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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from _____to_____.
Commission File Number: 001-38796

GOSSAMER BIO, INC.
(Exact name of Registrant as specified in its charter).

Delaware	**47-5461709**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
3115 Merryfield Row, Suite 120 San Diego California	**92121**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 684-1300

3013 Science Park Road
San Diego, California 92121

(Former Name or Former Address, if Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	GOSS	Nasdaq Global Select Market

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

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

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

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

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

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

As of November 4, 2024, the registrant had 226,604,137 shares of common stock ($0.0001 par value) outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

GOSSAMER BIO, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and par value amounts)

	September 30, 2024	December 31, 2023
ASSETS	(unaudited)	
Current assets		
Cash and cash equivalents	$ 28,464	$ 32,109
Marketable securities	298,570	264,316
Receivable from contracts with collaborators	6,588	—
Prepaid expenses and other current assets	10,646	10,094
Total current assets	344,268	306,519
Property and equipment, net	302	1,648
Operating lease right-of-use assets	6,026	3,131
Other assets	283	618
Total assets	**$ 350,879**	**$ 311,916**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,057	$ 5,526
Accrued research and development expenses	10,278	7,779
Current portion of long-term debt	—	11,613
Current contract liabilities	20,327	—
Accrued expenses and other current liabilities	17,423	26,680
Total current liabilities	51,085	51,598
Long-term convertible senior notes	197,285	196,591
Long-term debt	—	814
Operating lease liabilities - long-term	4,593	144
Long-term contract liabilities	43,780	—
Total liabilities	**296,743**	**249,147**
Commitments and contingencies *(Note 9)*		
Stockholders' equity		
Common stock, $0.0001 par value; 700,000,000 shares authorized as of September 30, 2024 and December 31, 2023; 226,604,138 shares issued and outstanding as of September 30, 2024, and 225,409,315 shares issued and outstanding as of December 31, 2023	23	23
Additional paid-in capital	1,291,883	1,275,136
Accumulated deficit	(1,235,539)	(1,212,040)
Accumulated other comprehensive loss	(2,231)	(350)
Total stockholders' equity	54,136	62,769
Total liabilities and stockholders' equity	**$ 350,879**	**$ 311,916**

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

GOSSAMER BIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue:				
Revenue from sale of licenses	$ —	$ —	$ 88,751	$ —
Revenue from contracts with collaborators	9,480	—	16,571	—
Total revenue	9,480	—	105,322	—
Operating expenses:				
Research and development	34,897	31,200	102,375	105,334
General and administrative	8,502	9,290	26,738	29,398
Total operating expenses	43,399	40,490	129,113	134,732
Loss from operations	**(33,919)**	**(40,490)**	**(23,791)**	**(134,732)**
Other income (expense)				
Interest income	430	405	2,523	1,687
Interest expense	(2,734)	(3,343)	(8,779)	(10,272)
Other income, net	4,288	3,420	9,851	11,648
Total other income, net	1,984	482	3,595	3,063
Loss before provision (benefit) for income taxes	**(31,935)**	**(40,008)**	**(20,196)**	**(131,669)**
Provision (benefit) for income taxes	(1,132)	—	3,303	—
Net loss	**$ (30,803)**	**$ (40,008)**	**$ (23,499)**	**$ (131,669)**
Other comprehensive income (loss):				
Foreign currency translation	(2,260)	(170)	(2,244)	(146)
Unrealized gain on marketable securities	547	33	363	102
Other comprehensive loss	(1,713)	(137)	(1,881)	(44)
Comprehensive loss	**$ (32,516)**	**$ (40,145)**	**$ (25,380)**	**$ (131,713)**
Net loss per share, basic and diluted	$ (0.14)	$ (0.21)	$ (0.10)	$ (1.03)
Weighted average common shares outstanding, basic and diluted	226,346,058	192,883,209	226,101,727	128,092,499

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

GOSSAMER BIO, INC.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)
(in thousands, except share amounts)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity
	Shares	Amount				
Balance as of December 31, 2023	225,409,315	$ 23	$ 1,275,136	$ (1,212,040)	$ (350)	$ 62,769
Stock-based compensation	—	—	5,811	—	—	5,811
Issuance of common stock pursuant to Employee Stock Purchase Plan	390,246	—	348	—	—	348
Issuance of common stock for restricted stock units vested	419,092	—	—	—	—	—
Net loss	—	—	—	(41,928)	—	(41,928)
Other comprehensive loss	—	—	—	—	(278)	(278)
Balance as of March 31, 2024	226,218,653	$ 23	$ 1,281,295	$ (1,253,968)	$ (628)	$ 26,722
Stock-based compensation	—	—	5,001	—	—	5,001
Issuance of common stock for restricted stock units vested	8,606	—	—	—	—	—
Grant of equity option pursuant to Chiesi Collaboration Agreement	—	—	464	—	—	464
Net income	—	—	—	49,232	—	49,232
Other comprehensive income	—	—	—	—	110	110
Balance as of June 30, 2024	226,227,259	$ 23	$ 1,286,760	$ (1,204,736)	$ (518)	$ 81,529
Stock-based compensation	—	—	4,842	—	—	4,842
Issuance of common stock pursuant to Employee Stock Purchase Plan	376,879	—	281	—	—	281
Net loss	—	—	—	(30,803)	—	(30,803)
Other comprehensive loss	—	—	—	—	(1,713)	(1,713)
Balance as of September 30, 2024	226,604,138	$ 23	$ 1,291,883	$ (1,235,539)	$ (2,231)	$ 54,136

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity (deficit)
	Shares	Amount				
Balance as of December 31, 2022	94,423,181	$ 10	$ 1,044,864	$ (1,032,223)	$ (574)	$ 12,077
Vesting of restricted stock	55,225	—	—	—	—	—
Stock-based compensation	—	—	8,127	—	—	8,127
Issuance of common stock pursuant to Employee Stock Purchase Plan	249,623	—	367	—	—	367
Issuance of common stock for restricted stock units vested	716,067	—	—	—	—	—
Net loss	—	—	—	(49,165)	—	(49,165)
Other comprehensive income	—	—	—	—	138	138
Balance as of March 31, 2023	95,444,096	$ 10	$ 1,053,358	$ (1,081,388)	$ (436)	$ (28,456)
Stock-based compensation	—	—	8,197	—	—	8,197
Issuance of common stock for restricted stock units vested	8,607	—	—	—	—	—
Net loss	—	—	—	(42,496)	—	(42,496)
Other comprehensive loss	—	—	—	—	(45)	(45)
Balance as of June 30, 2023	95,452,703	$ 10	$ 1,061,555	$ (1,123,884)	$ (481)	$ (62,800)
Issuance of common stock in connection with a private offering, net of offering costs of $10,779	129,869,440	13	201,310	—	—	201,323
Stock-based compensation	—	—	6,162	—	—	6,162
Issuance of common stock pursuant to Employee Stock Purchase Plan	87,172	—	77	—	—	77
Net loss	—	—	—	(40,008)	—	(40,008)
Other comprehensive loss	—	—	—	—	(137)	(137)
Balance as of September 30, 2023	225,409,315	$ 23	$ 1,269,104	$ (1,163,892)	$ (618)	$ 104,617

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

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

	Nine months ended September 30,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (23,499)	$ (131,669)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	725	1,315
Stock-based compensation expense	15,654	22,486
Amortization of operating lease right-of-use assets	2,351	2,064
Amortization of long-term debt discount and issuance costs	848	1,013
Amortization of premium on marketable securities, net of accretion of discounts	(9,698)	(5,868)
Loss on disposal of property and equipment	621	726
Changes in operating assets and liabilities:		
Receivable from contracts with collaborators	(6,588)	—
Prepaid expenses and other current assets	(552)	(6,400)
Other assets	335	31
Operating lease liabilities	(2,351)	(2,216)
Accounts payable	(4,736)	(272)
Accrued expenses and other current liabilities	(9,778)	(1,255)
Accrued research and development expenses	2,499	(3,636)
Accrued compensation and benefits	(290)	(4,483)
Contract liabilities	64,107	—
Accrued interest expense	2,365	2,430
Net cash provided by (used in) operating activities	32,013	(125,734)
Cash flows from investing activities		
Purchase of marketable securities	(411,093)	(321,404)
Maturities of marketable securities	386,900	224,800
Net cash used in investing activities	(24,193)	(96,604)
Cash flows from financing activities		
Proceeds from issuance of common stock and common warrants in a private offering, net of offering costs	—	201,323
Proceeds from issuance of common stock pursuant to Employee Stock Purchase Plan	629	444
Proceeds from grant of equity option pursuant to Chiesi Collaboration Agreement	464	—
Principal repayments of long-term debt	(12,581)	(8,710)
Net cash provided by (used in) financing activities	(11,488)	193,057
Effect of exchange rate changes on cash and cash equivalents	23	(83)
Net decrease in cash and cash equivalents	(3,645)	(29,364)
Cash and cash equivalents, at the beginning of the period	32,109	111,973
Cash and cash equivalents, at the end of the period	**$ 28,464**	**$ 82,609**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 5,561	$ 6,831
Supplemental disclosure of noncash investing and financing activities:		
Operating lease right-of-use asset obtained in exchange for lease liability	$ 5,246	$ —
Change in unrealized gain on marketable securities, net	$ 363	$ 102

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

GOSSAMER BIO, INC.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 - Description of Business

Gossamer Bio, Inc. (including its subsidiaries, referred to as "we," "us," "our,", or the “Company”) is a clinical-stage biopharmaceutical company focused on the development and commercialization of seralutinib for the treatment of pulmonary arterial hypertension, or PAH, and pulmonary hypertension associated with interstitial lung disease, or PH-ILD. The Company was incorporated in the state of Delaware on October 25, 2015 (originally as FSG Bio, Inc.) and is based in San Diego, California.

The unaudited condensed consolidated financial statements include the accounts of Gossamer Bio, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions among the consolidated entity have been eliminated in consolidation.

Liquidity and Capital Resources

The Company has incurred significant operating losses since its inception. As of September 30, 2024, the Company had an accumulated deficit of $1,235.5 million.

From the Company’s inception through September 30, 2024, the Company has funded its operations primarily through equity and debt financings and the Chiesi Collaboration Agreement (as defined in Note 10 below).

The Company expects to continue to incur significant operating losses for the foreseeable future and may never become profitable. As a result, the Company will need to raise additional capital through equity offerings, debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. Management believes that it has sufficient working capital on hand to fund operations through at least the next 12 months from the date these unaudited condensed consolidated financial statements were available to be issued. There can be no assurance that the Company will be successful in acquiring additional funding, that the Company’s projections of its future working capital needs will prove accurate, or that any additional funding would be sufficient to continue operations in future years.

Segment Reporting

Operating segments are identified as components of an enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions of the Securities and Exchange Commission (“SEC”) on Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments necessary, which are of a normal and recurring nature, for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2023 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 5, 2024. The results of operations for the interim period shown in this report are not necessarily indicative of the results that may be expected for any other interim period or for the full year. The balance sheet at December 31, 2023, has been derived from the audited consolidated financial statements at that date.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of

assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results could differ from those estimates.

Collaborative Arrangements

The Company assesses whether its licensing and other agreements are collaborative arrangements based on whether they involve joint operating activities and whether both parties have active participation in the arrangement and are exposed to significant risks and rewards. For arrangements that the Company determines are collaborations, it identifies each unit of account, and then determines whether a customer relationship exists for that unit of account. If the Company determines a performance obligation within the collaborative arrangement to be with a customer, it applies its revenue recognition accounting policy. If a portion of a distinct bundle of goods or services within the collaborative arrangement is not with a customer, the Company applies recognition and measurement based on an analogy to authoritative accounting literature or, if there is no appropriate analogy, a reasonable, rational and consistently applied accounting policy election. To the extent the arrangement is within the scope of ASC 808, the Company assesses whether aspects of the arrangement between the Company and the collaboration partner are within the scope of other accounting literature. If the Company concludes that some or all aspects of the arrangement represent a transaction with a customer, the Company accounts for those aspects of the arrangement within the scope of ASC Topic 606, Revenue from Contracts with Customers (ASC 606). See Note 10, "Significant Agreements and Contracts," for more information.

Revenue Recognition

The Company recognizes revenue when a customer obtains control of promised goods or services in a contract for an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. For contracts with customers, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies each performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. As part of the accounting for contracts with customers, the Company develops assumptions that require judgment to determine the standalone selling price of each performance obligation identified in the contract. In addition, variable consideration such as milestone payments are evaluated to determine if they are constrained and, therefore, excluded from the transaction price. The Company then allocates the total transaction price proportionally to each performance obligation based on their estimated standalone selling prices, unless an allocation exception applies. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

In a contract with multiple performance obligations, the Company must develop estimates and assumptions that require judgment to determine the underlying standalone selling price for each performance obligation, which determines how the transaction price is allocated among the performance obligations. The estimation of the stand-alone selling price(s) may include estimates regarding forecasted revenues or costs, development timelines, discount rates, and probabilities of technical and regulatory success. The Company evaluates each performance obligation to determine if it can be satisfied at a point in time or over time. Any change made to estimated progress towards completion of a performance obligation and, therefore, revenue recognized will be recorded as a change in estimate. In addition, variable consideration must be evaluated to determine if it is constrained and, therefore, excluded from the transaction price.

If a license to the Company’s intellectual property is determined to be distinct from the other performance obligations identified in a contract, the Company recognizes revenues from the transaction price allocated to the license when the license is transferred to the licensee and the licensee is able to use and benefit from the license. For licenses that are bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from the allocated transaction price. The Company evaluates the measure of progress at each reporting period and, if necessary, adjusts the measure of performance and related revenue or expense recognition as a change in estimate.

At the inception of each arrangement that includes milestone payments, the Company evaluates whether the milestones are considered probable of being reached. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the Company’s or a collaboration partner’s control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received. At the end of each reporting period, the Company re-evaluates the probability of achievement of milestones that are within its or a collaboration partner’s control, such as operational developmental milestones and any related constraint, and,

if necessary, adjusts its estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which will affect revenue from sale of licenses and revenue from contracts with collaborators in the period of adjustment. Revisions to the Company's estimate of the transaction price may also result in negative revenue from sale of licenses and revenue from contracts with collaborators in the period of adjustment.

For arrangements that include sales-based royalties, including commercial milestone payments based on the level of sales, and a license is deemed to be the predominant item to which the royalties relate, the Company will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied, or partially satisfied. To date, the Company has not recognized any royalty revenue from collaborative arrangements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures ("Topic 280"), which modifies the disclosure and presentation requirements of reportable segments. The amendments in the update require the disclosure of significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit and loss. The amendments also require disclosure of all other segment items by reportable segment and a description of its composition. Additionally, the amendments require disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Lastly, the amendment requires that a public entity that has a single reportable segment provide all the disclosures required by ASU 2023-07 and all existing segment disclosures in Topic 280. This update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have on the presentation of its condensed consolidated financial statements and accompanying notes.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures.

Net Loss Per Share

The Company follows the guidance in FASB ASC 260, *Earnings per Share*, or ASC 260, which establishes standards regarding the computation of earnings per share, or EPS, by companies that have issued securities other than common stock that contractually entitle the holder to participate in dividends and earnings of a company. The guidance requires earnings to be hypothetically allocated between the common, preferred, and other participating stockholders based on their respective rights to receive non-forfeitable dividends, whether or not declared.

Basic and diluted net loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. In loss periods, basic net loss per share and diluted net loss per share are identical because the otherwise dilutive potential common shares become anti-dilutive and are therefore excluded.

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share because to do so would be anti-dilutive (in common stock equivalent shares):

	Three and nine months ended September 30,	
	2024	2023
2027 Notes	12,321,900	12,321,900
Shares issuable upon exercise of stock options	35,095,400	18,358,583
Shares issuable upon exercise of Equity Option granted to Chiesi	22,433,809	—
Shares issuable upon exercise of warrants	32,467,360	32,467,360
Non-vested shares under restricted stock grants	—	431,531
Total potentially dilutive securities	102,318,469	63,579,374

Note 3 - Balance Sheet Accounts and Supplemental Disclosures

Property and Equipment

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

	Estimated Useful Life (in years)	September 30, 2024	December 31, 2023
Office equipment	3-7	$ 1,097	$ 1,097
Computer equipment	5	123	123
Software	3	52	52
Lab equipment	2-5	193	3,246
Leasehold improvements	6-7	2,562	2,562
Total property and equipment		4,027	7,080
Less: accumulated depreciation		(3,725)	(5,432)
Property and equipment, net		$ 302	$ 1,648

For the three months ended September 30, 2024 and 2023 the Company recorded approximately $0.2 million and $0.4 million, respectively, in depreciation expense, and for the nine months ended September 30, 2024 and 2023, the Company recorded approximately $0.7 million and $1.3 million, respectively, in depreciation expense, which is included in general and administrative expense and research and development expense on the condensed consolidated statements of operations and comprehensive loss.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	As of	
	September 30, 2024	December 31, 2023
Accrued compensation and benefits	$ 10,004	$ 10,294
Operating lease liabilities	1,748	3,302
Accrued consulting fees	633	643
Accrued interest	3,333	968
Accrued legal fees	19	385
Accrued accounting fees	144	234
Accrued in process research and development	—	10,000
Accrued income tax	1,103	—
Accrued other	439	854
Total accrued expenses and other current liabilities	$ 17,423	$ 26,680

Note 4 - Fair Value Measurements and Available for Sale Investments

Fair Value Measurements

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;
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 require the reporting entity to develop its own assumptions.

The Company classifies its cash equivalents and available-for-sale investments within Level 1 or Level 2. The fair value of the Company's investment grade corporate debt securities and commercial paper classified as Level 2 is determined using proprietary valuation models and analytical tools, which utilize market pricing or prices for similar instruments that are both objective and publicly available, such as matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the hierarchy for assets measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 (in thousands):

	Fair Value Measurements at End of Period Using:			
	Total Fair Value	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2024				
Money market funds	$ 25,338	$ 25,338	$ —	$ —
U.S. Treasury and agency securities	71,561	71,561	—	—
Commercial paper	207,182	—	207,182	—
Corporate debt securities	19,827	—	19,827	—
As of December 31, 2023				
Money market funds	$ 25,222	$ 25,222	$ —	$ —
U.S. Treasury and agency securities	92,309	92,309	—	—
Commercial paper	168,534	—	168,534	—
Corporate debt securities	3,473	—	3,473	—

The Company did not reclassify any investments between levels in the fair value hierarchy during the periods presented.

Fair Value of Other Financial Instruments

As of September 30, 2024 and December 31, 2023, the carrying amounts of the Company's financial instruments, which include cash, prepaid and other current assets, interest receivable, accrued research and development expenses, accounts payable and accrued expenses and other current liabilities, approximate fair values because of their short-term maturities.

There was $0.1 million of interest receivable as of September 30, 2024, and there was no significant interest receivable as of December 31, 2023. Interest receivable is recorded as a component of prepaid expenses and other current assets on the condensed balance sheets.

As of September 30, 2024 and December 31, 2023, the fair value of the Company's 2027 Notes was $106.5 million and $74.9 million, respectively. The fair value was determined on the basis of market prices observable for similar instruments and is considered Level 2 in the fair value hierarchy (see Note 5).

Available for Sale Investments

The Company invests its excess cash in U.S. Treasury and agency securities, corporate debt securities, and commercial paper, which are classified as available-for-sale investments. These investments are carried at fair value and are included in the tables below. The Company evaluates securities with unrealized losses to determine whether such losses, if any, are due to credit-related factors. Realized gains and losses are calculated using the specific identification method and recorded in other income, net in the Company's condensed consolidated statement of operations and comprehensive loss. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recover of their amortized cost basis.

The aggregate market value, cost basis, and gross unrealized gains and losses of available-for-sale investments by security type, classified in marketable securities and long-term investments as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Total Fair Value
As of September 30, 2024				
U.S. Treasury and agency securities	$ 71,539	$ 22	$ —	$ 71,561
Corporate debt securities	19,789	38	—	19,827
Commercial paper	206,813	375	(6)	207,182
Total marketable securities	$ 298,141	$ 435	$ (6)	$ 298,570
Number of securities with unrealized losses			4	
As of December 31, 2023				
U.S. Treasury and agency securities	$ 92,294	$ 20	$ (5)	$ 92,309
Corporate debt securities	3,467	6	—	3,473
Commercial paper	168,488	76	(30)	168,534
Total marketable securities	$ 264,249	$ 102	$ (35)	$ 264,316
Number of securities with unrealized losses			12	

As of September 30, 2024 and December 31, 2023, the Company classified $25.3 million and $25.2 million, respectively, of assets with original maturities of 90 days or less as cash and cash equivalents.

At each reporting date, the Company performs an evaluation of impairment to determine if any unrealized losses are due to credit-related factors. The Company records an allowance for credit losses when unrealized losses are due to credit-related factors. Factors considered when evaluating available-for-sale investments for impairment include the severity of the impairment, changes in underlying credit ratings, the financial condition of the issuer, the probability that the scheduled cash payments will continue to be made and the Company's intent and ability to hold the investment until recovery of the amortized cost basis. The Company intends and has the ability to hold its investments in unrealized loss positions until their amortized cost basis has been recovered. As of September 30, 2024 and December 31, 2023, there were no material declines in the market value of the Company's available-for-sale investments due to credit-related factors.

Contractual maturities of available-for-sale debt securities, as of September 30, 2024, were as follows (in thousands):

	Estimated Fair Value
Less than one year	$ 298,570
Greater than one year	—
Total	$ 298,570

The Company has the ability, if necessary, to liquidate any of its cash equivalents and marketable securities to meet its liquidity needs in the next 12 months.

Note 5 - Indebtedness

Credit Facility

On May 2, 2019, the Company entered into a credit, guaranty and security agreement, as amended on September 18, 2019, July 2, 2020, December 7, 2022 and February 14, 2023 (the "Credit Facility"), with MidCap Financial Trust ("MidCap"), as agent and lender, and the additional lenders party thereto from time to time (together with MidCap, the "Lenders"), pursuant to which the Lenders, agreed to make term loans available to the Company for working capital and general business purposes, in a principal amount of up to $150.0 million in term loan commitments, including a $30.0 million term loan that was funded at the closing date, with the ability to access the remaining $120.0 million in two additional tranches (each $60.0 million), subject to specified availability periods, the achievement of certain clinical development milestones, minimum cash requirements and other customary conditions. On May 3, 2024, the Credit Facility was terminated and the Company recorded a $7.7 million payment of the outstanding debt balance in full and discharged, which released the Company from the obligations under the Credit Facility, and Lenders' security interests in the Company's assets and property were released. Unamortized debt discount

and issuance costs were written off and recorded in interest expense on the condensed consolidated statements of operations and comprehensive loss.

Since the Credit Facility was terminated on May 3, 2024, there was no debt outstanding as of September 30, 2024. As of December 31, 2023 the debt outstanding consisted of the following (in thousands):

	December 31, 2023
Debt, current portion	$ 11,613
Debt, non-current portion	968
Total debt	12,581
Less: unamortized debt discount and issuance costs	(154)
Debt, net	$ 12,427

5.00% Convertible Senior Notes due 2027

On May 21, 2020, the Company issued $200.0 million aggregate principal amount of 5.00% convertible senior notes due 2027 in a public offering (the "2027 Notes"). The 2027 Notes were registered pursuant to the Company's shelf registration statement on Form S-3 filed with the SEC on April 10, 2020. The interest rate on the 2027 Notes is fixed at 5.00% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2020. The 2027 Notes will mature on June 1, 2027. The net proceeds from the offering, after deducting the underwriting discounts and commissions and other offering costs, were approximately $193.6 million. The 2027 Notes may be settled in cash, shares of the Company's common stock, or a combination thereof, solely at the Company's election. The initial conversion rate of the 2027 Notes is 61.6095 shares per $1,000 principal amount, which is equivalent to a conversion price of approximately $16.23 per share, subject to adjustments. In addition, following certain corporate events that occur prior to the maturity date or if the Company issues a notice of redemption, the Company will increase the conversion rate for a holder who elects to convert its 2027 Notes in connection with such a corporate event during the related redemption period in certain circumstances.

The 2027 Notes are senior unsecured obligations of the Company, ranking senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2027 Notes, and are effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness, including all indebtedness under the Credit Facility.

Holders may convert their notes at their option only in the following circumstances: (1) during any calendar quarter (and only during such calendar quarter) commencing after the calendar quarter ending on September 30, 2020, if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's common stock on such trading day and the conversion rate on such trading day; (3) upon the occurrence of certain corporate events or distributions on the Company's common stock; (4) if the Company calls such notes for redemption; and (5) at any time from, and including, March 1, 2027 until the close of business on the scheduled trading day immediately before the maturity date.

The Company will not have the right to redeem the 2027 Notes prior to June 6, 2024. As of September 30, 2024, the Company has not redeemed the 2027 Notes. On or after June 6, 2024 and on or before the 50th scheduled trading day immediately before the maturity date, the Company may redeem the 2027 Notes, in whole or in part, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect on (1) each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. In the case of any optional redemption, the Company will redeem the 2027 Notes at a redemption price equal to 100% of the principal amount of such Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

If the Company undergoes a fundamental change prior to the maturity date of the 2027 Notes, holders of the 2027 Notes may require the Company to repurchase for cash all or part of their 2027 Notes at a repurchase price equal to 100% of the

principal amount of the 2027 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The indenture governing the 2027 Notes provides for customary terms and covenants, including that upon certain events of default, either the trustee or the holders of not less than 25% in aggregate principal amount of the 2027 Notes then outstanding may declare the unpaid principal amount of the 2027 Notes and accrued and unpaid interest, if any, thereon immediately due and payable. As of September 30, 2024, the Company was in compliance with these covenants. In the case of certain events of bankruptcy, insolvency or reorganization, the principal amount of the 2027 Notes together with accrued and unpaid interest, if any, thereon will automatically become and be immediately due and payable.

As of September 30, 2024, there were no events or market conditions that would allow holders to convert the 2027 Notes. When the 2027 Notes become convertible within 12 months of the balance sheet date, the carrying value of the 2027 Notes will be reclassified to short-term.

The Company recorded $0.4 million of the debt issuance costs related to the 2027 Notes as a reduction to the liability and amortizes these costs to interest expense over the term of the 2027 Notes.

The net carrying amount of the 2027 Notes was as follows (in thousands):

	September 30, 2024	December 31, 2023
Principal amount	$ 200,000	$ 200,000
Unamortized debt discount	(2,544)	(3,194)
Unamortized debt issuance cost	(171)	(215)
Net carrying amount	$ 197,285	$ 196,591

The following table sets forth the interest expense recognized related to the 2027 Notes (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Contractual interest expense	$ 2,500	$ 2,500	$ 7,500	$ 7,500
Amortization of debt discount	219	208	650	615
Amortization of debt issuance cost	15	14	44	41
Total interest expense related to the 2027 Notes	$ 2,734	$ 2,722	$ 8,194	$ 8,156

Note 6 - Licenses, Asset Acquisitions and Contingent Consideration

The following purchased assets were accounted for as asset acquisitions as substantially all of the fair value of the assets acquired were concentrated in a group of similar assets and/or the acquired assets were not capable of producing outputs due to the lack of employees and early stage of development. Because the assets had not yet received regulatory approval, the fair value attributable to these assets was recorded as in process research and development ("IPR&D") expenses in the Company's condensed consolidated statements of operations and comprehensive loss.

The Company accounts for contingent consideration payable upon achievement of certain regulatory, development or sales milestones in such asset acquisitions when the underlying contingency is met.

License from Pulmokine, Inc. (Seralutinib)

On October 2, 2017, the Company entered into a license agreement with Pulmokine, Inc. under which it was granted an exclusive worldwide license and sublicense to certain intellectual property rights owned or controlled by Pulmokine to develop and commercialize seralutinib and certain backup compounds for the treatment, prevention and diagnosis of any and all disease or conditions. The Company also has the right to sublicense its rights under the license agreement, subject to certain conditions. The assets acquired are in the early stages of the FDA approval process, and the Company intends to further develop the assets acquired through potential FDA approval as evidenced by the milestone arrangement in the contract. The development activities cannot be performed without significant cost and effort by the Company. The agreement will remain in effect from the effective date, unless terminated earlier, until, on a licensed product-by-licensed product and country-by-country basis, the later of ten years from the date of first commercial sale or when there is no longer a valid patent claim covering such licensed product or specified regulatory exclusivity for the licensed product in such country. The Company is obligated to make future development

and regulatory milestone payments of up to $48.0 million, which includes a payment of $5.0 million due upon the initiation of a Phase 3 clinical trial in a second indication, commercial milestone payments of up to $45.0 million, and sales milestone payments of up to $190.0 million. The Company is also obligated to pay tiered royalties on sales for each licensed product, at percentages ranging from the mid-single digits to the high single-digits. In addition, if the Company chooses to sublicense or assign to any third parties its rights under the agreement with respect to a licensed product, or the Company's seralutinib operating subsidiary undergoes a change of control, the Company must pay to Pulmokine a specified percentage of all revenue to be received in connection with such transaction. The Company made an upfront payment of $5.5 million in October 2017. The Company made a milestone payment of $5.0 million in connection with the initiation of the first Phase 2 clinical trial of seralutinib in January 2021 and made a milestone payment of $10.0 million in connection with the initiation of the Phase 3 clinical trial of seralutinib in January 2024. The Company recognized these milestone payments as research and development expense on its condensed consolidated statements of operations and comprehensive loss. As of September 30, 2024, no other milestones had been accrued as the underlying contingencies had not yet been met.

Note 7 - Stockholders' Equity

Common Stock

Each share of common stock is entitled to one vote. Common stock owners are entitled to dividends when funds are legally available and declared by the Company's board of directors.

Private Placement Financing

On July 24, 2023, the Company completed a private placement of 129,869,440 shares of the Company's common stock and accompanying warrants to purchase up to 32,467,360 shares of the Company's common stock at a combined purchase price of $1.63125 per share and accompanying warrant, or with respect to any purchaser that was an officer, director, employee or consultant of the Company, $1.85125 per share and accompanying warrant. Each warrant has an exercise price per share of $2.04, was immediately exercisable on the date of issuance and will expire five years from the closing of the private placement. The aggregate gross proceeds for the private placement were $212.1 million, before deducting offering expenses, which equaled $10.8 million. On August 18, 2023, the Company filed a registration statement on Form S-3 registering the shares of common stock and shares of common stock issuable upon the exercise of warrants issued in the private placement, which registration statement was declared effective on August 28, 2023.

Chiesi Equity Option

On May 3, 2024, pursuant to the Chiesi Collaboration Agreement (as defined in Note 10 below) the Company granted to Chiesi (as defined in Note 10 below) an option to purchase directly from the Company, on one or more occasions, up to an aggregate number of shares of the Company's common stock (the "Equity Option") such that immediately following such issuance, Chiesi's beneficial ownership of the Company's common stock shall not exceed 9.9% of the total number of issued and outstanding shares of the Company's common stock. The Equity Option shall be exercisable by Chiesi, in whole or in part, at any time prior to the earliest to occur of the date on which (a) the last patient is last dosed in either (i) the PROSERA Phase 3 study for PAH or (ii) a Phase 3 clinical trial for the PH-ILD Indication, (b) any third party commences a tender offer or exchange offer for more than 50% of the outstanding shares of the Company's common stock, and (c) the Company publicly announces its intent to consummate a GB002, Inc. change of control. The purchase price of each share the Company's common stock subject to the Equity Option shall be equal to 107.5% of the daily volume-weighted average per share price of the Company's common stock on The Nasdaq Stock Market over the 30-trading day period ending on and including the last trading day prior to the date on which Chiesi delivers an exercise notice to the Company; provided that such purchase price shall be no less than $1.63 per share. The shares of the Company's common stock to be issued will be issued in a private placement in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended, for transactions by an issuer not involving any public offering, pursuant to the terms of a stock issuance agreement to be entered into between the Company and Chiesi in connection with each such exercise of the Equity Option. The Company evaluated the Equity Option granted to Chiesi as consideration payable to a customer and determined it qualified under ASC 718. Due to the market condition included in the Equity Option, the company used the Geometric Brownian Motion/Monte Carlo model to determine fair market value. The value of the Equity Option is $0.5 million, which is included in additional paid-in capital on the Company's condensed consolidated balance sheets.

Note 8 - Equity Incentive Plans

2023 Equity Inducement Incentive Plan

In November 2023, the Company approved the 2023 Employment Inducement Incentive Plan (the "2023 Inducement Plan"). The terms of the 2023 Inducement Plan are substantially similar to the terms of the Company's 2019 Incentive Award

Plan (as described below) with the exception that incentive stock options may not be issued under the 2023 Inducement Plan and awards under the 2023 Inducement Plan may only be issued to eligible recipients under the applicable Nasdaq rules. The 2023 Inducement Plan was adopted without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under the 2023 Inducement Plan may only be made to an employee who has not previously been an employee or member of the board of directors of the Company or any parent or subsidiary, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary. The Company has initially reserved 6,762,279 shares of the Company's common stock for issuance pursuant to awards granted under the 2023 Inducement Plan. As of September 30, 2024, an aggregate of 4,556,779 shares of common stock were available for issuance under the 2023 Inducement Plan, and 2,205,500 shares of common stock were subject to outstanding awards under the 2023 Inducement Plan.

2019 Equity Incentive Plan

In January 2019, the Company's board of directors and stockholders approved and adopted the 2019 Incentive Award Plan (the "2019 Plan"). The 2019 Plan became effective on February 6, 2019, the day prior to the effectiveness of the registration statement filed in connection with the IPO. Under the 2019 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, and other stock or cash-based awards to individuals who are then employees, officers, directors or consultants of the Company, and employees and consultants of the Company's subsidiaries. A total of 5,750,000 shares of common stock were approved to be initially reserved for issuance under the 2019 Plan. The number of shares that remained available for issuance under the 2017 Plan (as defined below) as of the effective date of the 2019 Plan were, and shares subject to outstanding awards under the 2017 Plan as of the effective date of the 2019 Plan that are subsequently canceled, forfeited or repurchased by the Company will be, added to the shares reserved under the 2019 Plan. In addition, the number of shares of common stock available for issuance under the 2019 Plan will be automatically increased on the first day of each calendar year during the ten-year term of the 2019 Plan, beginning with January 1, 2020 and ending with January 1, 2029, by an amount equal to 5% of the outstanding number of shares of the Company's common stock on December 31 of the preceding calendar year or such lesser amount as determined by the Company's board of directors. As of September 30, 2024, an aggregate of 1,225,134 shares of common stock were available for issuance under the 2019 Plan. As of September 30, 2024 and December 31, 2023, 30,784,020 and 20,374,879 shares of common stock, respectively, were subject to outstanding awards under the 2019 Plan.

2019 Employee Stock Purchase Plan

In January 2019, the Company's board of directors and stockholders approved and adopted the 2019 Employee Stock Purchase Plan (the "ESPP"). The ESPP became effective as of February 6, 2019, the day prior to the effectiveness of the registration statement filed in connection with the IPO. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation. A total of 700,000 shares of common stock were approved to be initially reserved for issuance under the ESPP. In addition, the number of shares of common stock available for issuance under the ESPP will be automatically increased on the first day of each calendar year during the first ten years of the term of the ESPP, beginning with January 1, 2020 and ending with January 1, 2029, by an amount equal to 1% of the outstanding number of shares of the Company's common stock on December 31 of the preceding calendar year or such lesser amount as determined by the Company's board of directors. During the nine months ended September 30, 2024, 767,125 shares were issued pursuant to the ESPP. As of September 30, 2024, an aggregate of 4,545,812 shares of common stock were available for issuance under the ESPP.

2017 Equity Incentive Plan

The Company's 2017 Equity Incentive Plan (the "2017 Plan") permitted the granting of incentive stock options, non-statutory stock options, restricted stock, restricted stock units and other stock-based awards. Subsequent to the adoption of the 2019 Plan, no additional equity awards can be made under the 2017 Plan. As of September 30, 2024 and December 31, 2023, 2,105,880 and 2,178,934 shares of common stock, respectively, were subject to outstanding options under the 2017 Plan. As of September 30, 2024, no shares of restricted stock awards granted under the 2017 Plan were unvested.

Stock Options

The fair value of each employee and non-employee time-vested stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company uses its own volatility to the extent it has sufficient trading history, and for awards in which sufficient trading history is not available, a peer group is used. Due to the lack of historical exercise history, the expected term of the Company's stock options for employees has been determined utilizing the "simplified" method for awards. The expected term of stock options granted to non-employees is equal to the contractual term of the option award.

The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

On May 5, 2023, the Company granted to its Chairman and Chief Executive Officer 750,000 options with an exercise price of $1.36 per share. This grant contains both service and market based vesting conditions. The awards vest on the later of the date of achievement and the one-year anniversary of the grant date. The market condition becomes satisfied in 50%, 25% and 25% tranches upon achieving the average per-share closing price of the Company's common stock over any 30 consecutive calendar days following the grant date equal to or exceeding $5.00, $7.50 and $10.00, respectively. In the event a stock price tranche has not vested prior to the fourth anniversary of the grant date, any portion of the option attributable to such tranche will be forfeited. Due to the market condition included in this grant, the Company used the Geometric Brownian Motion/Monte Carlo model to value this award. The total stock-based compensation expense related to this award is $0.4 million, which is included in general and administrative expense on the condensed consolidated statements of operations and comprehensive loss. The Company expects to recognize this expense over a weighted average period of approximately 2.2 years.

Effective May 5, 2023, and in accordance with the terms of the 2019 Plan, the Company's board of directors approved a stock option repricing (the "Option Repricing") whereby the exercise price of each Eligible Option (as defined below) was immediately reduced to $1.36 per share, the closing stock price on May 5, 2023. For purposes of the Option Repricing, "Eligible Options" are 6,817,057 outstanding stock options as of May 5, 2023 (vested or unvested) granted under the 2019 Plan prior to November 30, 2022 and held by those eligible employees of the Company identified by the Company's board of directors, including the Company's executive officers except for the Company's Chairman and Chief Executive Officer.

The participation of the executive officers of the Company in the Option Repricing was subject to their agreement to cancel a portion of their Eligible Options effective immediately (the "Cancelled Options"). Each executive was required to agree to cancel one-third of his or her Eligible Options, on a grant-by-grant basis. The Cancelled Options were deducted proportionately from the vested and unvested portions of each Repriced Option grant.

To the extent an Eligible Option is exercised prior to the Premium End Date (as defined below), or the eligible employee's employment terminates prior to the Premium End Date, the eligible employee will be required to pay the original exercise price per share of the Eligible Options in connection with any exercise of the Eligible Option. The "Premium End Date" means the earliest of (i) May 5, 2024, (ii) the date of a change in control, (iii) the eligible employee's death or disability, or (iv) if an eligible employee is an executive subject to the cancellation of a portion of Eligible Options and is terminated under circumstances giving rise to severance under his or her employment agreement, the date of such termination. Except for the reduction in the exercise prices of the Eligible Options as described above, the Eligible Options will retain their existing terms and conditions as set forth in the 2019 Plan and the applicable award agreements.

The repricing resulted in $3.4 million of incremental cost, which was calculated using the Black-Scholes option-pricing model, of which $2.0 million of the incremental cost was recognized immediately, and $1.4 million of the incremental cost will be recognized on the straight-line basis over the remaining vesting period of the repriced options. The incremental cost is included in general and administrative expense and research and development expense on the condensed consolidated statements of operations and comprehensive loss.

The following table summarizes stock option activity during the nine months ended September 30, 2024:

	Shares Subject to Options Outstanding		Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	Shares	Weighted-Average Exercise Price		(in thousands)
Outstanding as of December 31, 2023	23,626,115	$ 2.52	7.9	$ 369
Options granted	12,602,228	$ 0.96		
Options exercised	—	$ —		
Options forfeited/cancelled	(1,132,943)	$ 1.85		
Outstanding as of September 30, 2024	35,095,400	$ 1.98	7.7	$ 1,212
Options vested and expected to vest as of September 30, 2024	35,095,400	$ 1.98	7.7	$ 1,212
Options exercisable as of September 30, 2024	12,484,553	$ 3.55	5.9	$ 19

The aggregate intrinsic value in the above table is calculated as the difference between fair value of the Company's common stock price on September 30, 2024 and the exercise price of the stock options. There was no aggregate intrinsic value of stock options exercised during each of the nine months ended September 30, 2024 and 2023 since no stock options were exercised during these periods.

The weighted-average grant date fair value per share for the stock option grants during the nine months ended September 30, 2024 and 2023 was $0.78 and $5.38, respectively.

The aggregate fair value of stock options that vested during the nine months ended September 30, 2024 and 2023 was $12.0 million and $17.1 million, respectively.

Warrants

On July 24, 2023, the Company completed a private placement of 129,869,440 shares of the Company's common stock and accompanying warrants to purchase up to 32,467,360 shares of the Company's common stock at a combined purchase price of $1.63125 per share and accompanying warrant, or with respect to any purchaser that was an officer, director, employee or consultant of the Company, $1.85125 per share and accompanying warrant. Each warrant has an exercise price per share of $2.04, was immediately exercisable on the date of issuance and will expire five years from the closing of the private placement.

Given that the warrants are indexed to the Company's shares of common stock (and otherwise meet the requirements to be classified in equity), the Company recorded the consideration received from the issuance of the warrants as additional paid-in capital on the Company's unaudited condensed consolidated balance sheets.

As of September 30, 2024, there were 32,467,360 warrants outstanding.

Restricted Stock

The summary of the Company's restricted stock activity during the nine months ended September 30, 2024 is as follows:

	Number of Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2023	427,698	$ 10.92
Granted	—	—
Vested	(427,698)	10.92
Forfeited	—	—
Nonvested at September 30, 2024	—	$ —

As of September 30, 2024, there was no unrecognized stock-based compensation expense related to the unvested restricted stock awards.

Stock-Based Compensation Expense

Stock-based compensation expense has been reported in the Company's condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Research and development	$ 2,329	$ 3,250	$ 7,752	$ 12,661
General and administrative	2,513	2,912	7,902	9,825
Total stock-based compensation expense	$ 4,842	$ 6,162	$ 15,654	$ 22,486

As of September 30, 2024, the total unrecognized compensation expense related to the unvested stock option awards granted was $18.9 million, which the Company expects to recognize over a weighted-average period of approximately 2.7 years.

As of September 30, 2024, the total unrecognized compensation expense related to the ESPP was $0.9 million, which the Company expects to recognize over a weighted-average period of approximately 0.9 years.

Note 9 - Commitments and Contingencies

Leases

The Company leases certain office and laboratory space under a non-cancelable operating lease expiring in January 2025 for the initial leased space and for the expansion space leased pursuant to an amendment to the lease agreement entered into in August 2018. The lease is subject to charges for common area maintenance and other costs, and base rent is subject to an annual 3% increase each subsequent year. Costs determined to be variable and not based on an index or rate were not included in the measurement of the operating lease liabilities.

On July 9, 2024, the Company entered into a lease agreement for office space located at 3115 Merryfield Row, Suite 120, San Diego, CA 92121, consisting of approximately 18,421 square feet. The term of the lease is 63 months commencing on August 1, 2024. The base rent is $109,605 per month effective October 1, 2024, and it is subject to a 3% annual increase every October. The lease expires on October 31, 2029 with an option for a one-year extension and an option to terminate on December 1, 2027 with the payment of a termination fee equal to four months of the then-current base rent upon the termination date.

Monthly rent expense is recognized on a straight-line basis over the term of the leases. The operating leases are included in the condensed consolidated balance sheets at the present value of the lease payments at an incremental borrowing rate of 7% for each of the initial leased space and expansion space and 12.4% for the office lease commenced on August 1, 2024 using the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment as the leases do not provide an implicit rate.

As of September 30, 2024, the weighted average remaining lease term was 4.5 years.

Lease costs were comprised of the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Operating lease cost	$ 1,012	$ 778	$ 2,569	$ 2,335
Short-term lease cost	9	13	30	39
Total lease cost	$ 1,021	$ 791	$ 2,599	$ 2,374

Cash paid for amounts included in the measurement of operating lease liabilities for the three months ended September 30, 2024 and 2023 was $0.7 million and $0.6 million, respectively, and cash paid for amounts included in the measurement of operating lease liabilities for the nine months ended September 30, 2024 and 2023 was $2.7 million and $2.5 million, respectively.

Gross future minimum annual rental commitments as of September 30, 2024, were as follows (in thousands):

	Undiscounted Rent Payments
Year ending December 31	
2024 (remaining 3 months)	$ 1,197
2025	1,519
2026	1,397
2027	1,406
2028	1,448
2029	1,237
Total undiscounted rent payments	$ 8,204
Present value discount	(1,863)
Present value of lease payments	$ 6,341
Current portion of operating lease liabilities (included as a component of accrued expenses and other current liabilities)	1,748
Operating lease liabilities - long-term	4,593
Total operating lease liability	$ 6,341

For the three months ended September 30, 2024 and 2023, the Company recorded $1.1 million and $0.9 million, respectively, in rent expense. For the nine months ended September 30, 2024 and 2023, the Company recorded approximately $2.8 million and $2.6 million, respectively, in rent expense. Rent expense is included in research and development and general and administrative expense on the condensed consolidated statements of operations and comprehensive loss.

Note 10 - Significant Agreements and Contracts

On May 3, 2024, the Company, GB002, Inc., a Delaware corporation and wholly-owned subsidiary of the Company and Gossamer Bio 002 Ltd., a corporation organized and existing under the laws of Ireland and indirect wholly-owned subsidiary of the Company, entered into a global collaboration and license agreement (the “Chiesi Collaboration Agreement”) with Chiesi Farmaceutici S.p.A and Chiesi USA, Inc. (collectively, “Chiesi”). The Company concluded that there were four distinct performance obligations under the Chiesi Collaboration Agreement: the U.S. Territory license (as defined below), the ROW Territory license (as defined below), and the research and development services of both PAH and PH-ILD clinical development. Revenue associated with the licenses was recognized upon delivery in May 2024. In addition, the Company granted to Chiesi an option to purchase the Equity Option, as described in Note 7. "Stockholders Equity."

The collaboration is focused on the development and commercialization of seralutinib and licensed products including seralutinib and related licensed compounds (“Licensed Products”) in the U.S. (“U.S. Territory”) and the rest of the world (“ROW Territory”), for therapeutic, prophylactic and diagnostic uses in humans and animals, for the treatment of PAH and PH-ILD and other indications, as may be permitted under the Chiesi Collaboration Agreement.

Pursuant to the Chiesi Collaboration Agreement, the Company granted two exclusive, sublicensable (with the Company’s consent required in the U.S. Territory for third party sublicenses) licenses to Chiesi under intellectual property rights controlled by the Company relating to seralutinib and Licensed Products, for the worldwide development, manufacture and commercialization of seralutinib and Licensed Products. The licenses granted to Chiesi are subject to retained rights of the Company for the worldwide development and manufacture of seralutinib and Licensed Products, commercialization of Licensed Products in the U.S. Territory, and performance of its obligations and exercise of its rights that may be set forth in the global development plan and US commercialization plan, in each case in accordance with the Chiesi Collaboration Agreement.

The parties agreed to use commercially reasonable efforts to conduct development and commercialization activities in relation to seralutinib and Licensed Products, under the global development plan and US commercialization plan in accordance with the timelines therein. The Company will continue to lead global development of seralutinib in PAH and PH-ILD, and the parties will equally share the costs for the activities included in the global development plan for all Licensed Products, with the exception of the PROSERA Phase 3 study, which the Company will be solely responsible for conducting at the Company’s own

cost and expense. With respect to each country in the ROW Territory, such obligation to equally share such development costs shall end when regulatory approval is received for a Licensed Product in such country. With respect to U.S. Territory, the development costs incurred following regulatory approval shall continue to be shared equally. The Company will lead commercialization for PAH and PH-ILD in the US, with both parties contributing 50 percent of commercial efforts, including performing 50 percent of the commercialization activities. Chiesi will lead commercialization in the US Territory in additional indications, and Chiesi will have the exclusive right to commercialize Licensed Products in the ROW Territory. Chiesi further agreed to use commercially reasonable efforts to commercialize Licensed Products in certain specified countries in the ROW Territory following receipt of regulatory approvals. Generally, the Company will have the right to lead in manufacturing commercial supply of seralutinib and Licensed Products for the U.S. Territory for PAH and PH-ILD, and, subject to any existing obligations of the Company to third party manufacturers, Chiesi will have the right to lead in manufacturing commercial supply of seralutinib and Licensed Products in the ROW Territory, in each case in accordance with the Chiesi Collaboration Agreement.

Pursuant to the Chiesi Collaboration Agreement, neither party nor its affiliates is permitted to develop or commercialize any compound or product throughout the term whose primary mechanism of action is inhibition of a tyrosine kinase for the treatment of PAH or PH-ILD in the U.S. Territory or ROW Territory, subject to certain restrictions for the EU and UK.

In consideration and as reimbursement for the Company’s development costs, Chiesi agreed to pay the Company an up-front, nonrefundable payment of $160 million. Additionally, the Company will be eligible to receive up to $146 million in regulatory milestones and $180 million in sales milestones. In the U.S. Territory, the parties agreed to share commercial profits and losses equally. In the ROW Territory, Chiesi will pay the Company an escalating mid-to-high teens percentage royalty on net sales of Licensed Product for PAH and additional indications on a Licensed Product-by-Licensed Product and country-by-country basis with such payment obligations beginning on the first commercial sale of Licensed Product in such country and expiring on a country-by-country basis on the latest of (a) the expiration of a valid claim to a the Company patent right in such country, (b) the expiration of regulatory exclusivity, and (c) the date that is 10 years after the first commercial sale of such Licensed Product in such country.

Potential future payments for variable consideration, such as regulatory and commercial milestones, development costs, and profit sharing U.S. Territory will be recognized when it is probable that, if recorded, a significant reversal will not take place. Potential future royalty payments will be recorded as revenue when the associated sales occur.

Unless earlier terminated, the Chiesi Collaboration Agreement will remain in force until no Licensed Products are being developed or commercialized in the US Territory and in the ROW Territory, on a country-by-country basis, until no royalty terms are in effect for all countries. Either party may terminate the Chiesi Collaboration Agreement for the other party’s material breach, subject to a specified notice and cure periods, or due to an insolvency event of the other party. In lieu of termination upon a party’s material breach due to non-payment of development costs within a specified time the non-breaching party may elect an alternative remedy which may involve modifications to their performance and payment obligations. The Company has the right to terminate by providing written notice in the event Chiesi or its affiliates or sublicensee brings a patent challenge and Chiesi does not take certain steps to withdraw from or cease supporting such challenge. Chiesi may terminate the Chiesi Collaboration Agreement without cause upon prior written notice to the Company, subject to a notice period in which all rights to Licensed Products and Licensed Compounds will revert back to the Company.

The foregoing description of the Chiesi Collaboration Agreement is not complete and is qualified in its entirety by reference to the full text of the Chiesi Collaboration Agreement, a copy of which was filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024.

The Company concluded that progress towards completion of the research and development services performance obligation related to the Chiesi Collaboration Agreement is best measured in an amount proportional to the collaboration expenses incurred and the total estimated collaboration expenses. The Company periodically reviews and updates the estimated collaboration expenses, when appropriate, which may adjust revenue recognized for the period. While such changes to the Company’s estimates have no impact on the Company’s reported cash flows, the amount of revenue recorded in the period could be materially impacted. The transaction price to be recognized as revenue from sale of licenses and revenue from contracts with collaborators under the Chiesi Collaboration Agreement consists of the one-time non-refundable and non-creditable development cost reimbursement payment and research and development costs. The transaction price was reduced by the fair value of the Equity Option.

Revenue Recognition

The Company determined the transaction price pursuant to the Chiesi Collaboration Agreement is equal to the one-time development cost reimbursement payment of $160.0 million less the fair market value of the Equity Option of $0.5 million. The

price allocated for the Equity Option was determined to be at fair market value utilizing the Geometric Brownian Motion/Monte Carlo model and was considered a reduction in the transaction price. The transaction price was allocated to the performance obligations on the basis of the relative stand-alone selling price estimated for each performance obligation. In estimating the stand-alone selling price for each performance obligation, the Company developed assumptions that require judgment and included forecasted revenues or costs, expected development timelines, discount rates and probabilities of technical and regulatory success. A description of the distinct performance obligations identified under the Chiesi Collaboration Agreement, as well as the amount of revenue allocated to each distinct significant performance obligation, is as follows:

Licenses of Intellectual Property. The license to the Company's intellectual property, bundled with the associated know-how, represents two distinct performance obligations. The licenses and associated know-how were transferred to Chiesi in June 2024, therefore the Company recognized the full revenue related to this performance obligation in the amount of $88.8 million during the quarter ended June 30, 2024 as revenue from sale of licenses on its condensed consolidated statements of operations and comprehensive loss.

Research and Development Services. The progress towards completion of the performance obligations related to the research and development services for the Licensed Products is measured in an amount proportional to the research and development expenses incurred and the total estimated research and development expenses. In addition, the Company and Chiesi share equally in the costs of ongoing global seralutinib clinical development, with the exception of the PROSERA Phase 3 study, and the costs of commercialization in the US. The Company records the revenue from performing research and development services and the cost-sharing payments due from Chiesi as revenue from contracts with collaborators on its condensed consolidated statements of operations and comprehensive loss. For the three and nine months ended September 30, 2024, the Company recognized $9.5 million and $16.6 million, respectively, for the PAH and PH-ILD research and development performance obligations.

Milestone Payments. The Company determined that as of September 30, 2024, all the potential milestone payments are probable of significant revenue reversal as their achievement is highly dependent on factors outside the Company's control or are otherwise constrained under the sales and usage based royalty exception. Therefore, these payments have been fully constrained and are therefore not included in the transaction price. At the end of each subsequent reporting period, the Company will re-evaluate the probability of achievement of each milestone and any related constraint. No milestone payments were recognized during the three and nine months ended September 30, 2024.

Royalties. As the licenses are deemed to be the predominant item to which sales-based royalties relate, the Company will recognize revenue when the related sales occur. No royalty revenue was recognized during the three and nine months ended September 30, 2024.

The following table presents a summary of the activity in the Company's contract liabilities related to the Chiesi Collaboration Agreement (recorded as contract liabilities on the balance sheet) during the nine months ended September 30, 2024 (in thousands):

Balance, December 31, 2023	$	—
Payments received in advance		160,000
Revenue from sale of US license		(76,686)
Revenue from sale of ROW license		(12,050)
Revenue from PAH research and development service performance obligations satisfied during reporting period		(8,132)
Revenue from PH-ILD research and development service performance obligations satisfied during reporting period		(217)
Equity Option granted to Chiesi		(464)
Effect of exchange rate changes on contract liabilities		1,656
Balance, September 30, 2024	$	64,107

As of September 30, 2024, the contract liability amount of $64.1 million represents the aggregate transaction price allocated to performance obligations that are unsatisfied under the Chiesi Collaboration Agreement. This amount is expected to be recognized over 4.3 years, which represents the remaining research period under the Chiesi Collaboration Agreement. As of September 30, 2024, the current contract liability balance of $20.3 million is classified as a current liability since the rights to the research and development service are expected to be satisfied within one year, and the remaining contract liability balance of $43.8 million is classified as a long-term liability.

As of September 30, 2024, the Company recorded $6.6 million in accounts receivable associated with the Chiesi Collaboration Agreement.

The following table presents our contract revenues from Chiesi Collaboration Agreement disaggregated by timing of revenue recognition and excluding royalty revenue (in thousands):

	Three Months Ended September 30, 2024	Nine Months ended September 30, 2024
Revenue from Chiesi Collaboration Agreement:		
Point in Time:		
US License	$ —	$ 76,686
ROW License	—	12,050
Over Time:		
Revenue from PAH research and development service performance obligation satisfied during reporting period	4,735	8,133
Revenue from PH-ILD research and development service performance obligation satisfied during reporting period	157	217
Revenue from PAH research and development costs subject to reimbursement	3,516	6,812
Revenue from PH-ILD research and development costs subject to reimbursement	1,086	1,419
Effect of exchange rate changes on revenue	(14)	5
Total revenue from Chiesi Collaboration Agreement	$ 9,480	$ 105,322

Note 11 - Income Taxes

We calculate the interim income tax provision in accordance with Accounting Standards Codification Topic 270, Interim Reporting, ("ASC 270"), and Topic 740, Accounting for Income Taxes, ("ASC 740"). At the end of each interim period, we estimate our annual effective tax rate and apply that rate to our ordinary quarterly earnings to calculate the tax related to ordinary income. The tax effects for other items that are excluded from ordinary income are discretely calculated and recognized in the period in which they occur. The income from the Chiesi Collaboration Agreement is a discrete item and not included in our annual effective tax rate based on the determination that it is significant, unusual and infrequent in nature as defined in ASC 270 and ASC 740. Our annual effective tax rate from continuing operations was 5.2% and 4.0% the three and nine months ended September 30, 2024 and 0% for each of the three and nine months ended September 30, 2023 due to a full valuation. We recorded income tax expense discretely for the three months ended June 30, 2024, related to the treatment of the Chiesi income and a partial release of the valuation allowance. Total tax benefit for the three months ended September 30, 2024 was $1.1 million, and total tax expense for the nine months ended September 30, 2024 was $3.3 million. Tax benefit will be recorded in the quarter ended December 31, 2024 related to the forecasted net operating losses and tax credits.

The effective income tax rate was (3.5)% and 0% during the three months ended September 30, 2024 and 2023, respectively, and (16.4)% and 0% during the nine months ended September 30, 2024 and 2023, respectively. The provision for income taxes during interim quarterly reporting periods is based on our estimates of the effective tax rates for the full fiscal year. The effective tax rate in any quarter can also be affected positively or negatively by adjustments that are required to be reported discretely in the quarter. The effective tax rate for the three months ended September 30, 2024 was favorably impacted by an increase in pre-tax book loss.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis and the unaudited interim condensed consolidated financial statements included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2023 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 5, 2024.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 27A of the Securities Act of 1933, as amended, or the Securities Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations and financial position, including performance under the collaboration agreement with Chiesi and the potential future issuance of our common stock to Chiesi pursuant to the equity option, business strategies and plans, research and development plans, the anticipated timing, costs, design and conduct of our ongoing and planned preclinical studies and planned clinical trials for seralutinib, the timing and likelihood of regulatory filings and approvals for seralutinib, timing and likelihood of success, plans and objectives of management for future operations and future results of seralutinib, 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.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors" of this report, Part I, Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K filed with the SEC on March 5, 2024, and Part II, Item 1A, "Risk Factors" of our subsequently filed quarterly reports. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. All forward-looking statements are qualified in their entirety by this cautionary statement, which is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Overview

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of seralutinib for the treatment of PAH and PH-ILD. Our goal is to be an industry leader in, and to enhance the lives of patients living with PH. In May 2024, we entered into a global collaboration and license agreement, or the collaboration agreement, for seralutinib with Chiesi. In December 2022, we announced positive topline results from the Phase 2 TORREY Study in PAH patients. In the fourth quarter of 2023, we initiated the registrational Phase 3 PROSERA Study in PAH. We expect to report topline data from the PROSERA study in the fourth quarter of 2025. In addition to PAH, we believe that seralutinib holds potential as a therapeutic for the treatment of PH-ILD. We expect to commence a registrational Phase 3 trial in PH-ILD in the middle of 2025. We have assembled a deeply experienced and highly skilled group of industry veterans, scientists, clinicians and key opinion leaders from leading biotechnology and pharmaceutical companies, as well as leading academic centers from around the world. Our employees are a team of highly dedicated, passionate individuals who pride themselves on a culture of respect, humility, transparency, inclusion, dedication, collaboration and fun. Our ultimate goal is to enhance and extend the lives of patients.

We were incorporated in October 2015 and commenced operations in 2017. To date, we have focused primarily on organizing and staffing our company, business planning, raising capital, identifying, acquiring and in-licensing our product candidates and conducting preclinical studies and clinical trials. We have funded our operations primarily through equity and debt financings and the collaboration agreement. We raised $1,394.4 million from October 2017 through September 30, 2024 through the sale of Series A and Series B convertible preferred stock, issuance of convertible notes, proceeds from our

IPO, completed in February 2019, proceeds from our 2027 Notes (as defined below), issuance of common stock in May 2020 and July 2022, issuance of common stock and accompanying warrants in July 2023 and entry into the collaboration agreement in May 2024. As of September 30, 2024, we had $327.0 million in cash, cash equivalents and marketable securities.

We have incurred significant operating losses since our inception and expect to continue to incur significant operating losses for the foreseeable future. For the three months ended September 30, 2024 and 2023, our net loss was $30.8 million and $40.0 million, respectively. For the nine months ended September 30, 2024 and 2023, our net loss was $23.5 million and $131.7 million, respectively. As of September 30, 2024, we had an accumulated deficit of $1,235.5 million. We expect to incur expenses and operating losses for the foreseeable future as we continue our development of and seek regulatory approvals for seralutinib, including the conduct of ongoing and planned clinical trials and other research and development activities; and as we hire additional personnel, protect our intellectual property and incur additional costs associated with being a public company. In addition, as seralutinib progresses through development and toward commercialization, we will need to make milestone payments to Pulmokine from whom we have in-licensed seralutinib. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending in particular on the timing of our clinical trials and preclinical studies and our expenditures on other research and development activities.

On May 3, 2024, we announced a strategic global partnership with Chiesi. Under the terms of the collaboration agreement, we granted Chiesi exclusive licenses for the worldwide development, manufacture and commercialization of seralutinib and licensed products and an equity option to purchase our common stock. The total potential transaction value includes the one-time $160.0 million development cost reimbursement payment for licenses, research and development funding, and certain regulatory and commercial milestones. The Company is also eligible for double-digit royalties in the mid-to-high teens percentage on tiers of annual net sales outside of the U.S. and to an equal share of profits and losses from the commercialization of seralutinib and licensed products in the U.S.

We do not expect to generate any revenue from product sales unless and until we successfully complete development and obtain regulatory approval for seralutinib, which we expect will take a number of years. If we obtain regulatory approval for seralutinib, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, until such time as we can generate substantial product revenues to support our cost structure, if ever, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise additional capital when needed, we could be forced to delay, limit, reduce or terminate seralutinib development or future commercialization efforts or grant additional rights to develop and market seralutinib even if we would otherwise prefer to retain such rights.

Components of Results of Operations

Revenue

To date, we have generated all of our revenues from our collaboration agreement with Chiesi. Our revenue consists of a one-time development cost reimbursement payment for licenses and ongoing cost-sharing payments for performance of research and development services.

In the future, we may generate revenue from a combination of license fees and other upfront payments, other funded research and development agreements, milestone payments, product sales, other third-party funding, US profit/loss share and royalties in connection with strategic alliances. We expect that any revenue we generate will fluctuate from quarter-to-quarter as a result of the timing of performance of research and development services, the timing of our achievement of regulatory and commercialization milestones, the timing and amount of payments relating to such milestones and the extent to which any of our products are approved and successfully commercialized. If we are unable to fund our development costs or we are unable to develop product candidates in a timely manner or obtain regulatory approval for them, our ability to generate future revenues and our results of operations and financial position would be adversely affected.

Operating expenses

Research and development

Research and development expenses relate primarily to preclinical and clinical development of seralutinib and discovery efforts, as well as our discontinued clinical product candidates. Research and development expenses are recognized as incurred

and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received.

Research and development expenses include or could include:

- salaries, payroll taxes, employee benefits, and stock-based compensation charges for those individuals involved in research and development efforts;
- external research and development expenses incurred under agreements with contract research organizations, or CROs, investigative sites and consultants to conduct our clinical trials and preclinical and non-clinical studies;
- laboratory supplies;
- costs related to manufacturing our product candidates for clinical trials and preclinical studies, including fees paid to third-party manufacturers;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent, maintenance of facilities, insurance, equipment and other supplies.

Our direct research and development expenses consist principally of external costs, such as fees paid to CROs, investigative sites and consultants in connection with our clinical trials, preclinical and non-clinical studies, and costs related to manufacturing clinical trial materials. We deploy our personnel and facility related resources across all of our research and development activities. We track external costs and personnel expense on a program-by-program basis and allocate common expenses, such as facility related resources, to each program based on the personnel resources allocated to such program. Stock-based compensation and personnel and common expenses not attributable to a specific program are considered unallocated research and development expenses. We categorize Terminated Programs as any research and development expenses attributable to our clinical stage product candidates that were terminated prior to December 31, 2023.

We expect to incur research and development expenses for the foreseeable future as we continue the development of seralutinib. We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future preclinical studies and clinical trials of seralutinib due to the inherently unpredictable nature of preclinical and clinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. We anticipate that we will make determinations as to how much funding to direct to seralutinib on an ongoing basis in response to the results of ongoing and future preclinical studies and clinical trials, regulatory developments and our ongoing assessments as to seralutinib's commercial potential. We will need to raise substantial additional capital in the future.

Our clinical development costs may vary significantly based on factors such as:

- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the cost and timing of manufacturing seralutinib;

- the costs incurred as a result of the COVID-19 pandemic and clinical site staff shortages, including clinical trial delays;
- the phase 3 stage of development for seralutinib; and
- the efficacy and safety profile of seralutinib.

General and administrative

General and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance and other administrative functions. Other significant costs include facility-related costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services and insurance costs.

We expect to incur general and administrative expenses for the foreseeable future to support our current infrastructure and continued costs of operating as a public company. These expenses will likely include audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Other income, net

Other income, net consists of (1) interest income on our cash, cash equivalents and marketable securities, (2) investment accretion, (3) interest expense related to our Credit Facility and our 2027 Notes, (4) research and development tax credit and (5) other miscellaneous income.

Provision (benefit) for income taxes

Our tax provision or benefit from income taxes for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make judgments and estimates that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. On an ongoing basis, we evaluate our judgments and estimates in light of changes in circumstances, facts and experience. Other than our accounting for the collaborative arrangements and revenue recognition discussed below, during the nine months ended September 30, 2024, there have been no significant changes in our critical accounting policies and estimates as discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K filed with the SEC on March 5, 2024.

Collaborative Arrangements

The Company assesses whether its licensing and other agreements are collaborative arrangements based on whether they involve joint operating activities and whether both parties have active participation in the arrangement and are exposed to significant risks and rewards. For arrangements that the Company determines are collaborations, it identifies each unit of account, and then determines whether a customer relationship exists for that unit of account. If the Company determines a performance obligation within the collaborative arrangement to be with a customer, it applies its revenue recognition accounting policy. If a portion of a distinct bundle of goods or services within the collaborative arrangement is not with a customer, the Company applies recognition and measurement based on an analogy to authoritative accounting literature or, if there is no appropriate analogy, a reasonable, rational and consistently applied accounting policy election. To the extent the arrangement is within the scope of ASC 808, the Company assesses whether aspects of the arrangement between the Company and the collaboration partner are within the scope of other accounting literature. If the Company concludes that some or all aspects of the arrangement represent a transaction with a customer, the Company accounts for those aspects of the arrangement within the scope of ASC Topic 606, Revenue from Contracts with Customers (ASC 606).

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Codification, or ASC, Topic 606, Revenue from Contracts with Customers, or Topic 606, which applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, we recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for contracts with customers, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within each contract, determine those that are performance obligations, and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price, reduced by a consideration payable to a customer, that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. We utilize key assumptions to determine a stand-alone selling price for performance obligations, which may include forecasted revenues or costs, expected development timelines, discount rates and probabilities of technical and regulatory success.

Results of Operations – Comparison of the Three and Nine Months Ended September 30, 2024 and 2023

The following table sets forth our selected statements of operations data for the three months ended September 30, 2024 and 2023:

	Three months ended September 30,		2024 vs 2023
	2024	2023	Change
	(in thousands)		
Revenue:			
Revenue from contracts with collaborators	$ 9,480	$ —	$ 9,480
Total revenue	9,480	—	9,480
Operating expenses:			
Research and development	34,897	31,200	3,697
General and administrative	8,502	9,290	(788)
Total operating expenses	43,399	40,490	2,909
Loss from operations	(33,919)	(40,490)	6,571
Other income (expense)			
Interest income	430	405	25
Interest expense	(2,734)	(3,343)	609
Other income, net	4,288	3,420	868
Total other income, net	1,984	482	1,502
Loss before income tax benefit	(31,935)	(40,008)	8,073
Income tax benefit	(1,132)	—	(1,132)
Net Loss	$ (30,803)	$ (40,008)	$ 9,205

The following table sets forth our selected statements of operations data for the nine months ended September 30, 2024 and 2023:

	Nine months ended September 30,		2024 vs 2023
	2024	2023	Change
	(in thousands)		
Revenue:			
Revenue from sale of licenses	$ 88,751	$ —	$ 88,751
Revenue from contracts with collaborators	16,571	—	16,571
Total revenue	105,322	—	105,322
Operating expenses:			
Research and development	102,375	105,334	(2,959)
General and administrative	26,738	29,398	(2,660)
Total operating expenses	129,113	134,732	(5,619)
Loss from operations	(23,791)	(134,732)	110,941
Other income (expense)			
Interest income	2,523	1,687	836
Interest expense	(8,779)	(10,272)	1,493
Other income, net	9,851	11,648	(1,797)
Total other income, net	3,595	3,063	532
Loss before provision for income taxes	(20,196)	(131,669)	111,473
Provision for income taxes	3,303	—	3,303
Net Loss	$ (23,499)	$ (131,669)	$ 108,170

Revenue

For the three and nine months ended September 30, 2024, our revenue was $9.5 million and $105.3 million, respectively. Our revenue is generated from our ongoing collaboration with Chiesi and consists of a one-time development cost reimbursement payment for the licenses and ongoing cost-sharing payments for performance of research and development services.

Research and development expenses

Research and development expenses were $34.9 million for the three months ended September 30, 2024, compared to $31.2 million for the three months ended September 30, 2023, for an increase of $3.7 million, which was primarily attributable to an increase of $5.7 million of costs associated with preclinical studies and clinical trials for seralutinib, offset by a decrease of $2.0 million of costs associated with preclinical studies and clinical trials for terminated programs.

Research and development expenses were $102.4 million for the nine months ended September 30, 2024, compared to $105.3 million for the nine months ended September 30, 2023, for a decrease of $3.0 million, which was primarily attributable to a decrease of $30.9 million of costs associated with preclinical studies and clinical trials for terminated programs, offset by an increase of $27.9 million of costs associated with preclinical studies and clinical trials for seralutinib.

The following table shows our research and development expenses by program for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Seralutinib	$ 32,750	$ 27,010	$ 95,093	$ 67,149
Other terminated programs	2,147	4,190	7,282	38,185
Total research and development	$ 34,897	$ 31,200	$ 102,375	$ 105,334

General and administrative expenses

General and administrative expenses were $8.5 million for the three months ended September 30, 2024, compared to $9.3 million for the three months ended September 30, 2023, for a decrease of $0.8 million, which was primarily attributable to a $0.4 million decrease in stock-based compensation expense and a decrease of $0.4 million in legal expense.

General and administrative expenses were $26.7 million for the nine months ended September 30, 2024, compared to $29.4 million for the nine months ended September 30, 2023, for a decrease of $2.7 million, which was primarily attributable to a $1.9 million decrease in stock-based compensation expense, a decrease of $0.5 million in insurance expense and a decrease of $0.3 million in legal expense.

Other income, net

Other income, net was $2.0 million for the three months ended September 30, 2024, compared to other income, net of $0.5 million for the three months ended September 30, 2023, for an increase of $1.5 million, which was primarily attributable to a $0.9 million increase in investment accretion and $0.6 million decrease in interest expense.

Other income, net was $3.6 million for the nine months ended September 30, 2024, compared to other income, net of $3.1 million for the nine months ended September 30, 2023, for an increase of $0.5 million, which was primarily attributable to a $3.8 million increase in investment accretion, a $1.6 million decrease in interest expense, offset by a $4.9 million decrease in other income related to $2.8 million of employee retention credit under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and $2.1 million of Ireland Corporate R&D tax credit.

Provision (benefit) for income taxes

For the three and nine months ended September 30, 2024, the (benefit) provision for income taxes was $1.1 million and $3.3 million, respectively. The tax benefit recognized in the three months ended September 30, 2024 is primarily attributable to a reduction of expense in the period against our forecasted spend calculated our quarterly tax provision. The tax expense recognized in the nine months ended September 30, 2024 is primarily attributable to the treatment of the Chiesi income and a partial release of the valuation allowance. There was no (benefit) provision for income taxes for the three and nine months ended September 30, 2023.

Liquidity and Capital Resources

We have incurred substantial operating losses since our inception and expect to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of September 30, 2024, we had an accumulated deficit of $1,235.5 million.

Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses. We may also use cash on hand to repurchase 2027 Notes through open-market transactions, including through a Rule 10b5-1 trading plan to facilitate open-market repurchases, or otherwise, from time to time.

Under our license agreement with Pulmokine, we have payment obligations that are contingent upon future events such as our achievement of specified development, regulatory and commercial milestones and are required to make royalty payments in connection with the sale of products developed under the agreement. As of September 30, 2024, we were unable to estimate the timing or likelihood of achieving the milestones or making future product sales. Other contractual obligations include future payments under our 2027 Notes and existing operating leases.

From our inception through September 30, 2024, our operations have been financed primarily by proceeds of $1,394.4 million from the sale of Series A and Series B convertible preferred stock, proceeds from our IPO, proceeds from our 2027 Notes, proceeds from issuance of common stock in May 2020 and July 2022, proceeds from issuance of common stock and accompanying warrants in July 2023 and the collaboration agreement with Chiesi. As of September 30, 2024 we had cash, cash equivalents and marketable securities of $327.0 million. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to capital preservation and liquidity.

On April 10, 2020, we filed a registration statement on Form S-3, or the 2020 Shelf Registration Statement, covering the offering from time to time of common stock, preferred stock, debt securities, warrants and units, which registration statement became automatically effective on April 10, 2020.

On May 21, 2020, we issued $200.0 million aggregate principal amount 5.00% convertible senior notes due 2027 in a registered public offering, or the 2027 Notes. The interest rate on the 2027 Notes is fixed at 5.00% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year commencing on December 1, 2020. The total net proceeds from the 2027 Notes, after deducting the underwriting discounts and commissions and other offering costs, were approximately $193.6 million. Concurrent with the registered underwritten public offering of the 2027 Notes, we completed an underwritten public offering of 9,433,963 shares of our common stock. We received net proceeds of $117.1 million, after deducting underwriting discounts and commissions and other offering costs. Our concurrent offerings of 2027 Notes and common stock were registered pursuant to the 2020 Shelf Registration Statement.

On July 24, 2023, we completed a private placement of 129,869,440 shares of our common stock and 32,467,360 accompanying warrants. The aggregate gross proceeds for the private placement were $212.1 million, before deducting offering expenses. On August 18, 2023, we filed a registration statement on Form S-3 registering the resale of the shares of common stock and shares of common stock issuable upon the exercise of warrants issued in the private placement, which was declared effective on August 28, 2023.

Additional information about our long-term borrowings is presented in Note 5 “Indebtedness” to the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q.

For additional information regarding our collaboration with Chiesi, see Note 10 “Significant Agreements and Contracts” to the Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q.

The following table shows a summary of our cash flows for each of the nine months ended September 30, 2024 and 2023, respectively:

	Nine months ended September 30,	
	2024	2023
	(in thousands)	
Net cash provided by (used in) operating activities	$ 32,013	$ (125,734)
Net cash used in investing activities	(24,193)	(96,604)
Net cash provided by (used in) financing activities	(11,488)	193,057
Effect of exchange rate changes on cash and cash equivalents	23	(83)
Net decrease in cash and cash equivalents	$ (3,645)	$ (29,364)

Operating activities

During the nine months ended September 30, 2024, operating activities provided approximately $32.0 million of cash, primarily resulting from changes in contract liabilities of $64.1 million and changes in stock-based compensation expense of $15.7 million, reduced by the net loss of $23.5 million, changes in amortization of premium on investments, net of accretion of discount, of $9.7 million, changes in accrued expenses of $9.8 million and changes in accounts payable of $4.7 million.

During the nine months ended September 30, 2023, operating activities used approximately $125.7 million of cash, primarily resulting from a net loss of $131.7 million and changes in prepaid expenses and other current liabilities of $6.4 million, changes in amortization of premium on investments of $5.9 million and changes in accrued compensation and benefits of $4.5 million, reduced by stock-based compensation expense of $22.5 million.

Investing activities

During the nine months ended September 30, 2024, investing activities used approximately $24.2 million of cash, primarily resulting from the purchases of marketable securities of $411.1 million, offset by the maturities of marketable securities of $386.9 million.

During the nine months ended September 30, 2023, investing activities used approximately $96.6 million of cash, primarily resulting from the purchases of marketable securities of $321.4 million, offset by the maturities of marketable securities of $224.8 million.

Financing activities

During the nine months ended September 30, 2024, financing activities used $11.5 million of cash, primarily resulting from the principal repayments of long-term debt of $12.6 million, reduced by the proceeds from the grant of an equity option

pursuant to the Chiesi Collaboration Agreement of $0.5 million and the proceeds from issuance of common stock pursuant to the ESPP of $0.6 million.

During the nine months ended September 30, 2023, financing activities provided $193.1 million of cash, primarily resulting from proceeds from the issuance of common stock and warrants in a private offering of $201.3 million and the proceeds from issuance of common stock pursuant to the ESPP of $0.4 million, reduced by the principal repayments of long-term debt of $8.7 million.

Funding requirements

Based on our current operating plan, we believe that our existing cash, cash equivalents and marketable securities, will be sufficient to fund our operations through at least the next 12 months from the date these condensed consolidated financial statements were available to be issued. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing seralutinib in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Our future capital requirements will depend on many factors, including:

- the type, number, scope, progress, enrollment pace, expansions, results, costs and timing of, our preclinical studies and clinical trials of seralutinib which we are pursuing or may choose to pursue in the future;
- the costs and timing of manufacturing for seralutinib;
- the costs, timing and outcome of regulatory review of seralutinib;
- the costs of obtaining, maintaining and enforcing our patents and other intellectual property rights;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants to continue the development and potential commercialization of seralutinib;
- the timing and amount of the milestone or other payments we must make to Pulmokine from whom we have in-licensed seralutinib;
- the costs and timing of establishing or securing sales and marketing capabilities if seralutinib is approved;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- costs associated with any products or technologies that we may in-license or acquire; and
- any delays and cost increases that result from epidemic diseases.

Until such time as we can generate substantial product revenues to support our cost structure, if ever, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements.

However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, licenses and other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce

the value of our common stock. Our failure to raise capital or enter into such other arrangements when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise additional capital when needed, we could be forced to delay, limit, reduce or terminate seralutinib development or future commercialization efforts or grant rights to develop and market seralutinib even if we would otherwise prefer to develop and market seralutinib ourselves.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of September 30, 2024, there have been no material changes surrounding our market risk, including interest rate risk, foreign currency exchange risk, and inflation risk, from the discussion provided in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 5, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently subject to any material legal proceedings. From time to time, we may be involved in legal proceedings or subject to claims incident to the ordinary course of business. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed by us in Part I, Item 1A “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 5, 2024 and Part II, Item 1A "Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 filed with the SEC on May 7, 2024, except as set forth below.

Our failure to meet the continued listing requirements of the Nasdaq Global Select Market could result in a delisting of our common stock.

If we fail to satisfy the continued listing requirements of the Nasdaq Global Select Market, such as the minimum closing bid price requirement or the corporate governance requirements, Nasdaq may take steps to delist our common stock. On September 11, 2024, we received written notice from the Nasdaq Stock Market staff notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued listing on the Nasdaq Global Select Market under Nasdaq Listing Rule 5450(a)(1). We previously received similar written notices on October 19, 2023 and May 22, 2024, and, in each case, we were subsequently notified by Nasdaq that we had regained compliance with the minimum bid price requirement. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), in connection with the notice received on September 11, 2024, we have been provided an initial period of 180 calendar days, or until March 10, 2025, to regain compliance. We will regain compliance under this rule if at any time before March 10, 2025, the bid price of our common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days. The Nasdaq notice had no immediate effect on the listing or trading of our common stock, which continues to trade on the Nasdaq Global Select Market. We intend to monitor the bid price of our common stock and consider available options if our common stock does not trade at a level likely to result in us regaining compliance with Nasdaq’s minimum bid price rule by March 10, 2025. If we do not regain compliance by March 10, 2025, we may be eligible for an additional 180 calendar day compliance period. To qualify for the additional compliance period, the Company would be required to transfer its listing to the Nasdaq Capital Market. In addition, we would be required to meet the continued listing requirement for the market value of publicly held shares and all other applicable initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and would need to provide written notice of our intention to cure the deficiency during the additional compliance period, such as by effecting a reverse stock split, if necessary. However, if it appears to the Nasdaq staff that we will not be able to cure the deficiency, or if we are otherwise not eligible, the Nasdaq staff would notify us that our securities would be subject to delisting. In the event of such a notification, we may appeal the Nasdaq staff’s determination to delist our securities, but there can be no assurance the Nasdaq staff would grant our request for continued listing.

Such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our securities when you wish to do so. Such a delisting could also result in a limited amount of news and analyst coverage for the company; and a decreased ability for us to issue additional securities or obtain additional financing in the future. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, or prevent future non-compliance with Nasdaq’s listing requirements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Issuer Repurchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2024, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

The exhibits filed or furnished as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation, as amended.	10-Q	8/8/2023	3.1	
3.2	Amended and Restated Bylaws.	10-Q	5/12/2020	3.2	
4.1	Form of Common Stock Certificate.	S-1/A	1/23/2019	4.1	
4.2	Amended and Restated Investors' Rights Agreement, dated July 20, 2018, by and among the Registrant and certain of its stockholders.	S-1	12/21/2018	4.2	
4.3	Indenture, dated as of May 21, 2020, by and between the Company and Wilmington Trust, National Association.	8-K	5/21/2020	4.1	
4.4	First Supplemental Indenture, dated May 21, 2020, by and between the Company and Wilmington Trust, National Association.	8-K	5/21/2020	4.2	
4.5	Form of Global Note representing 5.00% Convertible Senior Notes due 2027 (included as part of Exhibit 4.4).	8-K	5/21/2020	4.3	
4.6	Form of Warrant	8-K	7/20/2023	4.1	
31.1	Certification of Chief Executive Officer of Gossamer Bio, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Gossamer Bio, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Report Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document				X
101.LAB	XBRL Taxonomy Label Linkbase Document				X
101.PRE	XBRL Presentation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X

* This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

GOSSAMER BIO, INC.

Date: November 7, 2024

By: /s/ Faheem Hasnain
Faheem Hasnain
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2024

By: /s/ Bryan Giraudo
Bryan Giraudo
Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Faheem Hasnain, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gossamer Bio, 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)) 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: November 7, 2024

/s/ Faheem Hasnain

Faheem Hasnain
President and Chief Executive Officer
(Principal Executive Officer*)*

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan Giraudo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gossamer Bio, 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)) 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: November 7, 2024

/s/ Bryan Giraudo

Bryan Giraudo
Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer*)*

EXHIBIT 32.1

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

I, Faheem Hasnain, President and Chief Executive Officer of Gossamer Bio, Inc. (the "Company"), do hereby certify, 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 my knowledge:

- the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the "Report"), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 7, 2024

/s/ Faheem Hasnain
Faheem Hasnain
President and Chief Executive Officer
(Principal Executive Officer*)*

EXHIBIT 32.2

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

I, Bryan Giraudo, Chief Operating Officer and Chief Financial Officer of Gossamer Bio, Inc. (the "Company"), do hereby certify, 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 my knowledge:

- the accompanying Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2024 (the "Report"), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 7, 2024

/s/ Bryan Giraudo
Bryan Giraudo
Chief Operating Officer and Chief Financial Officer
(Principal Financial and Accounting Officer*)*