 18,898               |
| Operating lease liability, net of current portion   | 7,976            | 9,993                |
| Total liabilities   | 31,171           | 28,891               |
| Commitments and contingencies   |                  |                      |
| Stockholders' equity:   |                  |                      |
| Preferred stock, \$0.001 par value: 5,000 shares authorized at June 30, 2022 and December 31, 2021; no shares issued or outstanding at June 30, 2022 or December 31, 2021                               | —                | —                    |
| Common stock, \$0.001 par value: 160,000 shares authorized at June 30, 2022 and December 31, 2021; 51,681 and 51,265 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 51               | 51                   |
| Additional paid-in capital  | 471,529          | 465,865              |
| Accumulated other comprehensive loss  | (1,097)          | (238)                |
| Accumulated deficit   | (312,753)        | (241,873)            |
| Total stockholders' equity  | 157,730          | 223,805              |
| Total liabilities and stockholders' equity  | \$ 188,901       | \$ 252,696           |

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

**Jounce Therapeutics, Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)**  
**(amounts in thousands, except per share amounts)**

|   | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                    |
|---|--------------------------------|-------------------|------------------------------|--------------------|
|   | 2022                           | 2021              | 2022                         | 2021               |
| Revenue:  |                                |                   |                              |                    |
| License and collaboration revenue — related party             | \$ —                           | \$ 25,368         | \$ —                         | \$ 26,907          |
| Operating expenses:   |                                |                   |                              |                    |
| Research and development                                      | 26,203                         | 22,100            | 56,318                       | 42,607             |
| General and administrative                                    | 7,511                          | 7,317             | 14,858                       | 14,932             |
| Total operating expenses                                      | 33,714                         | 29,417            | 71,176                       | 57,539             |
| Operating loss  | (33,714)                       | (4,049)           | (71,176)                     | (30,632)           |
| Other income, net   | 213                            | 40                | 309                          | 89                 |
| Loss before provision for income taxes                        | (33,501)                       | (4,009)           | (70,867)                     | (30,543)           |
| Provision for income taxes                                    | 12                             | 2                 | 13                           | 3                  |
| Net loss  | <u>\$ (33,513)</u>             | <u>\$ (4,011)</u> | <u>\$ (70,880)</u>           | <u>\$ (30,546)</u> |
| Net loss per share, basic and diluted                         | \$ (0.65)                      | \$ (0.08)         | \$ (1.37)                    | \$ (0.63)          |
| Weighted-average common shares outstanding, basic and diluted | 51,678                         | 51,212            | 51,658                       | 48,601             |
| Comprehensive loss:   |                                |                   |                              |                    |
| Net loss  | \$ (33,513)                    | \$ (4,011)        | \$ (70,880)                  | \$ (30,546)        |
| Other comprehensive income (loss):                            |                                |                   |                              |                    |
| Unrealized (loss) gain on available-for-sale securities       | (196)                          | 1                 | (859)                        | (7)                |
| Comprehensive loss  | <u>\$ (33,709)</u>             | <u>\$ (4,010)</u> | <u>\$ (71,739)</u>           | <u>\$ (30,553)</u> |

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

**Jounce Therapeutics, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity (unaudited)**  
**(amounts in thousands)**

|                                     | Common Stock |        | Additional Paid-In<br>Capital | Accumulated Other<br>Comprehensive Loss | Accumulated Deficit | Total Stockholders'<br>Equity |
|-------------------------------------|--------------|--------|-------------------------------|---|---------------------|-------------------------------|
|                                     | Shares       | Amount |                               |   |                     |                               |
| <b>Balance at December 31, 2021</b> | 51,265       | \$ 51  | \$ 465,865                    | \$ (238)                                | \$ (241,873)        | \$ 223,805                    |
| Exercises of common stock options   | 64           | —      | 359                           | —                                       | —                   | 359                           |
| Vesting of restricted stock units   | 345          | —      | —                             | —                                       | —                   | —                             |
| Stock-based compensation expense    | —            | —      | 2,829                         | —                                       | —                   | 2,829                         |
| Other comprehensive loss            | —            | —      | —                             | (663)                                   | —                   | (663)                         |
| Net loss                            | —            | —      | —                             | —                                       | (37,367)            | (37,367)                      |
| <b>Balance at March 31, 2022</b>    | 51,674       | 51     | 469,053                       | (901)                                   | (279,240)           | 188,963                       |
| Exercises of common stock options   | 7            | —      | 33                            | —                                       | —                   | 33                            |
| Stock-based compensation expense    | —            | —      | 2,443                         | —                                       | —                   | 2,443                         |
| Other comprehensive loss            | —            | —      | —                             | (196)                                   | —                   | (196)                         |
| Net loss                            | —            | —      | —                             | —                                       | (33,513)            | (33,513)                      |
| <b>Balance at June 30, 2022</b>     | 51,681       | \$ 51  | \$ 471,529                    | \$ (1,097)                              | \$ (312,753)        | \$ 157,730                    |

|  | Common Stock |        | Additional Paid-In<br>Capital | Accumulated Other<br>Comprehensive<br>(Loss) Income | Accumulated Deficit | Total Stockholders'<br>Equity |
|--|--------------|--------|-------------------------------|---|---------------------|-------------------------------|
|  | Shares       | Amount |                               |   |                     |                               |
| <b>Balance at December 31, 2020</b>  | 41,729       | \$ 42  | \$ 362,270                    | \$ (17)   | \$ (151,001)        | \$ 211,294                    |
| Issuance of common stock from at the market offering, net of issuance cost     | 3,156        | 3      | 30,218                        | —   | —                   | 30,221                        |
| Issuance of common stock from follow-on public offering, net of issuance costs | 5,750        | 6      | 60,632                        | —   | —                   | 60,638                        |
| Exercise of common stock options   | 342          | —      | 1,019                         | —   | —                   | 1,019                         |
| Vesting of restricted stock units  | 223          | —      | —                             | —   | —                   | —                             |
| Stock-based compensation expense   | —            | —      | 2,825                         | —   | —                   | 2,825                         |
| Other comprehensive loss   | —            | —      | —                             | (8)   | —                   | (8)                           |
| Net loss   | —            | —      | —                             | —   | (26,535)            | (26,535)                      |
| <b>Balance at March 31, 2021</b>   | 51,200       | 51     | 456,964                       | (25)  | (177,536)           | 279,454                       |
| Exercises of common stock options  | 21           | —      | 83                            | —   | —                   | 83                            |
| Stock-based compensation expense   | —            | —      | 2,935                         | —   | —                   | 2,935                         |
| Other comprehensive income   | —            | —      | —                             | 1   | —                   | 1                             |
| Net loss   | —            | —      | —                             | —   | (4,011)             | (4,011)                       |
| <b>Balance at June 30, 2021</b>  | 51,221       | \$ 51  | \$ 459,982                    | \$ (24)   | \$ (181,547)        | \$ 278,462                    |

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

**Jounce Therapeutics, Inc.**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**  
**(amounts in thousands)**

|  | <b>Six Months Ended<br/>June 30,</b> |                   |
|--|--------------------------------------|-------------------|
|  | <b>2022</b>                          | <b>2021</b>       |
| <b>Operating activities:</b>   |                                      |                   |
| Net loss   | \$ (70,880)                          | \$ (30,546)       |
| Adjustments to reconcile net loss to net cash used in operating activities:    |                                      |                   |
| Stock-based compensation expense   | 5,272                                | 5,760             |
| Depreciation expense   | 1,150                                | 1,501             |
| Net amortization of premiums and discounts on investments                      | 524                                  | 338               |
| Changes in operating assets and liabilities:                                   |                                      |                   |
| Accounts receivable — related party  | —                                    | (24,945)          |
| Prepaid expenses and other current assets                                      | 3,428                                | (7,126)           |
| Other non-current assets   | 267                                  | 345               |
| Accounts payable   | 1,758                                | 473               |
| Accrued expenses and other current liabilities                                 | 2,104                                | (2,232)           |
| Deferred revenue — related party   | —                                    | (1,931)           |
| Other liabilities  | (194)                                | (101)             |
| Net cash used in operating activities  | <u>(56,571)</u>                      | <u>(58,464)</u>   |
| <b>Investing activities:</b>   |                                      |                   |
| Purchases of investments   | (24,928)                             | (78,565)          |
| Proceeds from maturities of investments  | 63,725                               | 38,581            |
| Purchases of property and equipment  | (456)                                | (157)             |
| Net cash provided by (used in) investing activities                            | <u>38,341</u>                        | <u>(40,141)</u>   |
| <b>Financing activities:</b>   |                                      |                   |
| Proceeds from issuance of common stock, net of issuance costs                  | —                                    | 90,826            |
| Proceeds from exercise of stock options  | 442                                  | 1,100             |
| Net cash provided by financing activities                                      | <u>442</u>                           | <u>91,926</u>     |
| Net decrease in cash, cash equivalents and restricted cash                     | (17,788)                             | (6,679)           |
| Cash, cash equivalents and restricted cash, beginning of period                | 96,799                               | 148,763           |
| Cash, cash equivalents and restricted cash, end of period                      | <u>\$ 79,011</u>                     | <u>\$ 142,084</u> |
| <b>Non-cash investing and financing activities:</b>                            |                                      |                   |
| Purchases of property and equipment in accounts payable and accrued expenses   | \$ 218                               | \$ 33             |
| Stock option exercise receivables in prepaid expenses and other current assets | \$ —                                 | \$ 2              |
| <b>Supplemental cash flow information:</b>                                     |                                      |                   |
| Cash paid for lease liabilities  | \$ 2,329                             | \$ 2,626          |
| Cash paid for income taxes   | \$ 8                                 | \$ 8              |

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



**Jounce Therapeutics, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Nature of Business**

Jounce Therapeutics, Inc. (the “Company”) is a clinical-stage immunotherapy company dedicated to transforming the treatment of cancer by developing therapies that enable the immune system to attack tumors and provide long-lasting benefits to patients through a biomarker-driven approach. The Company is subject to a number of risks similar to those of other clinical-stage companies, including dependence on key individuals; the need to develop commercially viable products; competition from other companies, many of which are larger and better capitalized; and the need to obtain adequate additional financing to fund the development of its products.

As of June 30, 2022, the Company had cash, cash equivalents and investments of \$162.3 million. The Company expects that its existing cash, cash equivalents and investments will enable it to fund its expected operating expenses and capital expenditure requirements for at least 12 months from August 4, 2022, the filing date of this Quarterly Report on Form 10-Q. The Company expects to finance its future cash needs through a combination of equity or debt financings, collaborations, licensing arrangements and strategic alliances.

**2. Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation and Consolidation***

The accompanying condensed consolidated financial statements as of June 30, 2022 and December 31, 2021, and for the three and six months ended June 30, 2022 and 2021, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) and generally accepted accounting principles in the United States of America (“GAAP”) as found in the Accounting Standards Codification (“ASC”) of the Financial Accounting Standards Board (“FASB”) for condensed consolidated financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these condensed consolidated financial statements reflect all normal recurring adjustments which are necessary for a fair presentation of the Company’s financial position and results of its operations, as of and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 2, 2022 (the “Annual Report on Form 10-K”).

The information presented in the condensed consolidated financial statements and related notes as of June 30, 2022, and for the three and six months ended June 30, 2022 and 2021, is unaudited. The December 31, 2021 condensed consolidated balance sheet included herein was derived from the audited financial statements as of that date, but does not include all disclosures, including notes, required by GAAP for complete financial statements.

Interim results for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2022, or any future period.

The accompanying condensed consolidated financial statements include the accounts of Jounce Therapeutics, Inc. and its wholly-owned subsidiary, Jounce Mass Securities, Inc. All intercompany transactions and balances have been eliminated in consolidation.

***Summary of Significant Accounting Policies***

The significant accounting policies and estimates used in the preparation of the condensed consolidated financial statements are described in the Company’s audited financial statements as of and for the year ended December 31, 2021, and the notes thereto, which are included in the Annual Report on Form 10-K. There have been no material changes in the Company’s significant accounting policies during the six months ended June 30, 2022.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company’s management evaluates its estimates which include, but are not limited to, accrued expenses, stock-based compensation expense and income taxes. The Company bases its estimates on historical experience and other market specific or other relevant assumptions it believes to be reasonable under the circumstances. Actual results could differ from those estimates.

### **Recent Accounting Pronouncements, Not Yet Adopted**

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used, and it establishes additional disclosure requirements related to credit risks. For available-for-sale debt securities with expected credit losses, this standard now requires allowances to be recorded instead of reducing the amortized cost of the investment. This guidance was originally effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual reporting periods, and early adoption was permitted. In November 2019, the FASB subsequently issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, whereby the effective date of this standard for smaller reporting companies was deferred to annual reporting periods beginning after December 15, 2022, including interim periods within those annual reporting periods, and early adoption is still permitted. Accordingly, the Company will now adopt this standard effective January 1, 2023, and it is currently evaluating the potential impact that ASU 2016-13 may have on the consolidated financial statements.

### **3. License and Collaboration Revenue**

#### ***Gilead License Agreement***

On August 31, 2020, the Company and Gilead Sciences, Inc. (“Gilead”) entered into an exclusive license agreement (the “Gilead License Agreement”) to license the Company’s GS-1811, formerly JTX-1811, program to Gilead, which became effective on October 16, 2020. Concurrently with the Gilead License Agreement, the Company and Gilead entered into a stock purchase agreement (the “Stock Purchase Agreement”) and a registration rights agreement (the “Registration Rights Agreement”, and together with the Gilead License Agreement and the Stock Purchase Agreement, the “Transaction Agreements”). Pursuant to the Gilead License Agreement, the Company granted to Gilead a worldwide and exclusive license to develop, manufacture and commercialize GS-1811 and certain derivatives thereof (the “Licensed Products”). Gilead paid the Company a one-time, non-refundable upfront payment of \$85.0 million in October 2020. The Company continued to develop GS-1811 during the initial development term, which included conducting activities defined within the agreement to advance GS-1811 through the clearance of an investigational new drug application (“IND”), which occurred in June 2021, after which the program transitioned to Gilead.

#### **Milestone and Royalties**

The Company is entitled to receive payments from Gilead upon the achievement of specified clinical, regulatory and sales milestones, including potential clinical development and regulatory milestone payments up to an aggregate total of \$510.0 million and potential sales milestone payments up to an aggregate total of \$175.0 million.

The Company is also eligible to receive tiered royalty payments based on a percentage of annual worldwide net sales ranging from the high-single digits to mid-teens, based on future annual net sales of the Licensed Products, on a Licensed Product-by-Licensed Product and country-by-country basis.

In June 2021, the Company received clearance of the IND for GS-1811 from the U.S. Food and Drug Administration (“FDA”) and achieved a \$25.0 million clinical and development milestone under the Gilead License Agreement.

#### **Termination**

Gilead may terminate the Gilead License Agreement for convenience, in its sole discretion, in its entirety or on a Licensed Product-by-Licensed Product or region-by-region basis, at any time with prior written notice to the Company. Unless terminated earlier in accordance with its terms, the Gilead License Agreement provides that it will expire (i) on a Licensed Product-by-Licensed Product (as defined in the Gilead License Agreement) and country-by-country basis on the date of the expiration of the royalty term with respect to such Licensed Product in such country and (ii) in its entirety upon the expiration of all applicable royalty terms with respect to the Licensed Products in all countries, following which the applicable licenses under the Gilead License Agreement will become fully paid-up, perpetual, irrevocable and royalty-free.

## Accounting Analysis

### *Identification of the Contract(s)*

The Company assessed the Gilead License Agreement and concluded that it represents a contract with a customer within the scope of ASC 606, *Revenue from Contracts with Customers* (“ASC 606”). In addition, the Company determined that the Gilead License Agreement and Stock Purchase Agreement should be evaluated as a combined contract in accordance with ASC 606 given that the agreements were executed contemporaneously, negotiated as a package and have the same commercial objective to provide funding to further the Company’s research and development activities.

### *Identification of Promises and Performance Obligations*

The Company assessed the promises under the Gilead License Agreement and concluded that the (i) delivery of a worldwide and exclusive license to develop, manufacture and commercialize GS-1811 (the “GS-1811 License”) and (ii) provision of certain research transition activities, specifically outlined within the Gilead License Agreement, related to the advancement of GS-1811 through the clearance of an IND application and transition of the GS-1811 program to Gilead (the “Research and Transition Services”) are capable of being distinct and distinct within the context of the Gilead License Agreement. Based upon this evaluation, the Company concluded that its promise to deliver the GS-1811 License and promise to perform Research and Transition Services represent separate performance obligations in the Gilead License Agreement.

### *Determination of Transaction Price*

The Company received a non-refundable upfront payment of \$85.0 million upon the closing of the Gilead License Agreement. This upfront payment represents an element of fixed consideration under the Gilead License Agreement.

The Company also evaluated as possible variable consideration the milestones and royalties discussed above. With respect to clinical development and regulatory milestones, based upon the high degree of uncertainty and risk associated with these potential payments, the Company concluded that all such amounts should be fully constrained and are not included in the initial transaction price. As part of the evaluation of the constraint the Company considered certain factors, including that receipt of such milestones is outside the control of the Company and the probability of success criteria is estimated. Each of these variable consideration items was evaluated under the most-likely amount method. As for royalties and sales milestones, the Company determined that the royalties and milestones relate solely to the GS-1811 License, which is a license of intellectual property (“IP”). Accordingly, the Company did not include any potential royalty or sales milestone amounts in the initial transaction price, and the Company will not recognize revenue related to these royalties and sales milestones until the associated sales occur and relevant thresholds are met. The Company will re-evaluate the transaction price in each reporting period as uncertain events are resolved or as other changes in circumstances occur, and if necessary, will adjust its estimate of the transaction price to include milestones as they become probable of occurrence.

### *Allocation of Transaction Price to Performance Obligations*

The Company allocated the transaction price to each performance obligation on a relative estimated standalone selling price basis. The Company developed the estimated standalone selling price for the GS-1811 License based on the present value of expected future cash flows associated with the license and related clinical development and regulatory milestones. In developing such estimate, the Company applied judgement in determining the timing needed to develop the Licensed Product, the probability of success, and the discount rate. The Company developed the estimated standalone selling price for the Research and Transition Services obligation based on the nature of the services to be performed and the Company’s best estimate of the length of time required to perform the services necessary to achieve clearance of an IND application for the GS-1811 program.

Based on the above considerations, \$3.5 million of the initial transaction price was allocated to the Research and Transition Services performance obligation.

### *Recognition of Revenue*

The Company determined that the GS-1811 License is a functional license as the underlying IP has significant standalone functionality. In addition, the Company determined that October 16, 2020 represents (i) the date at which the Company made available the IP to Gilead and (ii) the beginning of the period during which Gilead is able to use and benefit from its right to use the IP. Based upon these considerations, the Company recognized the entirety of the initial transaction price allocated to the GS-1811 License performance obligation during the year ended December 31, 2020.

Further, the Company determined the input method under ASC 606 is the most appropriate method of revenue recognition for the Research and Transition Services performance obligation. The method of measuring progress towards delivery of the services incorporated actual internal and external costs incurred, relative to total internal and external costs expected to be incurred to satisfy the performance obligation. The period over which total costs were estimated reflected the Company’s best

estimate of the period over which it would perform the Research and Transition Services to achieve clearance of an IND application of the GS-1811 program and transition the program to Gilead.

No revenue was recognized under the contract during the six months ended June 30, 2022 as all remaining performance obligations were satisfied during the year ended December 31, 2021. During the six months ended June 30, 2021, the Company recognized \$26.9 million of license and collaboration revenue related to achievement of a \$25.0 million clinical development and regulatory milestone for FDA clearance of the IND for GS-1811 and \$1.9 million related to the completion of Research and Transition Services.

#### 4. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is determined based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. As a basis for considering such assumptions, GAAP establishes a three-tier value hierarchy, which prioritizes the inputs used to develop the assumptions and for measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets for identical assets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions. This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company measures the fair value of money market funds, U.S. Treasuries and government agency securities based on quoted prices in active markets for identical securities. Investments also include corporate debt securities which are valued either based on recent trades of securities in inactive markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

The carrying amounts reflected in the condensed consolidated balance sheets for cash, prepaid expenses and other current assets, accounts payable and accrued expenses approximate their fair values, due to their short-term nature.

Assets measured at fair value on a recurring basis as of June 30, 2022 were as follows (in thousands):

|  | Total             | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
|--|-------------------|---|---|---|
| Money market funds, included in cash equivalents | \$ 75,742         | \$ 75,742   | \$ —  | \$ —  |
| Investments:                                     |                   |   |   |   |
| Corporate debt securities                        | 34,061            | —   | 34,061  | —   |
| U.S. Treasuries                                  | 44,683            | 44,683  | —   | —   |
| Government agency securities                     | 7,769             | —   | 7,769   | —   |
| Totals   | <u>\$ 162,255</u> | <u>\$ 120,425</u>   | <u>\$ 41,830</u>                                    | <u>\$ —</u>                                     |

Assets measured at fair value on a recurring basis as of December 31, 2021 were as follows (in thousands):

|  | Total             | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
|--|-------------------|---|---|---|
| Money market funds, included in cash equivalents | \$ 95,529         | \$ 95,529   | \$ —  | \$ —  |
| Investments:                                     |                   |   |   |   |
| Corporate debt securities                        | 86,470            | —   | 86,470  | —   |
| U.S. Treasuries                                  | 30,271            | 30,271  | —   | —   |
| Government agency securities                     | 7,953             | —   | 7,953   | —   |
| Totals   | <u>\$ 220,223</u> | <u>\$ 125,800</u>   | <u>\$ 94,423</u>                                    | <u>\$ —</u>                                     |

There were no changes in valuation techniques during the six months ended June 30, 2022 or during the year ended December 31, 2021. There were no liabilities measured at fair value on a recurring basis as of June 30, 2022 or December 31, 2021.

## 5. Investments

Short-term investments consist of investments with maturities greater than ninety days and less than one year from the balance sheet date. Long-term investments consist of investments with maturities of greater than one year that are not expected to be used to fund current operations. The Company classifies all of its investments as available-for-sale securities. Accordingly, these investments are recorded at fair value. Realized gains and losses, amortization and accretion of discounts and premiums are included in other income, net. Unrealized gains and losses on available-for-sale securities are included in other comprehensive income as a component of stockholders' equity until realized.

Cash equivalents, short-term investments and long-term investments as of June 30, 2022 were comprised as follows (in thousands):

|   | <b>June 30, 2022</b>  |                         |                          |                   |
|---|-----------------------|-------------------------|--------------------------|-------------------|
|   | <b>Amortized Cost</b> | <b>Unrealized Gains</b> | <b>Unrealized Losses</b> | <b>Fair Value</b> |
| <b>Cash equivalents and short-term investments:</b> |                       |                         |                          |                   |
| Money market funds, included in cash equivalents    | \$ 75,742             | \$ —                    | \$ —                     | \$ 75,742         |
| Corporate debt securities                           | 31,253                | —                       | (339)                    | 30,914            |
| U.S. Treasuries                                     | 36,141                | —                       | (265)                    | 35,876            |
| Government agency securities                        | 6,168                 | —                       | (136)                    | 6,032             |
| Total cash equivalents and short-term investments   | <u>\$ 149,304</u>     | <u>\$ —</u>             | <u>\$ (740)</u>          | <u>\$ 148,564</u> |
| <b>Long-term investments:</b>                       |                       |                         |                          |                   |
| Corporate debt securities                           | 3,192                 | —                       | (45)                     | 3,147             |
| U.S. Treasuries                                     | 9,062                 | —                       | (255)                    | 8,807             |
| Government agency securities                        | 1,794                 | —                       | (57)                     | 1,737             |
| Total long-term investments                         | <u>14,048</u>         | <u>—</u>                | <u>(357)</u>             | <u>13,691</u>     |
| Total cash equivalents and investments              | <u>\$ 163,352</u>     | <u>\$ —</u>             | <u>\$ (1,097)</u>        | <u>\$ 162,255</u> |

Cash equivalents, short-term investments and long-term investments as of December 31, 2021 were comprised as follows (in thousands):

|   | <b>December 31, 2021</b> |                         |                          |                   |
|---|--------------------------|-------------------------|--------------------------|-------------------|
|   | <b>Amortized Cost</b>    | <b>Unrealized Gains</b> | <b>Unrealized Losses</b> | <b>Fair Value</b> |
| <b>Cash equivalents and short-term investments:</b> |                          |                         |                          |                   |
| Money market funds, included in cash equivalents    | \$ 95,529                | \$ —                    | \$ —                     | \$ 95,529         |
| Corporate debt securities                           | 69,316                   | —                       | (34)                     | 69,282            |
| U.S. Treasuries                                     | 13,777                   | —                       | (22)                     | 13,755            |
| Total cash equivalents and short-term investments   | <u>178,622</u>           | <u>—</u>                | <u>(56)</u>              | <u>178,566</u>    |
| <b>Long-term investments:</b>                       |                          |                         |                          |                   |
| Corporate debt securities                           | 17,276                   | —                       | (88)                     | 17,188            |
| U.S. Treasuries                                     | 16,580                   | —                       | (64)                     | 16,516            |
| Government agency securities                        | 7,983                    | —                       | (30)                     | 7,953             |
| Total long-term investments                         | <u>41,839</u>            | <u>—</u>                | <u>(182)</u>             | <u>41,657</u>     |
| Total cash equivalents and investments              | <u>\$ 220,461</u>        | <u>\$ —</u>             | <u>\$ (238)</u>          | <u>\$ 220,223</u> |

As of June 30, 2022 and December 31, 2021, the aggregate fair value of securities that were in an unrealized loss position for less than twelve months was \$54.8 million and \$86.7 million, respectively. As of June 30, 2022 and December 31, 2021, the aggregate fair value of securities that were in an unrealized loss position for more than twelve months was \$20.9 million and \$4.8 million, respectively. As of June 30, 2022, the Company did not intend to sell, and would not be more likely than not required to sell, the securities in an unrealized loss position before recovery of their amortized cost bases. Furthermore, the Company determined that there was no material change in the credit risk of these securities. As a result, the Company determined it did not hold any securities with any other-than-temporary impairment as of June 30, 2022.

There were no realized gains or losses on available-for-sale securities during the three or six months ended June 30, 2022 or June 30, 2021.

## 6. Restricted Cash

As of both June 30, 2022 and December 31, 2021, the Company maintained non-current restricted cash of \$1.3 million. This amount is included within “Other non-current assets” in the accompanying condensed consolidated balance sheets and is comprised solely of a security deposit required pursuant to the lease for the Company’s corporate headquarters.

The following table provides a reconciliation of cash, cash equivalents and restricted cash that sums to the total of the same such amounts shown in the condensed consolidated statements of cash flows (in thousands):

|  | Six Months Ended<br>June 30, 2022 |               | Six Months Ended<br>June 30, 2021 |               |
|--|-----------------------------------|---------------|-----------------------------------|---------------|
|  | Beginning of Period               | End of Period | Beginning of Period               | End of Period |
| Cash and cash equivalents                  | \$ 95,529                         | \$ 77,741     | \$ 147,493                        | \$ 140,814    |
| Restricted cash                            | 1,270                             | 1,270         | 1,270                             | 1,270         |
| Cash, cash equivalents and restricted cash | \$ 96,799                         | \$ 79,011     | \$ 148,763                        | \$ 142,084    |

## 7. Accrued Expenses

Accrued expenses as of June 30, 2022 and December 31, 2021 were comprised as follows (in thousands):

|  | June 30,<br>2022 | December 31,<br>2021 |
|--|------------------|----------------------|
| External research, development and professional services | \$ 10,327        | \$ 6,252             |
| Employee compensation and benefits                       | 4,796            | 6,844                |
| Lab consumables and other                                | 678              | 371                  |
| Total accrued expenses                                   | \$ 15,801        | \$ 13,467            |

## 8. Common Stock and Preferred Stock

### Common Stock

The Company is authorized to issue 160,000,000 shares of common stock. Holders of common stock are entitled to one vote per share. Holders of common stock are entitled to receive dividends, if and when declared by the board of directors.

On December 17, 2019, the Company entered into a Sales Agreement (the “2019 Sales Agreement”) with Cowen and Company, LLC (“Cowen”) pursuant to which the Company could offer and sell shares of its common stock with an aggregate offering price of up to \$50.0 million under an “at the market” (“ATM”) offering program (the “2019 ATM Offering”). The 2019 Sales Agreement provided that Cowen would be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the 2019 ATM Offering. During the first quarter of 2021, the Company sold an aggregate of 3,156,200 shares at an average price of \$9.87 per share for net proceeds of \$30.2 million, which completed the sale of all available amounts under the 2019 ATM Offering.

In addition, during the first quarter of 2021, the Company completed a follow-on public offering of its common stock, selling an aggregate of 5,750,000 shares of common stock at a public offering price of \$11.25 per share for net proceeds of \$60.6 million, after deducting underwriting discounts and commissions and offering fees.

On November 4, 2021, the Company entered into a new Sales Agreement with Cowen (the “2021 Sales Agreement”), pursuant to which the Company may offer and sell shares of its common stock with an aggregate offering price of up to \$75.0 million under an ATM offering program (the “2021 ATM Offering”). The 2021 Sales Agreement provides that Cowen will be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the 2021 ATM Offering. No sales have been made under the 2021 ATM Offering.

### ***Preferred Stock***

The Company is authorized to issue 5,000,000 shares of undesignated preferred stock in one or more series. As of June 30, 2022 and December 31, 2021, no shares of preferred stock were issued or outstanding.

### ***Shares Reserved for Future Issuance***

As of June 30, 2022 and December 31, 2021, the Company had reserved for future issuance the following number of shares of common stock (in thousands):

|  | <b>June 30,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--|--------------------------|------------------------------|
| Shares reserved for vesting of restricted stock units                              | 992                      | 833                          |
| Shares reserved for exercises of outstanding stock options                         | 8,627                    | 7,629                        |
| Shares reserved for future issuance under the 2017 Stock Option and Incentive Plan | 1,737                    | 1,258                        |
| Total shares reserved for future issuance  | <u>11,356</u>            | <u>9,720</u>                 |

## **9. Stock-based Compensation**

### ***2013 Stock Option and Grant Plan***

In February 2013, the board of directors adopted and the Company’s stockholders approved the 2013 Stock Option and Grant Plan (the “2013 Plan”), as amended and restated, under which it could grant incentive stock options (“ISOs”), non-qualified stock options, restricted stock awards (“RSAs”) and restricted stock units (“RSUs”) to eligible employees, officers, directors, and consultants. The 2013 Plan was subsequently amended in January 2015, April 2015, July 2015, March 2016 and October 2016 to allow for the issuance of additional shares of common stock.

### ***2017 Stock Option and Incentive Plan***

In January 2017, the board of directors adopted and the Company’s stockholders approved the 2017 Stock Option and Incentive Plan (the “2017 Plan”). Upon the adoption of the 2017 Plan, no further awards will be granted under the 2013 Plan.

The 2017 Plan provides for the grant of ISOs, non-qualified stock options, RSAs, RSUs, stock appreciation rights and other stock-based awards. The Company’s employees, officers, directors and consultants and advisors are eligible to receive awards under the 2017 Plan. The terms of awards, including vesting requirements, are determined by the board of directors, subject to the provisions of the 2017 Plan.

The Company initially registered on Form S-8 1,753,758 shares of common stock under the 2017 Plan, which was comprised of (i) 1,510,000 shares of common stock reserved for issuance under the 2017 Plan, plus (ii) 243,758 shares of common stock originally reserved for issuance under the 2013 Plan that became available for issuance under the 2017 Plan upon the completion of the Company’s IPO. The 2017 Plan also provides that an additional number of shares will automatically be added to the shares authorized for issuance under the 2017 Plan on January 1, 2018 and each January 1<sup>st</sup> thereafter. The number of shares added each year will be equal to the lesser of (i) 4% of the outstanding shares on the immediately preceding December 31<sup>st</sup> or (ii) such amount as determined by the compensation committee of the board of directors. Effective January 1, 2021 and 2022, 1,669,162 and 2,050,601 additional shares, respectively, were automatically added to the shares authorized for issuance under the 2017 Plan.

As of June 30, 2022, there were 1,736,586 shares available for future issuance under the 2017 Plan.

### Inducement Stock Options

The Company may grant, upon approval by the compensation committee of the board of directors, awards, including options to purchase shares of common stock, as an inducement to employment in accordance with Nasdaq Listing Rule 5635(c)(4). The securities are issued pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, relating to transactions by an issuer not involving any public offering. These options are subject to substantially the same terms as options issued pursuant to the 2017 Plan. During the second quarter of 2021, the Company granted an option to purchase 225,000 shares of common stock as an inducement award.

### 2017 Employee Stock Purchase Plan

In January 2017, the board of directors adopted and the Company's stockholders approved the 2017 Employee Stock Purchase Plan (the "2017 ESPP"). The Company initially reserved 302,000 shares of common stock for future issuance under the 2017 ESPP. The 2017 ESPP also provides that an additional number of shares will automatically be added to the shares authorized for issuance under the 2017 ESPP on January 1, 2018 and each January 1<sup>st</sup> thereafter through January 1, 2027. The number of shares added each year will be equal to the lesser of (i) 1% of the outstanding shares on the immediately preceding December 31<sup>st</sup>, (ii) 603,000 shares or (iii) such amount as determined by the compensation committee of the board of directors. Effective January 1, 2021 and 2022, 417,291 and 512,650 additional shares, respectively, were automatically added to the shares authorized for issuance under the 2017 ESPP. No offering periods under the 2017 ESPP had been initiated as of June 30, 2022.

### Stock-based Compensation Expense

Total stock-based compensation expense recognized in the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2022 and 2021 was as follows (in thousands):

|  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|--|--------------------------------|----------|------------------------------|----------|
|  | 2022                           | 2021     | 2022                         | 2021     |
| Research and development               | \$ 1,129                       | \$ 1,286 | \$ 2,659                     | \$ 2,501 |
| General and administrative             | 1,314                          | 1,649    | 2,613                        | 3,259    |
| Total stock-based compensation expense | \$ 2,443                       | \$ 2,935 | \$ 5,272                     | \$ 5,760 |

### RSU Activity

The Company has also granted RSUs to its employees under the 2017 Plan. The following table summarizes RSU activity for the six months ended June 30, 2022 (in thousands, except per share amounts):

|                                  | RSUs  | Weighted-Average Grant<br>Date Fair Value per<br>Share |
|----------------------------------|-------|--|
| Unvested as of December 31, 2021 | 833   | \$ 9.13  |
| Issued                           | 624   | \$ 7.55  |
| Vested                           | (345) | \$ 8.23  |
| Cancelled                        | (120) | \$ 8.58  |
| Unvested as of June 30, 2022     | 992   | \$ 8.51  |

No RSUs vested during the three months ended June 30, 2022 or 2021. The aggregate fair value of RSUs that vested during the six months ended June 30, 2022 and 2021, based upon the fair values of the stock underlying the RSUs on the day of vesting, was \$2.6 million and \$1.5 million, respectively.

As of June 30, 2022, there was unrecognized stock-based compensation expense related to unvested RSUs of \$6.6 million, which the Company expects to recognize over a weighted-average period of approximately 1.9 years.



### Stock Option Activity

The fair value of stock options granted during the three and six months ended June 30, 2022 and 2021 was calculated on the date of grant using the following weighted-average assumptions:

|                          | Three Months Ended<br>June 30, |        | Six Months Ended<br>June 30, |        |
|--------------------------|--------------------------------|--------|------------------------------|--------|
|                          | 2022                           | 2021   | 2022                         | 2021   |
| Risk-free interest rate  | 3.0 %                          | 1.1 %  | 1.9 %                        | 0.8 %  |
| Expected dividend yield  | — %                            | — %    | — %                          | — %    |
| Expected term (in years) | 5.6                            | 5.9    | 6.0                          | 6.0    |
| Expected volatility      | 82.0 %                         | 82.5 % | 81.0 %                       | 81.8 % |

Using the Black-Scholes option pricing model, the weighted-average grant date fair value of stock options granted during the three months ended June 30, 2022 and 2021 was \$2.89 per share and \$6.21 per share, respectively. The weighted-average grant date fair value of stock options granted during the six months ended June 30, 2022 and 2021 was \$4.88 per share and \$7.63 per share, respectively.

The following table summarizes stock option activity during the six months ended June 30, 2022 (in thousands, except per share amounts):

|                                  | Options | Weighted-Average<br>Exercise Price | Weighted Average<br>Remaining Contractual<br>Term (in years) | Aggregate Intrinsic<br>Value |
|----------------------------------|---------|------------------------------------|--|------------------------------|
| Outstanding at December 31, 2021 | 7,629   | \$ 8.87                            | 6.4  | \$ 16,881                    |
| Granted                          | 1,547   | \$ 7.02                            |  |                              |
| Exercised                        | (71)    | \$ 5.49                            |  |                              |
| Cancelled                        | (478)   | \$ 9.10                            |  |                              |
| Outstanding at June 30, 2022     | 8,627   | \$ 8.55                            | 6.4  | \$ 2,064                     |
| Exercisable at June 30, 2022     | 5,604   | \$ 8.93                            | 5.0  | \$ 2,028                     |

The aggregate intrinsic value of stock options exercised during the three months ended June 30, 2022 and 2021 was less than \$0.1 million. The aggregate intrinsic value of stock options exercised during the six months ended June 30, 2022 and 2021 was \$0.1 million and \$2.9 million, respectively.

As of June 30, 2022, there was unrecognized stock-based compensation expense related to unvested stock options of \$15.0 million, which the Company expects to recognize over a weighted-average period of approximately 2.5 years.

### 10. Related-party Transactions

In August 2020, the Company entered into the Gilead License Agreement and Stock Purchase Agreement under which it received a non-refundable upfront payment of \$85.0 million and cash consideration of \$35.0 million for Gilead's purchase of 5,539,727 shares of the Company's common stock. As of June 30, 2022, the Company had no reimbursable expenses due from Gilead.

### 11. Net Loss per Share

For purposes of the diluted net loss per share calculation, outstanding stock options and unvested RSUs are considered to be potentially dilutive securities, however the following weighted-average amounts were excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive (in thousands):

|                           | Three Months Ended<br>June 30, |       | Six Months Ended<br>June 30, |       |
|---------------------------|--------------------------------|-------|------------------------------|-------|
|                           | 2022                           | 2021  | 2022                         | 2021  |
| Outstanding stock options | 8,692                          | 7,332 | 8,527                        | 7,143 |
| Unvested RSUs             | 1,038                          | 809   | 972                          | 745   |
| Total                     | 9,730                          | 8,141 | 9,499                        | 7,888 |

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

*The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021 that was filed with the United States Securities and Exchange Commission, or the SEC, on March 2, 2022. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, including those factors set forth in the section entitled "Cautionary Note Regarding Forward-Looking Statements and Industry Data," and in the sections entitled "Summary of Risk Factors" and "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021.*

### Overview

We are a clinical-stage immunotherapy company dedicated to transforming the treatment of cancer by developing therapies that enable the immune system to attack tumors and provide long-lasting benefits to patients. Our strategy is to use a biomarker-driven approach from discovery through clinical development. We have developed a suite of integrated technologies that comprise our Translational Science Platform, enabling us to comprehensively interrogate the cellular and molecular composition of tumors. By focusing on specific cell types, both immune and non-immune, within tumors, we can prioritize targets and then identify related biomarkers designed to match the right therapy to the right patient. Our pipeline is focused on product candidates to address PD-(L)1-inhibitor resistant and PD-(L)1 inhibitor sensitive tumors, which represent significant opportunities requiring different biological approaches. We aim to develop product candidates that address the unmet medical need of patients in both of these populations.

Our highest priority program, JTX-8064, is being developed for patients with either PD-(L)1-inhibitor resistant or PD-(L)1 inhibitor sensitive tumors. JTX-8064 is the first tumor-associated macrophage candidate to emerge from our Translational Science Platform. JTX-8064 is a monoclonal antibody that binds to Leukocyte Immunoglobulin Like Receptor B2, or LILRB2 (also known as ILT4), which is a cell surface receptor expressed on macrophages and other myeloid cells. Our INNATE clinical trial is a Phase 1/2 clinical trial of JTX-8064 as a monotherapy and in combination with our PD-1 inhibitor, pimiralisib, in patients with solid tumors. In 2021, we completed the Phase 1 dose-escalation portions of the INNATE trial for both monotherapy and combination therapy, and initiated enrollment in the Phase 2 monotherapy and combination therapy portions. We selected 700 mg as our recommended Phase 2 dose for further evaluation. JTX-8064 has been well-tolerated to date with no observed dose limiting toxicities. The Phase 2 portion of the INNATE trial is comprised of one monotherapy and seven combination indication-specific expansion cohorts and is designed to demonstrate proof-of-concept. Once proof-of-concept is established, we plan to move JTX-8064 rapidly into registrational trials on a cohort-by-cohort basis.

The expansion cohorts are studying tumor types in three groups of patients: (i) PD-(L)1 inhibitor experienced patients whose tumors progressed on or after treatment with a PD-(L)1 inhibitor (including non-small cell lung cancer, or NSCLC), (ii) PD-(L)1 inhibitor naïve patients whose tumors are historically resistant to PD-(L)1 inhibitors (including ovarian cancer), and (iii) PD-(L)1 inhibitor naïve patients whose tumors are historically more sensitive to PD-(L)1 inhibitors (including front line PD-L1 positive head and neck squamous cell carcinoma). Each Phase 2, proof-of-concept expansion cohort is designed as a Simon's 2 stage. Once the first stage of a cohort meets prespecified response criteria to further expand, the second stage may open and the cohort will have the potential to enroll up to 29 patients per combination therapy cohort and 47 patients in the monotherapy cohort. Two of our Phase 2 combination cohorts, third/fourth line platinum resistant PD-(L)1 inhibitor naïve ovarian and second/third line PD-(L)1 inhibitor experienced clear cell renal cell carcinoma, have met prespecified criteria to continue expansion as of the filing date of this Quarterly Report on Form 10-Q. We expect to report preliminary clinical data on all Phase 1 dose escalation patients and, based on current enrollment, at least 80 Phase 2 patients from INNATE later this year. We also expect to report on the analysis of association of clinical data and a predefined set of potential predictive biomarkers.

Vopratelimab is a clinical-stage monoclonal antibody that binds to and activates the Inducible T cell CO-Stimulator, or ICOS, a protein on the surface of certain T cells commonly found in many solid tumors. The SELECT trial is a randomized Phase 2 proof-of-concept trial outside the United States evaluating two doses of vopratelimab in combination with pimiralisib compared to pimiralisib alone in biomarker-selected, second-line, PD-(L)1 inhibitor naïve NSCLC patients. We identified patients for SELECT using TIS<sup>vopra</sup>, an 18 gene signature that includes genes relevant to both CD8 and CD4 T cell biology. TIS<sup>vopra</sup> has been optimized to predict for emergence of ICOS hi CD4 T cells in the peripheral blood, which have been associated with clinical benefit in patients treated with vopratelimab alone or in combination with nivolumab. The two doses under investigation have different patterns of pulsatile target engagement, which we believe may be important for an agonist antibody, and the data from SELECT is expected to enable us to choose one dose for further clinical development. We have completed enrollment and expect to report complete clinical data from SELECT later this year.

Pimivalimab is a clinical-stage anti-PD-1 monoclonal antibody that we are developing primarily for use in combination with our product candidates, as we believe that combination therapy has the potential to be a mainstay of cancer immunotherapy. We presented safety and preliminary efficacy data from our monotherapy Phase 1 clinical trial of pimivalimab in 2019. Based on the results of that clinical trial, we are using pimivalimab in combination with JTX-8064 in INNATE and vopratelimab in SELECT. Additional monotherapy data on pimivalimab will be presented as part of the SELECT trial.

GS-1811, formerly JTX-1811, is our fourth internally developed program to enter the clinic, and we have transitioned the program to Gilead Sciences, Inc., or Gilead. In August 2020, we entered into an agreement to exclusively license GS-1811 to Gilead. GS-1811 is a monoclonal antibody that is designed to selectively deplete T regulatory cells in the tumor microenvironment, or TME, by targeting a receptor called CCR8, which is preferentially expressed on intra-tumoral T regulatory cells. Pursuant to our exclusive license agreement with Gilead, or the Gilead License Agreement, we granted Gilead a worldwide license to develop, manufacture and commercialize GS-1811 and certain derivatives thereof, as well as backup antibodies defined within the agreement. Gilead initiated a clinical trial of GS-1811 in August 2021.

JTX-1484 is the most recent product candidate to emerge from our Translational Science Platform. JTX-1484 is a monoclonal antibody designed to block human Leukocyte Immunoglobulin Like Receptor B4, or LILRB4 (also known as ILT3), on various myeloid cells which we believe may lead to reduced immune suppression and enhancement of T cell functionality. We are currently conducting investigational new drug application, or IND, enabling activities for JTX-1484, with the goal of submitting an IND in 2023.

With our biomarker-driven approach, we leverage our Translational Science Platform to interrogate cell types within the human TME and to identify and prioritize targets across a broad spectrum of immune and non-immune cell types. In addition, early in the development process, we use our Translational Science Platform to identify potential predictive biomarkers to enable us to enrich our clinical trials for patient populations that may be more likely to respond to a particular immunotherapy. Once clinical data is available for a product candidate, we then use a reverse translational approach to interrogate tumor and blood samples from patients with known outcomes. By using these reverse translational findings, we believe we are better able to design clinical trials and more efficiently develop cancer immunotherapies that potentially provide greater benefit to patients. We believe these biomarker results, coordinated to clinical response, will assist with isolating the contribution of our cancer immunotherapies to clinical activity in a combination therapy setting. These biomarker results may also assist with identifying a potential companion diagnostic and/or complementary diagnostic for a given therapy.

Beyond our product candidates, we continue to advance and build our discovery pipeline. We are discovering and developing next-generation immunotherapies by leveraging our Translational Science Platform to systematically and comprehensively interrogate cell types within the tumor microenvironment. Our broad discovery pipeline includes multiple programs targeting myeloid cells such as macrophages, T regulatory cells and non-immune cells. We believe that the use of our Translational Science Platform to efficiently identify novel immuno-oncology targets and advance them from discovery to IND stage is a sustainable approach that we plan to continually apply across our broad discovery pipeline and target selection process.

Since inception, our operations have focused on organizing and staffing our Company, business planning, raising capital, developing our Translational Science Platform and conducting research, preclinical studies and clinical trials. We do not have any products approved for sale. We are subject to a number of risks comparable to those of other similar companies, including dependence on key individuals; the need to develop commercially viable products; competition from other companies, many of which are larger and better capitalized; and the need to obtain adequate additional financing to fund the development of our products. We have funded our operations primarily through proceeds received from public offerings and private placements of our stock totaling \$389.5 million and payments from collaboration and license agreements totaling \$385.0 million.

Due to our significant research and development expenditures, we have accumulated substantial losses since our inception. As of June 30, 2022, we had an accumulated deficit of \$312.8 million. We expect to incur substantial additional losses in the future as we continue to advance our programs.

The COVID-19 pandemic continues to cause disruption on a global scale and we actively monitor its impact on our business. As of August 4, 2022, we have not experienced a significant financial impact directly related to the COVID-19 pandemic but have experienced some disruptions to clinical operations and to our supply chain. As the pandemic continues, the extent of its effect on our operational and financial performance will depend in large part on future developments, which cannot be predicted with confidence at this time.

## Financial Operations Overview

### *Revenue*

For the six months ended June 30, 2022, we did not recognize any license or collaboration revenue. For the six months ended June 30, 2021, we recognized \$26.9 million of license and collaboration revenue under the Gilead License Agreement for achievement of a clinical development and regulatory milestone of \$25.0 million relating to the GS-1811 program and \$1.9 million for the performance of research and transition services.

In the future, we may generate revenue from product sales, collaboration agreements, strategic alliances or licensing arrangements, including potential milestone payments and royalties under the Gilead License Agreement. We expect that our revenue will fluctuate from quarter-to-quarter and year-to-year as a result of the timing and amount of license fees, milestones, reimbursement of costs incurred and other payments, if any, and product sales, to the extent any products are successfully commercialized. If we or third parties fail to complete the development of our product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenue, and our results of operations and financial position, could be materially adversely affected.

### *Operating Expenses*

#### *Research and Development Expenses*

Research and development expenses represent costs incurred by us for the discovery, development and manufacture of our current and future product candidates and include: external research and development expenses incurred under arrangements with third parties, including contract research organizations, contract manufacturing organizations, academic and non-profit institutions and consultants; salaries and personnel-related costs, including non-cash stock-based compensation expense; license fees to acquire in-process technology; and other expenses, which include direct and allocated expenses for laboratory, facilities and other costs.

We use our employee and infrastructure resources across multiple research and development programs and for identifying, testing and developing product candidates from our Translational Science Platform. We manage certain activities such as contract research and manufacture of our product candidates and discovery programs through our third-party vendors.

At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including the uncertainty of:

- addition and retention of key research and development personnel;
- establishing an appropriate safety profile with IND-enabling toxicology studies and clinical trials;
- the cost to acquire or make therapies to study in combination with our immunotherapies;
- successful enrollment in and completion of clinical trials, including the impacts of the COVID-19 pandemic on the timing and progress of our ongoing and planned clinical trials;
- establishing agreements with third-party contract manufacturing organizations for clinical supply for our clinical trials and commercial manufacturing, if our product candidates are approved;
- receipt of marketing approvals from applicable regulatory authorities;
- commercializing products, if and when approved, whether alone or in collaboration with others;
- the cost to develop companion diagnostics and/or complementary diagnostics as needed for each of our development programs;
- the costs associated with the development of any additional product candidates we acquire through third-party collaborations or identify through our Translational Science Platform;
- the terms and timing of any collaboration, license or other arrangement, including any milestone payments thereunder;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our products, if and when approved; and
- continued acceptable safety profiles of the products following approval.

A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate. We plan to increase our research and development expenses for the foreseeable future as we advance our product candidates through clinical trials and continue the enhancement of our Translational Science Platform and the progression of our pipeline.

Due to the inherently unpredictable nature of preclinical and clinical development, we do not allocate all of our internal research and development expenses on a program-by-program basis as they primarily relate to personnel and lab consumables costs that are deployed across multiple programs under development. Our research and development expenses also include external costs, which we track on a program-by-program basis following a program's nomination as a development candidate. We began incurring such external costs for vopratelimab in 2015, pimivalimab in 2016, JTX-8064 in 2017, GS-1811 in 2019 and JTX-1484 in 2021.

Included below are external research and development and external clinical and regulatory costs for our development and pre-development candidates for the three and six months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>   | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|---|--------------------------------|-----------|------------------------------|-----------|
|   | 2022                           | 2021      | 2022                         | 2021      |
| JTX-8064  | \$ 9,025                       | \$ 4,615  | \$ 16,997                    | \$ 7,193  |
| Vopratelimab  | 3,262                          | 4,860     | 7,398                        | 9,019     |
| Pimivalimab   | 516                            | 821       | 4,996                        | 1,262     |
| JTX-1484  | 381                            | —         | 504                          | —         |
| GS-1811   | —                              | 634       | —                            | 2,476     |
| Pre-development candidates  | 664                            | 373       | 978                          | 654       |
| Total external research and development and clinical and regulatory costs | \$ 13,848                      | \$ 11,303 | \$ 30,873                    | \$ 20,604 |

Research and development activities account for a significant portion of our operating expenses. As we continue to implement our business strategy, we expect our research and development expenses to increase over the next several years. We expect that these expenses will increase as we:

- continue our development of JTX-8064, including our INNATE trial and in combination with pimivalimab;
- continue our development of vopratelimab, including our SELECT trial of vopratelimab and pimivalimab;
- continue advancing programs through IND-enabling activities;
- continue to identify and develop potential predictive biomarkers and companion diagnostics and/or complementary diagnostics for our product candidates; and
- continue to develop and enhance our Translational Science Platform and advance our pipeline of immunotherapy programs and our early research activities into IND-enabling activities.

Product candidates in later stages of clinical development generally incur higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials.

#### *General and Administrative Expenses*

General and administrative expenses consist of salaries and personnel-related costs, including non-cash stock-based compensation expense, for our personnel in executive, business development, legal, finance and accounting, human resources and other administrative functions, consulting fees, facility costs not otherwise included in research and development expenses, fees paid for accounting and tax services, insurance expenses and legal costs. Legal costs include general corporate legal fees, patent legal fees and related costs. We anticipate that our general and administrative expenses will increase in the future to support our continued operations.

#### *Other Income, Net*

Other income, net, consists primarily of interest and investment income on our cash, cash equivalents and investments.

## Results of Operations

### Comparison of the Three Months Ended June 30, 2022 and 2021

The following table summarizes our results of operations for the three months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                             | Three Months Ended<br>June 30, |            | \$ Change   |
|---|--------------------------------|------------|-------------|
|   | 2022                           | 2021       |             |
| <b>Revenue:</b>                                   |                                |            |             |
| License and collaboration revenue — related party | \$ —                           | \$ 25,368  | \$ (25,368) |
| <b>Operating expenses:</b>                        |                                |            |             |
| Research and development                          | 26,203                         | 22,100     | 4,103       |
| General and administrative                        | 7,511                          | 7,317      | 194         |
| Total operating expenses                          | 33,714                         | 29,417     | 4,297       |
| Operating loss                                    | (33,714)                       | (4,049)    | (29,665)    |
| Other income, net                                 | 213                            | 40         | 173         |
| Loss before provision for income taxes            | (33,501)                       | (4,009)    | (29,492)    |
| Provision for income taxes                        | 12                             | 2          | 10          |
| Net loss  | \$ (33,513)                    | \$ (4,011) | \$ (29,502) |

#### License and Collaboration Revenue

For the three months ended June 30, 2022 we did not recognize any license and collaboration revenue. For the three months ended June 30, 2021, we recognized \$25.4 million of license and collaboration revenue under the Gilead License Agreement related to achievement of a \$25.0 million clinical development and regulatory milestone for clearance of the IND for GS-1811 from the U.S. Food and Drug Administration, or FDA, and \$0.4 million related to the performance of research and transition services.

#### Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                   | Three Months Ended<br>June 30, |           | \$ Change |
|---|--------------------------------|-----------|-----------|
|   | 2022                           | 2021      |           |
| Employee compensation                   | \$ 8,090                       | \$ 7,454  | \$ 636    |
| External clinical and regulatory        | 7,147                          | 6,457     | 690       |
| External research and development       | 6,701                          | 4,846     | 1,855     |
| Lab consumables                         | 2,496                          | 1,498     | 998       |
| Facility costs                          | 1,223                          | 1,312     | (89)      |
| Other research                          | 546                            | 533       | 13        |
| Total research and development expenses | \$ 26,203                      | \$ 22,100 | \$ 4,103  |

Research and development expenses increased by \$4.1 million from \$22.1 million for the three months ended June 30, 2021 to \$26.2 million for the three months ended June 30, 2022. The increase in research and development expenses was primarily attributable to the following:

- \$1.9 million of increased external research and development costs associated with manufacturing activities for our development programs;
- \$1.0 million of increased lab consumables to support research activities;
- \$0.7 million of increased external clinical and regulatory costs primarily attributable to increased costs for our INNATE clinical trial; and
- \$0.6 million of increased employee compensation costs due to increased headcount.

### General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                            | <b>Three Months Ended<br/>June 30,</b> |                 | <b>\$ Change</b> |
|--|--|-----------------|------------------|
|  | <b>2022</b>                            | <b>2021</b>     |                  |
| Employee compensation                            | \$ 3,881                               | \$ 3,863        | \$ 18            |
| Professional services                            | 1,193                                  | 1,204           | (11)             |
| Facility costs                                   | 1,037                                  | 995             | 42               |
| Other  | 1,400                                  | 1,255           | 145              |
| <b>Total general and administrative expenses</b> | <b>\$ 7,511</b>                        | <b>\$ 7,317</b> | <b>\$ 194</b>    |

General and administrative expenses increased by \$0.2 million from \$7.3 million for the three months ended June 30, 2021 to \$7.5 million for the three months ended June 30, 2022. The increase in general and administrative expenses was primarily attributable to increased travel and other miscellaneous expenses.

### Other Income, net

Other income, net, increased by \$0.2 million from less than \$0.1 million for the three months ended June 30, 2021 to \$0.2 million for the three months ended June 30, 2022. The increase in other income, net is attributable to increased rates of return on our investments.

### Comparison of the Six Months Ended June 30, 2022 and 2021

The following table summarizes our results of operations for the six months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                             | <b>Six Months Ended<br/>June 30,</b> |                    | <b>\$ Change</b>   |
|---|--------------------------------------|--------------------|--------------------|
|   | <b>2022</b>                          | <b>2021</b>        |                    |
| <b>Revenue:</b>                                   |                                      |                    |                    |
| License and collaboration revenue — related party | \$ —                                 | \$ 26,907          | \$ (26,907)        |
| <b>Operating expenses:</b>                        |                                      |                    |                    |
| Research and development                          | 56,318                               | 42,607             | 13,711             |
| General and administrative                        | 14,858                               | 14,932             | (74)               |
| Total operating expenses                          | 71,176                               | 57,539             | 13,637             |
| Operating loss                                    | (71,176)                             | (30,632)           | (40,544)           |
| Other income, net                                 | 309                                  | 89                 | 220                |
| Loss before provision for income taxes            | (70,867)                             | (30,543)           | (40,324)           |
| Provision for income taxes                        | 13                                   | 3                  | 10                 |
| <b>Net loss</b>                                   | <b>\$ (70,880)</b>                   | <b>\$ (30,546)</b> | <b>\$ (40,334)</b> |

### License and Collaboration Revenue

For the six months ended June 30, 2022, we did not recognize any license or collaboration revenue. For the six months ended June 30, 2021, we recognized \$26.9 million of license and collaboration revenue under the Gilead License Agreement related to achievement of a \$25.0 million clinical development and regulatory milestone for FDA clearance of the IND for GS-1811 and \$1.9 million related to the completion of research and transition services.

### Research and Development Expenses

The following table summarizes our research and development expenses for the six months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                          | <b>Six Months Ended<br/>June 30,</b> |                  | <b>\$ Change</b> |
|--|--------------------------------------|------------------|------------------|
|  | <b>2022</b>                          | <b>2021</b>      |                  |
| Employee compensation                          | \$ 17,667                            | \$ 15,287        | \$ 2,380         |
| External clinical and regulatory               | 14,267                               | 12,178           | 2,089            |
| External research and development              | 16,606                               | 8,426            | 8,180            |
| Lab consumables                                | 4,339                                | 3,019            | 1,320            |
| Facility costs                                 | 2,411                                | 2,689            | (278)            |
| Other research                                 | 1,028                                | 1,008            | 20               |
| <b>Total research and development expenses</b> | <b>\$ 56,318</b>                     | <b>\$ 42,607</b> | <b>\$ 13,711</b> |

Research and development expenses increased by \$13.7 million from \$42.6 million for the six months ended June 30, 2021 to \$56.3 million for the six months ended June 30, 2022. The increase in research and development expenses was primarily attributable to the following:

- \$8.2 million of increased external research and development costs associated with manufacturing for our development programs, partially offset by reduced IND-enabling activities during the six months ended June 30, 2022;
- \$2.4 million of increased employee compensation costs primarily attributable to increased headcount;
- \$2.1 million of increased external clinical and regulatory costs primarily attributable to increased costs for our INNATE clinical trial; and
- \$1.3 million of increased lab consumables to support research activities.

### General and Administrative Expenses

The following table summarizes our general and administrative expenses for the six months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                            | <b>Six Months Ended<br/>June 30,</b> |                  | <b>\$ Change</b> |
|--|--------------------------------------|------------------|------------------|
|  | <b>2022</b>                          | <b>2021</b>      |                  |
| Employee compensation                            | \$ 7,977                             | \$ 8,109         | \$ (132)         |
| Professional services                            | 2,199                                | 2,415            | (216)            |
| Facility costs                                   | 2,006                                | 2,077            | (71)             |
| Other  | 2,676                                | 2,331            | 345              |
| <b>Total general and administrative expenses</b> | <b>\$ 14,858</b>                     | <b>\$ 14,932</b> | <b>\$ (74)</b>   |

General and administrative expenses decreased by \$0.1 million from \$14.9 million for the six months ended June 30, 2021 to \$14.9 million for the six months ended June 30, 2022. The decrease in general and administrative expenses was primarily due to decreased stock-based compensation expense offset by increased travel and other miscellaneous expenses.

### Other Income, net

Other income, net, increased by \$0.2 million from \$0.1 million for the six months ended June 30, 2021 to \$0.3 million for the six months ended June 30, 2022. The increase in other income, net is attributable to increased rates of return on our investments.

## Liquidity and Capital Resources

### Sources of Liquidity

We have funded our operations primarily through proceeds received from public offerings of our common stock and private placements of our common stock or convertible preferred stock totaling \$389.5 million and payments from collaboration and license agreements totaling \$385.0 million. As of June 30, 2022, we had cash, cash equivalents and investments of \$162.3 million.



On December 17, 2019, we entered into a Sales Agreement, or the 2019 Sales Agreement, with Cowen and Company, LLC, or Cowen, pursuant to which we could offer and sell shares of our common stock with an aggregate offering price of up to \$50.0 million under an “at the market,” or ATM, offering program, or 2019 ATM Offering. The 2019 Sales Agreement provided that Cowen would be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the 2019 ATM Offering. During the first quarter of 2021, we sold an aggregate of 3,156,200 shares at an average price of \$9.87 per share for net proceeds of \$30.2 million, which completed the sale of all available amounts under the 2019 ATM Offering.

In addition, during the first quarter of 2021, we completed a follow-on public offering of our common stock, selling an aggregate of 5,750,000 shares of common stock at a public offering price of \$11.25 per share for net proceeds of \$60.6 million, after deducting underwriting discounts and commissions and offering fees.

On November 4, 2021, we entered into a new Sales Agreement with Cowen, or the 2021 Sales Agreement, pursuant to which we may offer and sell shares of our common stock with an aggregate offering price of up to \$75.0 million under an ATM offering program, or 2021 ATM Offering. The 2021 Sales Agreement provides that Cowen will be entitled to a sales commission equal to 3.0% of the gross sales price per share of all shares sold under the 2021 ATM Offering. To date, no sales have been made under the 2021 ATM Offering.

### ***Funding Requirements***

Our plan of operation is to continue implementing our business strategy, the research and development of our current product candidates, our preclinical development activities, the expansion of our research pipeline and the enhancement of our internal research and development capabilities. Due to the inherently unpredictable nature of preclinical and clinical development and given the early stage of our programs and product candidates, we cannot reasonably estimate the costs we will incur and the timelines that will be required to complete development, obtain marketing approval, and commercialize our products, if and when approved. For the same reasons, we are also unable to predict when, if ever, we will generate revenue from product sales or whether, or when, if ever, we may achieve profitability. Clinical and preclinical development timelines, the probability of success, and development costs can differ materially from expectations. In addition, we cannot forecast which products, if and when approved, may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

Due to our significant research and development expenditures, we have generated substantial operating losses since inception. We have incurred an accumulated deficit of \$312.8 million through June 30, 2022. We expect to incur substantial additional losses in the future as we continue to advance our programs. Based on our research and development plans, we expect that our existing cash, cash equivalents and investments of \$162.3 million as of June 30, 2022, will enable us to fund our operating expenses and capital expenditure requirements into the first quarter of 2024. However, we have based this estimate on assumptions that may prove to be incorrect, and we could exhaust our capital resources sooner than we expect. The timing and amount of our operating expenditures will depend largely on:

- the timing and progress of preclinical and clinical development activities, including the impacts of the COVID-19 pandemic on the timing and progress of our ongoing and planned clinical trials;
- the cost to access, acquire or develop therapies to study in combination with our immunotherapies;
- successful enrollment in and completion of clinical trials;
- the cost to develop companion diagnostics and/or complementary diagnostics as needed for each of our development programs;
- our ability to establish agreements with third-party manufacturers for clinical supply for our clinical trials and, if any of our product candidates are approved, commercial manufacturing;
- the costs associated with the development of any additional product candidates we acquire through acquisition or third-party collaborations or identify through our Translational Science Platform;
- our ability to maintain our current research and development programs and enhancement of our Translational Science Platform;
- addition and retention of key research and development personnel;
- our efforts to enhance operational, financial and information management systems, and hire additional personnel, including personnel to support development of our product candidates;
- the legal patent costs involved in prosecuting patent applications and enforcing patent claims and other intellectual property claims;

- the costs and ongoing investments to in-license or acquire additional technologies, including the in-license of intellectual property related to our potential product candidates; and
- the terms and timing of any other collaboration, license or other arrangement, including the terms and timing of any option and milestone payments thereunder.

A change in the outcome of any of these or other variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. Furthermore, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such operating plans.

In addition to the variables described above, if and when any of our product candidates successfully complete development, we expect to incur substantial additional costs associated with regulatory filings, marketing approval, post-marketing requirements, maintaining our intellectual property rights, and regulatory protection, in addition to other costs. We cannot reasonably estimate these costs at this time.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity or debt financings, collaborations, licensing arrangements and strategic alliances. We currently do not have a credit facility or committed sources of capital. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interests of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through the issuance of debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available on reasonable terms, or at all. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce, or terminate development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

### **Cash Flows**

The following table provides information regarding our cash flows for the six months ended June 30, 2022 and 2021:

| <i>(in thousands)</i>                                      | <b>Six Months Ended<br/>June 30,</b> |                   |
|--|--------------------------------------|-------------------|
|  | <b>2022</b>                          | <b>2021</b>       |
| Net cash (used in) provided by:                            |                                      |                   |
| Operating activities                                       | \$ (56,571)                          | \$ (58,464)       |
| Investing activities                                       | 38,341                               | (40,141)          |
| Financing activities                                       | 442                                  | 91,926            |
| Net decrease in cash, cash equivalents and restricted cash | <u>\$ (17,788)</u>                   | <u>\$ (6,679)</u> |

#### *Cash Used in Operating Activities*

Net cash used in operating activities for the six months ended June 30, 2022 was \$56.6 million, compared to net cash used in operating activities of \$58.5 million for the six months ended June 30, 2021. Cash used in operating activities decreased by \$1.9 million primarily due to increased operating expenses, offset by decreased accounts receivable and prepaid deposits associated with our development programs for the six months ended June 30, 2022.

#### *Cash Provided by (Used in) Investing Activities*

Net cash provided by investing activities for the six months ended June 30, 2022 was \$38.3 million, compared to net cash used in investing activities of \$40.1 million for the six months ended June 30, 2021. Cash provided by investing activities increased by \$78.5 million due to decreased purchases of investments and timing of maturities for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021.

### *Cash Provided by Financing Activities*

Net cash provided by financing activities for the six months ended June 30, 2022 was \$0.4 million, compared to net cash provided by financing activities of \$91.9 million for the six months ended June 30, 2021. Cash provided by financing activities decreased by \$91.5 million primarily due to proceeds of \$90.8 million received from our follow-on public offering and 2019 ATM Offering completed during the six months ended June 30, 2021 while no proceeds were received from financing facilities during the six months ended June 30, 2022.

### **Critical Accounting Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates which include, but are not limited to, accrued expenses, stock-based compensation expense and income taxes. We base our estimates on historical experience and other market specific or other relevant assumptions we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

There were no material changes to our critical accounting estimates as reported in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 2, 2022.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, or the Exchange Act, and are not required to provide the information under this item.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2022, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings**

We are not currently a party to any material legal proceedings.

### **Item 1A. Risk Factors**

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which could materially affect our business, financial condition or future results.

**Item 6. Exhibits**

| <b>Exhibit No.</b>    | <b>Description of Exhibit</b>  |
|-----------------------|--|
| <a href="#">10.1*</a> | <a href="#">Amended and Restated Non-Employee Director Compensation Policy</a>   |
| <a href="#">31.1*</a> | <a href="#">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</a> |
| <a href="#">31.2*</a> | <a href="#">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</a> |
| <a href="#">32.1+</a> | <a href="#">Certifications 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</a>                 |
| 101.INS*              | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)  |
| 101.SCH*              | Inline XBRL Taxonomy Extension Schema Document   |
| 101.CAL*              | Inline XBRL Taxonomy Extension Calculation Linkbase Document   |
| 101.DEF*              | Inline XBRL Taxonomy Extension Definition Linkbase Document  |
| 101.LAB*              | Inline XBRL Taxonomy Extension Label Linkbase Document   |
| 101.PRE*              | Inline XBRL Taxonomy Extension Presentation Linkbase Document  |
| 104                   | Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)   |
| *                     | Filed herewith   |
| +                     | Furnished herewith   |

**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.

**JOUNCE THERAPEUTICS, INC.**

Date: August 4, 2022

By: /s/ Kim C. Drapkin  
Kim C. Drapkin  
*Treasurer and Chief Financial Officer*  
(Principal Financial and Accounting Officer)

**Jounce Therapeutics, Inc.**  
**Amended and Restated Non-Employee Director Compensation Policy**

The purpose of this Non-Employee Director Compensation Policy (the “Policy”) of Jounce Therapeutics, Inc., a Delaware corporation (the “Company”), is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high-caliber directors who are not employees or officers of the Company. This Policy will become effective (the “Effective Date”) upon approval by the Company’s Board of Directors (the “Board”). In furtherance of this purpose, all non-employee directors shall be paid compensation for services provided to the Company as set forth below:

**Cash Retainers**

Annual Retainer for Board Membership: \$40,000 for general availability and participation in meetings and conference calls of our Board. No additional compensation for attending individual Board meetings.

Additional Annual Retainer for Non-Executive Chairperson of the Board: \$30,000 to acknowledge the additional responsibilities and time commitment of the Chairperson role.

Additional Annual Retainers for Committee Membership:

Audit Committee Chairperson: \$15,000

Audit Committee member: \$7,500

Compensation Committee Chairperson: \$12,500

Compensation Committee member: \$6,000

Nominating and Corporate Governance Committee Chairperson: \$8,000

Nominating and Corporate Governance Committee member: \$4,000

Science and Technology Committee Chairperson: \$12,500

Science and Technology Committee member: \$6,000

No additional compensation for attending individual committee meetings.

All cash retainers will be paid quarterly, in arrears, or upon the earlier of resignation or removal of the non-employee director. Cash retainers owing to non-employee directors shall be annualized, meaning that with respect to non-employee directors who join the Board during the calendar year, such amounts shall be pro-rated based on the number of calendar days served by such director following such director’s appointment or election.

**Equity Retainers**

Initial Option Grant: One-time option grant to each new non-employee director upon his/her election to the Board after the Effective Date to purchase 40,000 shares of common stock, par value \$0.001 per share (the “Common Stock”). Such initial option grant shall be made upon the director first becoming a director. Such initial option grant shall vest in equal quarterly installments during the 12 quarters following the grant date, subject to the director’s continued service on the Board.

On the date of each Annual Meeting of Stockholders: Annual option grant to each non-employee director serving on the Board immediately following the Company’s annual meeting of stockholders to purchase 20,000 shares of Common Stock, provided that if at such time a director has served on the Board for less than 270 days, the number of shares subject to such option shall be reduced to the applicable amount set forth below based on such director’s length of service on the Board as of such time:

| <b>Length of Service on Board as of Annual Meeting Date</b> | <b>Number of Option Shares</b> |
|---|--------------------------------|
| 180 days or more, but less than 270 days                    | 15,000                         |
| 90 days or more, but less than 180 days                     | 10,000                         |
| Less than 90 days   | 0                              |

Such annual option grant shall vest in equal quarterly installments during the 4 quarters following the grant date, subject to the director’s continued service on the Board, provided that if the Company’s next annual meeting of stockholders is held prior to the first anniversary of the grant date, the vesting of such annual option will accelerate in full as of the date of such next annual meeting of stockholders, subject to the director’s continued service on the Board as of immediately prior to such next annual meeting.

All of the foregoing option grants will become immediately exercisable upon the death, disability of a director or upon a Sale Event (as defined in the Company’s 2017 Stock Option and Incentive Plan). In addition, if the option grants described above are in the form of options to purchase the Company’s common stock, par value \$0.001 per share (the “Common Stock”), the directors will have until the earlier of one year following cessation of service as a director or the original expiration date of the option to exercise the option (to the extent vested at the date of such cessation), provided that the director has not been removed for cause.

Any stock option granted to a non-employee director pursuant to this Policy will be granted at an exercise price equal to the fair market value of a share of Common Stock on the date of grant.

### **Expenses**

The Company shall reimburse all reasonable out-of-pocket expenses incurred by non-employee directors in attending Board and committee meetings.

ADOPTED AND EFFECTIVE: May 10, 2022.



## CERTIFICATIONS

I, Richard Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jounce Therapeutics, 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 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 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: August 4, 2022

By: /s/ Richard Murray  
Richard Murray, Ph.D.  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Kim C. Drapkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jounce Therapeutics, 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 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 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: August 4, 2022

By: /s/ Kim C. Drapkin  
Kim C. Drapkin  
Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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

In connection with this Quarterly Report on Form 10-Q of Jounce Therapeutics, Inc. (the “Company”) for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her or 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 results of operations of the Company.

Date: August 4, 2022

By: /s/ Richard Murray  
Richard Murray, Ph.D.  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: August 4, 2022

By: /s/ Kim C. Drapkin  
Kim C. Drapkin  
Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)