UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
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: 001-39593

Shattuck Labs, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**81-2575858**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

500 W. 5th Street, Suite 1200
Austin, TX 78701
(512) 900-4690
(Address of principal executive offices including zip code)

Former name, former address and former fiscal year, if changed since last report: N/A

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	STTK	The 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 October 1, 2023, the registrant had 42,485,485 shares of common stock, $0.0001 par value per share, outstanding.

SHATTUCK LABS, INC.
TABLE OF CONTENTS

		Page
PART I	FINANCIAL INFORMATION	1
Item 1.	Condensed Financial Statements (Unaudited)	1
	Condensed Balance Sheets as of September 30, 2023 and December 31, 2022	1
	Condensed Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2023 and 2022	2
	Condensed Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2023 and 2022	3
	Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2023 and 2022	5
	Notes to the Unaudited Interim Condensed Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4.	Controls and Procedures	25
PART II	OTHER INFORMATION	26
Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 3.	Defaults Upon Senior Securities	26
Item 4.	Mine Safety Disclosures	26
Item 5.	Other Information	26
Item 6.	Exhibits	27
	Signatures	28

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws, which statements are subject to substantial risks and uncertainties and are based on estimates and assumptions. All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, financing needs, plans or intentions relating to products and markets, and business trends and other information referred to under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "estimate," "predict," "potential," "plan," or the negative of these terms, and similar expressions intended to identify forward-looking statements. Forward-looking statements are not historical facts and reflect our current views with respect to future events. Given the significant uncertainties, you should not place undue reliance on these forward-looking statements.

There are a number of risks, uncertainties and other factors that could cause our actual results to differ materially from the forward-looking statements expressed or implied in this Quarterly Report on Form 10-Q. Such risks, uncertainties and other factors include, among others, the following:

- the timing of the initiation, progress, and expected results of our nonclinical studies, our clinical trials, and our research and development programs;
- our ability to enroll patients in our clinical trials;
- the costs related to our nonclinical studies, our clinical trials and our research and development programs, and the impact of inflationary pressures on such costs;
- our ability to retain the continued service of our key executives and to identify, hire, and retain additional qualified professionals;
- our ability to advance product candidates into, and successfully complete, nonclinical studies and clinical trials;
- the timing or likelihood of regulatory filings and approvals;
- the commercialization of our product candidates, if approved;
- our ability and the potential to successfully manufacture and supply our product candidates for clinical trials and for commercial use, if approved;
- the pricing, coverage, and reimbursement of our product candidates, if approved;
- the implementation of our business model, strategic plans for our business, and product candidates;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our technology platforms, including our ARC® product candidates and other product candidates, and the defense of such intellectual property rights;
- our potential need to obtain additional licenses of third-party technology that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to operate our business in a more costly or otherwise adverse manner that was not anticipated;
- our ability to enter into strategic arrangements and/or collaborations and to realize the potential benefits of such arrangements;
- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- our estimates regarding the market opportunity for our product candidates, if approved;
- our estimates regarding expenses, capital requirements, and needs for additional financing and our ability to obtain additional capital;
- our financial performance; and

- developments relating to our competitors and our industry, including competing product candidates and therapies.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements expressed or implied in this Quarterly Report on Form 10-Q, including factors disclosed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

We caution you that the risks, uncertainties, and other factors referred to above and elsewhere in this Quarterly Report on Form 10-Q may not contain all of the risks, uncertainties and other factors that may affect our future results and operations. Moreover, new risks will emerge from time to time. It is not possible for our management to predict all risks. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected.

Any forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date hereof and not of any future date, and we expressly disclaim any intent to update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

SHATTUCK LABS, INC.
CONDENSED BALANCE SHEETS
(In thousands, except share and per share amounts)

	September 30, 2023 (unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 40,632	$ 47,379
Investments	60,442	113,901
Prepaid expenses and other current assets	11,914	23,304
Total current assets	112,988	184,584
Property and equipment, net	14,796	17,671
Other assets	2,673	3,069
Total assets	$ 130,457	$ 205,324
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,016	$ 7,170
Accrued expenses and other current liabilities	12,043	17,795
Total current liabilities	14,059	24,965
Non-current operating lease liabilities	3,615	4,202
Total liabilities	17,674	29,167
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $0.0001 par value: 300,000,000 shares authorized; 42,485,485 shares issued and outstanding at September 30, 2023 and 42,390,586 shares issued and outstanding at December 31, 2022	5	5
Additional paid-in capital	401,394	396,041
Accumulated other comprehensive loss	7	(877)
Accumulated deficit	(288,623)	(219,012)
Total stockholders' equity	112,783	176,157
Total liabilities and stockholders' equity	$ 130,457	$ 205,324

See accompanying notes to unaudited interim condensed financial statements

SHATTUCK LABS, INC.
CONDENSED 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,	
	2023	2022	2023	2022
Collaboration revenue	$ 686	$ 212	$ 943	$ 262
Operating expenses:				
Research and development	24,211	18,862	59,083	61,012
General and administrative	5,073	6,579	14,866	16,303
Expense from operations	29,284	25,441	73,949	77,315
Loss from operations	(28,598)	(25,229)	(73,006)	(77,053)
Other income	1,057	594	3,395	519
Net loss	$ (27,541)	$ (24,635)	$ (69,611)	$ (76,534)
Unrealized gain (loss) on investments	81	(226)	884	(774)
Comprehensive loss	$ (27,460)	$ (24,861)	$ (68,727)	$ (77,308)
Net loss per share – basic and diluted	$ (0.65)	$ (0.58)	$ (1.64)	$ (1.81)
Weighted-average shares outstanding – basic and diluted	42,477,642	42,386,470	42,461,644	42,374,955

See accompanying notes to unaudited interim condensed financial statements

SHATTUCK LABS, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share amounts)

	Nine Months Ended September 30, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	42,390,586	$ 5	$ 396,041	$ (877)	$ (219,012)	$ 176,157
Exercise of stock options and purchases pursuant to employee stock purchase plan	11,888	—	39	—	—	39
Issuance of common stock upon settlement of restricted stock units	73,937	—	—	—	—	—
Shares withheld related to net share settlement	(16,153)	—	(39)	—	—	(39)
Stock-based compensation expense	—	—	1,683	—	—	1,683
Unrealized gain on investments	—	—	—	538	—	538
Net loss	—	—	—	—	(20,724)	(20,724)
Balance at March 31, 2023	42,460,258	$ 5	$ 397,724	$ (339)	$ (239,736)	$ 157,654
Exercise of stock options	11,077	—	33	—	—	33
Stock-based compensation expense	—	—	1,852	—	—	1,852
Unrealized gain on investments	—	—	—	265	—	265
Net loss	—	—	—	—	(21,346)	(21,346)
Balance at June 30, 2023	42,471,335	$ 5	$ 399,609	$ (74)	$ (261,082)	$ 138,458
Exercise of stock options and purchases pursuant to employee stock purchase plan	11,849	—	21	—	—	21
Issuance of common stock upon settlement of restricted stock units	3,375	—	—	—	—	—
Shares withheld related to net share settlement	(1,074)	—	—	—	—	—
Stock-based compensation expense	—	—	1,764	—	—	1,764
Unrealized gain on investments	—	—	—	81	—	81
Net loss	—	—	—	—	(27,541)	(27,541)
Balance at September 30, 2023	42,485,485	$ 5	$ 401,394	$ 7	$ (288,623)	$ 112,783

See accompanying notes to unaudited interim condensed financial statements

SHATTUCK LABS, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)
(Unaudited)
(In thousands, except share amounts)

	Nine Months Ended September 30, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	42,338,898	$ 5	$ 389,408	$ (560)	$ (117,067)	$ 271,786
Exercise of stock options and purchases pursuant to employee stock purchase plan	39,616	—	134	—	—	134
Stock-based compensation expense	—	—	1,513	—	—	1,513
Unrealized gain on investments	—	—	—	33	—	33
Net loss	—	—	—	—	(24,528)	(24,528)
Balance at March 31, 2022	42,378,514	$ 5	$ 391,055	$ (527)	$ (141,595)	$ 248,938
Exercise of stock options	3,499	—	10	—	—	10
Stock-based compensation expense	—	—	1,533	—	—	1,533
Unrealized loss on investments	—	—	—	(581)	—	(581)
Net loss	—	—	—	—	(27,371)	(27,371)
Balance at June 30, 2022	42,382,013	$ 5	$ 392,598	$ (1,108)	$ (168,966)	$ 222,529
Exercise of stock options and purchases pursuant to employee stock purchase plan	8,573	—	27	—	—	27
Stock-based compensation expense	—	—	1,723	—	—	1,723
Unrealized loss on investments	—	—	—	(226)	—	(226)
Net loss	—	—	—	—	(24,635)	(24,635)
Balance at September 30, 2022	42,390,586	$ 5	$ 394,348	$ (1,334)	$ (193,601)	$ 199,418

See accompanying notes to unaudited interim condensed financial statements

SHATTUCK LABS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (69,611)	$ (76,534)
Adjustments to reconcile net loss to net cash used in operations:		
Stock-based compensation	5,299	4,769
Depreciation	3,061	2,068
Non-cash operating lease expense	267	220
Net amortization (accretion) of investments	(1,055)	1,509
Impairment loss	204	770
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	11,890	3,060
Other assets	129	(87)
Accounts payable	(5,154)	(7,197)
Accrued expenses and other current liabilities	(6,309)	1,066
Non-current operating lease liabilities	(587)	(517)
Deferred revenue	57	216
Net cash used in operating activities	(61,809)	(70,657)
Cash flows from investing activities:		
Purchases of property and equipment	(390)	(10,921)
Net change in investments	55,398	28,897
Net cash provided by investing activities	55,008	17,976
Cash flows from financing activities:		
Proceeds from the exercises of stock options and purchases pursuant to employee stock purchase plan	93	171
Taxes paid related to net share settlement of equity awards	(39)	—
Net cash provided by financing activities	54	171
Net decrease in cash and cash equivalents	(6,747)	(52,510)
Cash and cash equivalents, beginning of period	47,379	92,268
Cash and cash equivalents, end of period	$ 40,632	$ 39,758
Supplemental disclosures of non-cash financial activities:		
Deferred revenue billed but not received	$ 500	$ —
Unpaid amounts related to purchases of property and equipment	$ —	$ 221
Operating lease liabilities recognized for operating right-of-use assets	$ —	$ 5,447
Operating right-of-use assets exchanged for operating lease liabilities	$ —	$ 2,945

See accompanying notes to unaudited interim condensed financial statements

SHATTUCK LABS, INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

1. Organization and Description of Business

Shattuck Labs, Inc. (the "Company") was incorporated in 2016 in the State of Delaware and is a clinical-stage biopharmaceutical company developing dual-sided fusion proteins, including its Agonist Redirected Checkpoint ("ARC®") platform as a novel class of biologic medicines capable of multifunctional activity with potential applications in oncology and inflammatory diseases. Using its proprietary technology, the Company is building a pipeline of therapeutics, initially focused on the treatment of solid tumors and hematologic malignancies. The Company has one clinical-stage product candidate, SL-172154, and has several compounds in preclinical development.

Liquidity

The Company has incurred losses and negative cash flows from operations since inception and has an accumulated deficit of $288.6 million as of September 30, 2023. The Company anticipates incurring additional losses and negative cash flows from operations until such time, if ever, that it can generate significant sales of its product candidates currently in development, and is highly dependent on its ability to find additional sources of funding in the form of licensing of its technology, collaboration agreements and/or public and private debt and equity financings. Adequate additional funding may not be available to the Company on acceptable terms, or at all. The failure to raise funds as and when needed could have a negative impact on the Company's financial condition and ability to pursue its clinical operations, research and development and commercialization of its product candidates. Management believes that the Company's cash and cash equivalents and investments of $101.1 million as of September 30, 2023 are sufficient to fund projected operations of the Company for at least the next twelve months.

Global Economic Considerations

The global macroeconomic environment is uncertain, and could be negatively affected by, among other things, increased U.S. trade tariffs and trade disputes with other countries, instability in the global capital and credit markets, supply chain weaknesses, instability in the geopolitical environment, including as a result of the Russian invasion of Ukraine and other political tensions, and lingering effects of the COVID-19 pandemic. Such challenges have caused, and may continue to cause, recession fears, rising interest rates, foreign exchange volatility and inflationary pressures. At this time, we are unable to quantify the potential effects of this economic instability on our future operations.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Unaudited Interim Condensed Financial Statements

In the opinion of management, the accompanying interim financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's financial position, its results of operations, statements of changes in stockholders' equity and cash flows for the interim periods presented. Operating results for interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. The interim financial statements presented herein do not contain all required disclosures under GAAP for annual financial statements. The accompanying unaudited interim condensed financial statements should be read in conjunction with the annual audited financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant

estimates and assumptions reflected in these financial statements include, but are not limited to, revenue recognition, the accrual of research and development expenses, and the valuation of stock-based awards. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates, if any, are recorded in the period in which they become known and actual results could differ from management's estimates.

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business as one segment.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. Fair value measurements are classified and disclosed in one of the following categories:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets the reporting entity has the ability to access as of the measurement date;
- Level 2: Inputs, other than 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.

Fair value measurements are classified based on the lowest level of input that is significant to the measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values stated below takes into account the market for its financial assets and liabilities, the associated credit risk and other factors as required. The Company considers active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Management believes that the carrying amounts of the Company's financial instruments, including investments and accounts payable, approximate fair value due to the short-term nature of those instruments.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of cash, cash equivalents and investments. The Company maintains its cash and cash equivalents at two accredited financial institutions in amounts that exceed federally-insured limits. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. The Company invests in only U.S. Treasury securities that management believes protects the Company from risk of default and impairment of value.

The Company is highly dependent on a limited number of contract manufacturing organizations ("CMOs") to supply drug products for its research and development activities of its programs, including clinical trials and non-clinical studies. These programs could be adversely affected by a significant interruption in the supply of such drug products.

The Company is highly dependent on a limited number of contract research organizations ("CROs") and third-party service providers to manage and support its clinical trials. These programs could be adversely affected by a significant disruption in services provided by these CROs and third parties.

Cash and Cash Equivalents

The Company considers all demand deposits with financial institutions and all highly liquid investments with original maturities of 90 days or less at the date of purchase to be cash and cash equivalents. Cash and cash

equivalents consisted of $1.6 million held in operating accounts and $39.0 million held in money market funds as of September 30, 2023, and $3.5 million held in operating accounts and $43.9 million held in money market funds as of December 31, 2022.

Investments

The Company's investments consist of highly-rated U.S. Treasury securities and have been classified as available-for-sale and are carried at estimated fair value as determined based upon quoted market prices. Management determines the appropriate classification of its investment securities at the time of purchase. The Company may hold securities with stated maturities greater than one year. All available-for-sale securities are considered available to support current operations and are classified as current assets. Credit impairments for available-for-sale securities are recorded through an allowance rather than a direct write-down of the security and are recorded through a charge to the statements of operations. Unrealized gains or losses not related to credit impairments are recorded in accumulated other comprehensive income (loss), a component of stockholders' equity, until realized. The Company reviews available-for-sale debt securities for impairments related to credit losses and other factors each quarter. As of September 30, 2023 and December 31, 2022, there were no impairments related to credit losses of investments.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for indications of possible impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amounts to the future undiscounted cash flows attributable to these assets. An impairment loss is recognized to the extent an asset group is not recoverable and the carrying amount exceeds the projected discounted future cash flows arising from these assets. There were $0.2 million in impairment losses of long-lived assets for each of the three and nine months ended September 30, 2023, and $0.4 million and $0.8 million of impairment losses for the three and nine months ended September 30, 2022, respectively. Impairment losses were related to lab equipment that was determined to no longer be needed, and such loss was included in the Company's research and development costs.

Leases

The Company determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The classification of the Company's leases as operating or finance leases, along with the initial measurement and recognition of the associated ROU assets and lease liabilities, are performed at the lease commencement date. The measurement of lease liabilities is based on the present value of future lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The ROU asset is based on the measurement of the lease liability and also includes any lease payments made prior to or on lease commencement and excludes lease incentives and initial direct costs incurred, as applicable. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Company will exercise any such options. Rent expense for the Company's operating leases is recognized on a straight-line basis over the lease term. The Company has elected to not apply the recognition requirement of Accounting Standards Codification ("ASC") 842, *Leases* of the Financial Accounting Standards Board ("FASB") to leases with a term of 12 months or less for all classes of assets.

Commitments and Contingencies

The Company follows ASC 450-20, *Contingencies* of the FASB to report accounting for contingencies. Certain conditions may exist as of the date the condensed financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's condensed financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Revenue Recognition

Collaboration revenue is recognized in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Arrangements with collaborators may include licenses to intellectual property, research and development services, manufacturing services for clinical and commercial supply and participation on joint steering committees. The Company evaluates the promised goods or services in the contract to determine which promises, or group of promises, represent performance obligations. In contemplation of whether a promised good or service meets the criteria required of a performance obligation, the Company considers the stage of development of the underlying intellectual property, the capabilities and expertise of the customer relative to the underlying intellectual property and whether the promised goods or services are integral to or dependent on other promises in the contract. When accounting for an arrangement that contains multiple performance obligations, the Company must develop judgmental assumptions, which may include market conditions, reimbursement rates for personnel costs, development timelines and probabilities of regulatory success to determine the stand-alone selling price for each performance obligation identified in the contract.

Upon the amendment of an existing agreement, the Company evaluates whether the amendment represents a modification to an existing contract that would be recorded through a cumulative catch-up to revenue, or a separate contract. If it is determined that it is a separate contract, the Company will evaluate the necessary revenue recognition through the five-step process described below.

When the Company concludes that a contract should be accounted for as a combined performance obligation and recognized over time, the Company must then determine the period over which revenue should be recognized and the method by which to measure revenue. The Company generally recognizes revenue using a cost-based input method.

The Company recognizes collaboration revenue in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services when its customer or collaborator obtains control of promised goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the following five steps are performed:

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 within the contract; and

v. recognize revenue when (or as) the entity satisfies a performance obligation.

The Company only applies the five-step model to contracts when it determines that it is probable it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within the contract to determine whether each promised good or service is a performance obligation. The promised goods or services in the Company's arrangements may consist of a license of, or options to license, the Company's intellectual property and research, development and manufacturing services. The Company may provide options to additional items in such arrangements, which are accounted for as separate contracts when the customer elects to exercise such options, unless the option provides a material right to the customer. Performance obligations are promises in a contract to transfer a distinct good or service to the customer that (i) the customer can benefit from on its own or together with other readily available resources and (ii) are

separately identifiable from other promises in the contract. Goods or services that are not individually distinct performance obligations are combined with other promised goods or services until such combined group of promises meet the requirements of a performance obligation.

The Company determines transaction price based on the amount of consideration the Company expects to receive for transferring the promised goods or services in the contract. Consideration may be fixed, variable or a combination of both. At contract inception for arrangements that include variable consideration, the Company estimates the probability and extent of consideration it expects to receive under the contract utilizing either the most-likely amount method or expected amount method, whichever best estimates the amount expected to be received. The Company then considers any constraints on the variable consideration and includes variable consideration in the transaction price to the extent it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company then allocates the transaction price to each performance obligation based on the relative standalone selling price and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) control is transferred to the customer and the performance obligation is satisfied. For performance obligations that consist of licenses and 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. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

The Company records amounts as accounts receivable when the right to consideration is deemed unconditional. When consideration is received, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a contract, a contract liability is recorded as deferred revenue.

Amounts received prior to satisfying the revenue recognition criteria are recognized as deferred revenue in the Company's accompanying balance sheet. Deferred revenues expected to be recognized as revenue within the 12 months following the balance sheet date are classified as a current liability. Deferred revenues not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as non-current liabilities.

The Company's collaboration revenue arrangements may include the following:

Up-front License Fees: If a license is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenues from nonrefundable, up-front fees 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 non-refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone Payments: At the inception of an agreement that includes research and development milestone payments, the Company evaluates each milestone to determine when and how much of the milestone to include in the transaction price. The Company first estimates the amount of the milestone payment that the Company could receive using either the expected value or the most-likely amount approach. The Company primarily uses the most-likely amount approach as that approach is generally most predictive for milestone payments with a binary outcome. The Company then considers whether any portion of that estimated amount is subject to the variable consideration constraint (that is, whether it is probable that a significant reversal of cumulative revenue would not occur upon resolution of the uncertainty). The Company updates the estimate of variable consideration included in the transaction price at each reporting date which includes updating the assessment of the likely amount of consideration and the application of the constraint to reflect current facts and circumstances.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on a level of sales, and the 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 granted a development and commercialization license nor recognized any revenue related to sales-based royalties or milestone payments based on the level of sales.

Research and Development Services: The Company will record costs associated with development and process optimization activities as research and development expenses in the statements of operations and comprehensive loss consistent with ASC 730, *Research and Development.* The Company considered the guidance in ASC 808, *Collaborative Arrangements* and will recognize the payments received from these agreements as revenue when the related costs are incurred.

Research and Development Costs

Research and development costs are expensed as incurred, and include salaries, stock-based compensation and other personnel-related costs, equipment and supplies, depreciation, nonclinical studies, clinical trials and manufacturing development activities.

A substantial portion of the Company's ongoing research and development activities are conducted by third-party service providers, including CROs and CMOs. The Company accrues for expenses resulting from obligations under agreements with CROs, CMOs and other outside service providers for which payment flows do not match the periods over which materials or services are provided to the Company. Accruals are recorded based on estimates of services received and efforts expended pursuant to agreements established with CROs, CMOs and other outside service providers. These estimates are typically based on contracted amounts applied to the proportion of work performed and determined through an evaluation of the progress or stage of completion of the services. In the event advance payments are made to a CRO, CMO or outside service provider, the payments will be recorded as a prepaid asset, which will be amortized as the contracted services are performed. As actual costs become known, the Company adjusts its accruals and prepaid assets accordingly. Inputs, such as the services performed, the number of patients enrolled or the study duration, may vary from the Company's estimates, resulting in adjustments to research and development expense in future periods. The Company makes significant judgments and estimates in determining the accrual and/or prepaid balance in each reporting period and changes in these estimates may result in material changes to the Company's accruals that could materially affect the Company's results of operations.

Net Loss Per Share

Basic loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted loss per share of common stock includes the effect, if any, from the potential exercise or conversion of securities, such as redeemable convertible preferred stock or convertible notes, if any, stock options and unvested shares of restricted stock, which would result in the issuance of incremental shares of common stock. For diluted net loss per share, the weighted-average number of shares of common stock is the same for basic net loss per share due to the fact that when a net loss exists, dilutive securities are not included in the calculation as the impact is anti-dilutive.

The following potentially dilutive securities have been excluded from the computation of diluted weighted-average shares of common stock outstanding as they would be anti-dilutive:

	As of September 30,	
	2023	**2022**
Stock options	5,357,517	4,073,267
Unvested restricted stock	655,777	295,977
	6,013,294	4,369,244

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income (loss) is comprised of the net loss and unrealized gains and losses on investments.

Recently Adopted Accounting Pronouncements

None.

3. Investments

The following table represents the Company's available for sale investments by major security type (amounts in thousands):

	September 30, 2023		
	Amortized Cost	Gross Unrealized Gain	Total Fair Value
Investments:			
U.S. Treasury securities	$ 60,435	$ 7	$ 60,442
Total investments	$ 60,435	$ 7	$ 60,442

	December 31, 2022		
	Amortized Cost	Gross Unrealized Loss	Total Fair Value
Investments:			
U.S. Treasury securities	$ 114,778	$ (877)	$ 113,901
Total investments	$ 114,778	$ (877)	$ 113,901

The Company's investment instruments and cash and cash equivalents are classified using Level 1 inputs within the fair value hierarchy and are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Debt securities have a weighted-average maturity of 0.11 years as of September 30, 2023.

4. Accrued Expenses and Other Current Liabilities

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

	September 30, 2023	December 31, 2022
Research and development contract costs	$ 6,510	$ 11,256
Compensation and related benefits	3,981	3,967
Operating lease liabilities	771	701
Deferred revenue	557	—
Other	224	471
Litigation settlement	—	1,400
Total accrued expenses and other current liabilities	$ 12,043	$ 17,795

5. Commitments and Contingencies

Operating Leases

The Company leases certain office space, laboratory facilities, and equipment. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at the election of the Company to renew or extend the lease. These optional periods have not been considered in the determination of the ROU assets or lease liabilities associated with these leases as the Company did not consider it reasonably certain it would exercise the options. The Company performed evaluations of its contracts and determined it has operating leases. There have been no material changes in our operating leases as compared to operating leases disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Nighthawk Biosciences, Inc. License Agreement

In connection with a license agreement with Nighthawk Biosciences, Inc. ("Nighthawk"), the Company is required to make payments of up to $20.6 million in aggregate for the achievement of specified development, regulatory and commercial sales milestones for certain licensed products. The Company paid $0.1 million to Nighthawk in the nine months ended September 30, 2023 as a milestone payment for the Company's completion of a Phase 1 clinical trial for SL-172154. The Company is required to pay Nighthawk a percentage of upfront fees or other non-royalty payments not tied to milestone events that it receives in connection with certain sublicenses of the licensed patents. The Company is also required to pay Nighthawk a royalty on all of its worldwide net sales, those of its affiliates, and sublicenses of certain licensed patents in the low single digits. The Company has not recorded a liability for the aforementioned payments given the achievement of specified development, regulatory and commercial sales milestones for certain licensed products is not probable as of the balance sheet date.

Litigation

From time to time, the Company may become involved in various legal actions arising in the ordinary course of business. On January 31, 2022 and February 11, 2022, putative class action lawsuits were filed in the U.S. District Court for the Eastern District of New York against us and certain of the Company's officers and directors. The cases were consolidated on June 2, 2022, and the plaintiffs filed an amended complaint on July 1, 2022. The amended complaint cites the volatility in the Company's common stock and alleges that the defendants made or are responsible for misleading omissions regarding the Company's clinical trial results and the collaboration agreement with Millennium Pharmaceuticals, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company, Ltd. The court approved the parties settlement of plaintiffs' claims in the amount of $1.4 million on November 6, 2023. The Company paid the amount to the escrow agent for the settlement on June 19, 2023.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contingent liabilities for which the Company cannot reasonably predict future payment. The Company's contractual obligations result primarily from obligations for various CMOs and CROs, which include potential payments that may be required under its agreements. The contracts also contain variable costs and milestones that are hard to predict, as they are based on such things as patients enrolled and clinical trial sites. The timing of payments and actual amounts paid under CMO and CRO agreements may be different depending on the timing of receipt of goods or services or changes to agreed-upon terms or amounts for some obligations. Such agreements are cancellable upon written notice by the Company and, therefore, are not long-term liabilities.

6. Equity

The Company is authorized to issue up to 300,000,000 shares of common stock and 10,000,000 shares of preferred stock, all with a par value of $0.0001 per share. The holders of the Company's common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. The Company's common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of the Company's common stock will receive ratably any dividends declared by the Company's board of directors ("Board") out of funds legally available. In the event of the Company's liquidation, dissolution or winding-up, the holders of the Company's common stock will be entitled to share ratably in all assets remaining after payment of or provision for any liabilities. As of the periods presented, no common stock dividends had been declared by the Board. At September 30, 2023, none of the 10,000,000 shares of preferred stock were outstanding, and the Company has no present plans to issue any shares of preferred stock.

7. Stock-Based Compensation

2020 Equity Incentive Plan

In September 2020, the Company adopted the 2020 Stock Incentive Plan (the "2020 Plan") which, as of the adoption date, replaced the 2016 Stock Incentive Plan. Under the 2020 Plan, the share reserve automatically increases on January 1st of each year beginning in 2021 and ending with a final increase on January 1, 2030 in an amount equal to 4% of the Company's outstanding common shares on December 31st of the preceding calendar year. The Board may provide that there will be no increase in the share reserve for any such year or that the increase

in the share reserve may be smaller than would otherwise occur. On January 1, 2023, the share reserve automatically increased by 1,695,623 shares. As of September 30, 2023, there were 3,626,489 shares available for future grants. The 2020 Plan permits the granting of options, stock appreciation rights, restricted stock units ("RSUs"), performance stock and performance cash awards. The terms of the agreements under the 2020 Plan are determined by the Board. The Company's awards generally vest over four years and have a term of 10 years. Periodically, the Company grants awards that vest based on the Company achieving certain closing share prices for a number of consecutive trading days.

2020 Employee Stock Purchase Plan

The 2020 Employee Stock Purchase Plan ("2020 ESPP") became effective in October 2020. Eligible employees may purchase shares of common stock under the 2020 ESPP at 85% of the lower of the fair market value of the Company's common stock as of the first or the last day of each offering period. Employees are limited to contributing 15% of the employee's eligible compensation and may not purchase more than $25,000 of stock during any calendar year or more than 600 shares during any one purchase period. The 2020 ESPP share reserve automatically increases on January 1st of each calendar year, for ten years, commencing on January 1, 2021, in an amount equal to 1% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The Board may act prior to January 1st of a given year to provide that there will be no January 1st increase of the share reserve for such year or that the increase in the share reserve for such year will be a smaller number of shares of common stock than would otherwise occur pursuant to the preceding sentence. On January 1, 2023, the share reserve increased by 423,905 shares. As of September 30, 2023, there were 1,204,874 shares available for future purchases. During the three and nine months ended September 30, 2023, the Company issued 11,849 and 23,020 shares of common stock for aggregate cash proceeds of $0.1 million and $0.1 million, respectively. During the three and nine months ended September 30, 2022, the Company issued 7,861 and 13,088 shares of common stock for aggregate cash proceeds of $0.1 million and $0.1 million, respectively.

The Company recorded stock-based compensation expense in the following expense categories of its accompanying unaudited interim condensed statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 921	$ 950	$ 2,681	$ 2,672
General and administrative	843	773	2,618	2,097
Total stock-based compensation	$ 1,764	$ 1,723	$ 5,299	$ 4,769

The following table summarizes option activity under the 2020 Plan for the nine months ended September 30, 2023:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Balance at December 31, 2022	4,209,255	$ 8.29	8.07
Granted	1,462,535	3.41	
Exercised	(11,794)	2.95	
Forfeited	(302,479)	7.00	
Balance at September 30, 2023	5,357,517	$ 7.04	7.21
Vested and expected to vest	5,294,379	$ 7.06	7.20
Exercisable at the end of the period	2,595,439	$ 8.05	6.38

Options granted during the nine months ended September 30, 2023 and 2022 had weighted-average grant-date fair values of $2.50 and $4.21 per share, respectively. As of September 30, 2023, the unrecognized compensation cost for options issued was $10.9 million and will be recognized over an estimated weighted-average amortization period of 2.18 years. The total intrinsic value of options exercised during the nine months ended September 30, 2023

and 2022 was $0.0 million and $0.1 million, respectively. The aggregate intrinsic value of options outstanding and exercisable as of September 30, 2023 was $0.1 million.

Restricted Stock Units

The following table summarizes employee RSU activity for the nine months ended September 30, 2023:

	Awards	Weighted Average Grant Date Fair Value
Unvested RSUs as of December 31, 2022	309,477	$ 7.22
Granted	460,925	3.54
Released	(77,312)	7.22
Forfeited	(37,313)	4.77
Balance at September 30, 2023	655,777	$ 4.78

The Company recognized $0.7 million of stock-based compensation expense related to RSUs for the nine months ended September 30, 2023. As of September 30, 2023, the unrecognized compensation cost for RSUs issued was $2.6 million and will be recognized over an estimated weighted-average amortization period of 2.99 years. The fair values of RSUs are based on the fair value of the Company's common stock on the date of the grant.

Fair Value of Stock Options and Shares Issued

The Company accounts for stock-based compensation by measuring and recognizing as compensation expense the fair value of all share-based payment awards made to employees, including employee stock options and restricted stock awards. The Company uses the Black-Scholes option pricing model to estimate the fair value of employee stock options that only have service or performance conditions. The Company uses the Monte Carlo pricing model to estimate the fair value of options that have market-based conditions. The inputs to both pricing models require a number of management estimates such as the expected term, volatility, risk-free interest rate and dividend yield. The fair value of stock options was determined using the methods and assumptions discussed below.

- The expected term of employee stock options with service-based vesting is determined using the "simplified" method, whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option due to the Company's lack of sufficient historical data.
- The expected stock price volatility assumption is based on the historical volatilities of the common stock of a peer group of publicly traded companies as well as the historical volatility of the Company's common stock since the Company began trading subsequent to the Company's initial public offering ("IPO") in October 2020 over the period corresponding to the expected life as of the grant date. The historical volatility data was computed using the daily closing prices during the equivalent period of the calculated expected term of the stock-based awards. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of the Company's stock price becomes available, or until circumstances change, such that the identified entities are no longer comparable companies. In the latter case, other suitable, similar entities whose share prices are publicly available would be utilized in the calculation.
- The risk-free interest rate is based on the interest rate payable on U.S. Treasury securities in effect at the time of grant for a period that is commensurate with the expected term.
- The expected dividend yield is 0% because the Company has not historically paid, and does not expect, for the foreseeable future, to pay dividends on its common stock.
- Prior to the Company's IPO, the Board periodically estimated the fair value of the Company's common stock considering, among other things, contemporaneous valuations of its common stock prepared by an unrelated third-party valuation firm. Subsequent to the Company's IPO, options are issued with a strike price no less than the market price on date of grant.

The grant-date fair value of options calculated using the Black-Scholes option pricing model granted under the Company's 2020 Plan were estimated using the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2023	2022
2020 Plan		
Expected term - years	6.06	6.08
Expected volatility	84.6%	82.3%
Risk-free interest rate	3.6%	2.2%
Expected dividends	—	—

The grant-date fair value of options calculated using the Monte Carlo option pricing model granted under the Company's 2020 Plan were estimated using the following assumptions:

	Nine Months Ended September 30,	
	2023	2022
2020 Plan		
Expected term - years	4.00	4.00
Expected volatility	80.0%	80.0%
Risk-free interest rate	3.6%	1.4%
Expected dividends	—	—

The grant-date fair value of shares issued calculated using the Black-Scholes option pricing model under the Company's 2020 ESPP were estimated using the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2023	2022
2020 ESPP		
Expected term - years	0.5	0.5
Expected volatility	85.5%	82.9%
Risk-free interest rate	4.0%	2.5%
Expected dividends	—	—

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed financial statements and related notes appearing in this Quarterly Report on Form 10-Q, as well as the audited financial statements, notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "Risk Factors" section of our Annual Report on Form 10-K. You should carefully read the "Cautionary Note About Forward-Looking Statements" of this Quarterly Report on Form 10-Q and the "Risk Factors" section of our Annual Report on Form 10-K to gain an understanding of the important factors that could cause actual results to differ materially from the results described below.

Overview

We are an innovative clinical-stage biotechnology company pioneering the development of dual-sided fusion proteins as an entirely new class of biologic medicine. We have created a novel approach to immune modulation by designing biologics with structural characteristics that may not be achievable by existing therapeutic modalities, including monoclonal or bispecific antibodies. Compounds derived from our proprietary Agonist Redirected Checkpoint, or ARC®, platform simultaneously inhibit checkpoint molecules and activate costimulatory molecules with a single therapeutic.

Our lead product candidate, SL-172154, is designed to simultaneously inhibit the CD47/SIRPα macrophage checkpoint interaction and activate the CD40 costimulatory receptor to induce an antitumor immune response. Coupling CD40 activation with CD47 inhibition differentiates SL-172154 from all other clinical-stage CD47/SIRPα inhibitors in development, and in our published preclinical studies, SL-172154 resulted in superior antitumor immunity as compared to certain CD47/SIRPα inhibitors. We are pursuing a broad clinical development strategy in both solid and hematologic tumors, with multiple ongoing clinical trials. SL-172154 is in an ongoing Phase 1 clinical trial for the treatment of patients with ovarian cancer. We are also evaluating SL-172154 in an ongoing Phase 1 clinical trial for the treatment of patients with certain hematologic malignancies, including acute myeloid leukemia, or AML, and higher-risk myelodysplastic syndromes, or HR-MDS. We believe our clinical development plan may provide both first-in-class and best-in-class development opportunities for SL-172154.

We believe that data shared to date in human cancer patients have demonstrated that the unique protein engineering and physical properties of the ARC platform have led to a differentiated profile in terms of safety and on-target immune activation, demonstrated by unique pharmacodynamic findings, as compared to monoclonal or bispecific antibodies.

In addition to our clinical-stage ARC product candidate, we possess a deep pipeline of potential product candidates in preclinical development. As an example, SL-9258, an ARC compound in preclinical development, is designed to inhibit the TIGIT/PVR checkpoint interaction while simultaneously activating HVEM and LTβ costimulatory receptors.

Longer-term, we are pursuing additional disease areas, including autoimmune diseases, where our dual-sided fusion protein platforms may provide advantages over current treatment modalities.

Recent Developments

SL-172154 as Monotherapy and in Combination with Azacitidine in Relapsed/Refractory AML or HR-MDS

On November 2, 2023, we announced that topline data from the dose escalation portion of our Phase 1 A/B clinical trial of SL-172154 as monotherapy and in combination with azacitidine, or AZA, in primarily relapsed/refractory, or R/R, acute myeloid leukemia, or AML, and higher-risk myelodysplastic syndromes, or HR-MDS, patients will be featured in a poster presentation at the 65th American Society of Hematology Annual Meeting, which is being held both virtually and in San Diego, CA from December 9-12, 2023.

SL-172154 monotherapy response was observed in a heavily pretreated patient with R/R AML after just a single cycle of treatment, as well as early efficacy signals for SL-172154 in combination with AZA in previously untreated HR-MDS with TP53 mutant patients. SL-172154 was tolerable at 3 mg/kg as a monotherapy and in combination with AZA.

- Data Overview: As of the abstract data cut-off date of May 25, 2023, 37 adult patients with R/R AML and HR-MDS had received SL-172154 as monotherapy or in combination with AZA in the parallel staggered dose-escalation portion of a Phase 1A/B clinical trial. Patients had a median of two prior lines of therapy.
- Preliminary signs of anti-leukemic activity: As of the data cut-off date of July 10, 2023 used for efficacy evaluation for the ASH abstract, a monotherapy response in a R/R AML patient and early signals of anti-leukemic activity (in the form of blast count reductions) in patients with R/R AML who received SL-172154 in combination with AZA were observed in a dose-dependent manner. Early signals of activity with SL-172154 in combination with AZA in frontline patients with TP53 mutant HR-MDS were observed.
    - SL-172154 monotherapy response (Morphologic Leukemia-Free State) (n=1 at 6 mg/kg) was observed in a heavily pretreated R/R AML patient who subsequently proceeded to allogeneic hematopoietic cell transplantation (allo-HCT).
    - Anti-leukemic activity, in the form of blast count reductions, was observed in R/R AML patients in combination with AZA (n=2 at 1 mg/kg, n=5 at 3 mg/kg) and one patient subsequently proceeded to allo-HCT.
    - Out of four evaluable previously untreated HR-MDS with TP53m patients, there was one confirmed complete response (3 mg/kg), one marrow complete response (1 mg/kg), and two stable diseases (n=1 at 1 mg/kg, n=1 at 6 mg/kg). Two patients subsequently proceeded to allo-HCT.
- SL-172154 had an acceptable safety profile as monotherapy and in combination with AZA.
    - Infusion-related reactions (IRRs) were the most common SL-172154-related treatment-emergent AEs (TEAEs) and were reported in 13 patients (68%) as monotherapy and 8 patients (44%) in combination with AZA.
    - Other TEAEs observed were increased AST (aspartate aminotransferase) (4; 21%), ALT (alanine aminotransferase) (3; 16%) and nausea (3; 17%) in monotherapy cohorts, and nausea (3; 17%) in combination cohorts. All events of increased AST/ALT were transient.
    - SL-172154 in combination with AZA had an acceptable safety profile with one dose-limiting toxicity event at 6 mg/kg of SL-172154. The dose of 3 mg/kg is being evaluated in the dose expansion.
- CD47 and CD40 target engagement and CD40-dependent pharmacodynamic effects observed at the 3 mg/kg dose.
    - SL-172154 induced elevations in serum IL-12p40, IP-10, IL-8, IL-10, MIP3α, and MCP1 with greater response at 3 mg/kg compared to 1 mg/kg and similar response between 3 mg/kg and 6 mg/kg.
    - In bone marrow, abundant staining of SL-172154 was observed, along with a dose-dependent increase in phagocytic cells within mature myeloid immune cell compartments. Reduction in leukemic blasts was associated with an increase in mature myeloid and phagocytic cell phenotypes.

SL-172154 in Combination with Pegylated Liposomal Doxorubicin in Platinum-Resistant Ovarian Cancer

On November 9, 2023, we announced interim data from our Phase 1B clinical trial of SL-172154 in combination with pegylated liposomal doxorubicin, or PLD. We observed three partial responses (one confirmed with 58% reduction in the sum of target lesion diameters and two unconfirmed with 100% and 31% reductions in the

sum of the target lesion diameters) out of 11 evaluable patients with PROC for SL-172154 in combination with PLD. The preliminary data suggest SL-172154 had an acceptable safety profile in combination with PLD.

- Data overview: As of the data cut-off date of October 31, 2023, 16 adult patients with PROC have been dosed in the ongoing Phase 1B clinical study, of which 11 patients were evaluable for response. Patients had a median of 1.5 prior lines of systemic therapy, 47% had bulky disease measuring >5 cm, 56% were pre-treated with bevacizumab and 88% were resistant to frontline platinum regimen.
- Preliminary anti-tumor activity: As of the data cut-off date of October 31, 2023, three partial responses (one confirmed, two unconfirmed) had been observed for SL-172154 in combination with PLD. As of November 9, 2023, both patients with unconfirmed partial responses remain on study and have not reached the date of confirmatory response assessment.
- Response rate benchmark for PLD: The patient population treated in this study to date is similar to the population enrolled in the Pfizer-sponsored JAVELIN Ovarian 200 clinical trial, wherein PLD monotherapy provided an overall response rate of 4%.
- Safety profile of SL-172154 plus PLD is consistent with the safety profile of the individual agents:
    - As of the data cut-off date of October 31, 2023, among the 16 treated patients, the most common SL-172154-related adverse events were infusion related reaction, nausea, fatigue, headache and neutropenia, mostly in Grade 1-2. SL-172154-related adverse events in Grade 3 or 4 were observed in 6 patients: anemia (n=2), aspartate aminotransferase increased (n=2), neutropenia (n=2), alanine aminotransferase increased (n=1), embolism (n=1) and thrombocytopenia (n=1). SL-172154-related IRRs occurred in four patients but were manageable and did not prevent the completion of dosing or lead to discontinuation. There were no Grade 5 adverse events.
    - The Phase 1B combination trial in PROC of SL-172154 in combination with PLD is using the 3 mg/kg dose of SL-172154.
- Next steps and anticipated milestones:
    - Completion of planned enrollment of the Phase 1B dose-expansion cohort of SL-172154 in combination with PLD in PROC expected in the fourth quarter of 2023.

Overview of Operations

Since our inception in 2016, we have devoted substantially all of our resources to conducting research and development activities, including undertaking nonclinical studies of our product candidates, conducting clinical trials of our most advanced product candidates, manufacturing our product candidates, developing and perfecting our intellectual property rights, organizing and staffing our company, business planning and raising capital. We do not have any products approved for sale, and we have not generated any revenue from product sales. We have funded our operations as of the filing date of this Quarterly Report on Form 10-Q through the net proceeds from our initial public offering, or IPO, of approximately $213.5 million, the sale of redeemable convertible preferred stock for approximately $152.9 million, the issuance of convertible notes for approximately $10.5 million and payments received pursuant to our collaboration agreements for approximately $82.9 million.

For the nine months ended September 30, 2023 and 2022, our net loss was $69.6 million and $76.5 million, respectively. We have not been profitable since inception, and as of September 30, 2023, we had an accumulated deficit of $288.6 million and $101.1 million in cash and cash equivalents and investments. We expect to continue to incur significant expenses and operating losses in the near term in connection with our ongoing activities, as we:

- continue to advance the nonclinical and clinical development of our clinical-stage product candidate, SL-172154;
- initiate nonclinical studies and clinical trials for additional product candidates that we may identify in the future;
- manufacture sufficient quantities of bulk drug substance and drug product to support our ongoing and planned nonclinical studies and clinical trials;

- continue our process development efforts for our current and future product candidates;
- maintain our operational, financial, and management systems;
- retain key personnel and infrastructure to support our clinical development, research and manufacturing efforts;
- utilize our in-house process development and manufacturing capabilities;
- continue to develop, perfect, and defend our intellectual property portfolio; and
- incur additional legal, accounting, or other expenses in operating our business, including the additional costs associated with operating as a public company and expenses incurred in connection with ongoing and future litigation, if any.

We do not expect to generate significant product revenue unless and until we successfully complete development and obtain regulatory and marketing approval of, and begin to sell, one or more of our product candidates, if ever, which we expect will take several years. We expect to spend a significant amount in development and marketing costs prior to such time. We may never succeed in achieving regulatory and marketing approval for our product candidates. We may obtain unexpected results from our nonclinical studies and clinical trials. We may elect to discontinue, delay, or modify nonclinical studies and clinical trials of our product candidates. We may be adversely affected by inflationary pressures and the macroeconomic environment, which are beyond our control. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. Accordingly, until such time as we can generate significant product revenue, if ever, we expect to continue to seek private or public equity and debt financing, and/or additional collaborations with third-parties, to meet our capital requirements. There can be no assurance that such funding may be available to us on acceptable terms, or at all, or that we will be able to commercialize our product candidates. In addition, we may not be profitable even if we commercialize any of our product candidates.

Global Economic Considerations

In addition, the global macroeconomic environment is uncertain, and could be negatively affected by, among other things, increased U.S. trade tariffs and trade disputes with other countries, instability in the global capital and credit markets, supply chain weaknesses, instability in the geopolitical environment, including as a result of the Russian invasion of Ukraine and other political tensions, and lingering effects of the COVID-19 pandemic. Such challenges have caused, and may continue to cause, recession fears, rising interest rates, foreign exchange volatility and inflationary pressures. At this time, we are unable to quantify the potential effects of this economic instability on our future operations.

Components of our Results of Operation

Collaboration Revenue

We have no products approved for commercial sale, and we have not generated any revenue from commercial product sales. Our total revenue to date has been generated from our collaboration and research agreements with various third parties, including a clinical trial collaboration agreement with ImmunoGen, Inc., or ImmunoGen, under which we expect to recognize up to $2.0 million of revenue, beginning in 2023 and continuing into or through 2024.

We continue to explore other potential collaborations and expect that collaboration revenue we may generate, if any, will fluctuate from period to period.

Operating Expense

Research and Development Expense

Our research and development expenses consist primarily of costs incurred in connection with the discovery and development of our current and potential future product candidates. These expenses include:

- expenses incurred to conduct our nonclinical studies and clinical trials;

- costs of manufacturing nonclinical study and clinical trial materials, including the costs of raw materials required for manufacturing;
- process development activities to optimize manufacturing processes;
- employee-related expenses, including salaries, benefits, and stock-based compensation;
- laboratory materials and supplies used to support our research activities;
- fees paid to third parties who assist with research and development activities;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies; and
- allocated expenses for facility-related costs.

The following table summarizes our research and development expenses by product candidate:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(unaudited)		(unaudited)	
SL-172154	$ 10,596	$ 7,338	$ 22,929	$ 27,080
Other pipeline compounds	6,075	4,062	14,359	13,710
Internal costs, including personnel related benefits, facilities and depreciation	7,540	7,462	21,795	20,222
	$ 24,211	$ 18,862	$ 59,083	$ 61,012

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials, including increased demand for clinical trial material. We expect to incur significant research and development expenses throughout 2023. While it is difficult for us to predict with certainty, we expect increasing year-over-year operating expense over the next several years in the event that we conduct additional nonclinical studies and clinical trials (beyond our currently planned clinical trials), including later-stage clinical trials, for our current and future product candidates, pursue regulatory approval of our product candidates, or advance our preclinical pipeline. In addition, we have several early-stage research and development initiatives, including, but not limited to, an anti-TNFRSF25 antibody, and the mRNA delivery of certain fusion proteins (for potential evaluation in oncology, autoimmune, or cardiometabolic indications.) Should any of these programs advance into clinical development, we expect our operating expense, and capital requirements, to increase.

The process of conducting the necessary nonclinical and clinical research to obtain regulatory approval is costly and time consuming. The actual probability of success for our product candidates may be affected by a variety of factors including:

- the safety and efficacy of our product candidates;
- early clinical data for our product candidates;
- investment in our clinical programs;
- competition;
- manufacturing capability; and
- commercial viability.

We may never succeed in achieving regulatory approval for any of our product candidates due to the uncertainties discussed above. We are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of our product candidates, if ever.

General and Administrative Expense

General and administrative expense consists primarily of personnel expenses, including salaries, benefits, and stock-based compensation expense, for employees and consultants in executive, finance, accounting, legal, information technology, business development and human resource functions. General and administrative expense also includes corporate facility costs, including rent, utilities, depreciation, and maintenance, not otherwise included in research and development expense, as well as legal fees related to intellectual property, corporate, and litigation matters and fees for accounting and tax services.

We expect that our general and administrative expense may increase in the future to support our ongoing research and development activities and as a result of the costs of operating as a public company. These increases may include increased costs related to the retention of personnel and fees paid to outside consultants, lawyers, and accountants, among other expenses. Additionally, we anticipate that we will continue to incur significant costs associated with being a public company, including expenses related to services associated with maintaining compliance with the requirements of Nasdaq and the Securities and Exchange Commission, or SEC, insurance, and investor relations costs. If any of our current or future product candidates advances to later-stage clinical development or obtains regulatory approval, we expect that we would incur significantly increased expenses associated with building the appropriate general and administrative support for our increased research and development activities, or building a sales and marketing team, respectively.

Other Income

Other income consists of interest earned on our cash, cash equivalents and investments, which consists of amounts held in a money market fund and at various times in government obligations as well as investment fees and realized gain or losses on investments (if any).

Income Taxes

Since our inception, we have not recorded any income tax benefits for the net operating losses, or NOLs, we have incurred or for our research and development tax credits, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our NOLs and tax credits will not be realized. Our NOLs and tax credit carryforwards will begin to expire in 2024. We have recorded a full valuation allowance against our deferred tax assets at each balance sheet date.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations for the three months ended September 30, 2023 and 2022.

(in thousands)	Three Months Ended September 30,		Change	
	2023	2022	Dollar	Percentage
	(unaudited)			
Collaboration revenue	$ 686	$ 212	$ 474	223.6 %
Operating expenses:				
Research and development	24,211	18,862	5,349	28.4 %
General and administrative	5,073	6,579	(1,506)	(22.9)%
Loss from operations	(28,598)	(25,229)	(3,369)	13.4 %
Other income	1,057	594	463	77.9 %
Net loss	$ (27,541)	$ (24,635)	$ (2,906)	11.8 %

Collaboration Revenue

Collaboration revenue increased by $0.5 million, or 223.6%, to $0.7 million for the three months ended September 30, 2023 from $0.2 million for the three months ended September 30, 2022. The increase in revenue was primarily attributable to an increase in clinical activity associated with our clinical trial collaboration agreement with ImmunoGen.

Research and Development Expense

Research and development expenses increased by $5.3 million, or 28.4%, to $24.2 million for the three months ended September 30, 2023 from $18.9 million for the three months ended September 30, 2022. The increase in research and development cost was primarily a result of an increase in expense associated with supply chain and manufacturing activities, including the good manufacturing practice, or GMP, manufacture of clinical trial material of $3.7 million, an increase in clinical trial cost of $1.1 million as a result of increased activity in our ongoing clinical trials for SL-172154 and an increase in costs related to our pipeline candidates of $0.3 million.

General and Administrative Expense

General and administrative expenses decreased by $1.5 million, or (22.9)%, to $5.1 million the three months ended September 30, 2023 from $6.6 million for the three months ended September 30, 2022. The decrease was primarily related to recognition of the litigation settlement of $1.4 million in the third quarter of 2022.

Results of Operations

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table sets forth our results of operations for the nine months ended September 30, 2023 and 2022.

(in thousands)	Nine Months Ended September 30,		Change	
	2023	2022	Dollar	Percentage
	(unaudited)			
Collaboration revenue	$ 943	$ 262	$ 681	259.9 %
Operating expenses:				
Research and development	59,083	61,012	(1,929)	(3.2)%
General and administrative	14,866	16,303	(1,437)	(8.8)%
Loss from operations	(73,006)	(77,053)	4,047	(5.3)%
Other income	3,395	519	2,876	(554.1)%
Net loss	$ (69,611)	$ (76,534)	$ 6,923	(9.0)%

Collaboration Revenue

Collaboration revenue increased by $0.7 million, or 259.9%, to $0.9 million for the nine months ended September 30, 2023 from $0.3 for the nine months ended September 30, 2022. The increase in revenue was attributable to an increase in clinical activity associated with our clinical trial collaboration agreement with ImmunoGen.

Research and Development Expense

Research and development expenses decreased by $1.9 million, or (3.2)%, to $59.1 million for the nine months ended September 30, 2023 from $61.0 million for the nine months ended September 30, 2022. The decrease in research and development cost was primarily a result of a decrease in the GMP manufacture of clinical trial material of $8.7 million and a decrease in materials consumed in our lab of $0.5 million, offset by increases in costs associated with the conduct of clinical trials for SL-172154 of $3.8 million, employee compensation and benefits of $1.5 million, costs related to other pipeline candidates of $1.2 million, and an increase in depreciation of fixed assets of $1.0 million related to the expansion of our in-house manufacturing and development capabilities

General and Administrative Expense

General and administrative expenses decreased $1.4 million, or (8.8)% to $14.9 million for the nine months ended September 30, 2023 from $16.3 million for the nine months ended September 30, 2022. The decrease was a result of recognizing the litigation settlement of $1.4 million during the nine months ended September 30, 2022.

Liquidity and Capital Resources

Since our inception, our primary sources of liquidity have been generated by sales of our preferred stock and common stock, including our IPO, and through our collaboration and research agreements with various third parties.

In July 2022, we entered into a sales agreement, or the Sales Agreement, with Leerink Partners LLC (formerly known as SVB Securities LLC), or the Sales Agent, pursuant to which we may offer and sell up to $75.0 million of shares of our common stock from time to time in the at-the-market facility, or ATM Facility. The Sales Agent is generally entitled to compensation at a commission equal to 3.0% of the aggregate gross sales price per share sold under the Sales Agreement. As of September 30, 2023, there were no sales pursuant to the ATM Facility.

Capital Resources and Funding Requirements

Our primary uses of cash and cash equivalents and investments are to fund our operations, which consist primarily of research and development expenditures related to our programs, product development costs, research expenses, administrative support, capital expenditures related to bringing in-house certain process development and manufacturing capabilities and working capital requirements. We anticipate incurring additional net losses and negative cash flows from operations in the near future until such time, if ever, that we can generate significant sales of our product candidates currently in development. Our future funding requirements will depend on many factors, including:

- the scope, timing, progress and results of discovery, nonclinical development, laboratory testing, and clinical trials for our product candidates;
- the costs of process development and scale up of a commercially ready manufacturing process to support registrational clinical trials;
- the costs of manufacturing our product candidates for clinical trials and in preparation for marketing approval and commercialization;
- the extent to which we enter into collaborations or other arrangements with additional third parties in order to further develop our product candidates;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending other intellectual property-related claims;
- the costs and fees associated with the discovery, acquisition or in-license of additional product candidates or technologies;
- the costs of future commercialization activities, if any, including establishing sales, marketing, manufacturing, distribution and storage capabilities, for any of our product candidates for which we receive marketing approval; and
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval.

Until we obtain regulatory approval to market our product candidates, if ever, we cannot generate revenues from sales of our products. Even if we are able to sell our products, we may not generate a sufficient amount of product revenues to finance our cash requirements. Accordingly, it will be necessary for us to seek to raise additional capital through equity offerings and/or debt financings or from other potential sources of liquidity, which may include new collaborations, licensing or other commercial agreements for one or more of our development programs or patent portfolios. There can be no assurance that such funding may be available to us on acceptable terms, or at all. The issuance of equity securities may result in dilution to stockholders and the issuance of debt securities may have rights, preferences and privileges senior to those of our common stock and the terms of any such debt securities could impose significant restrictions on our operations. The failure to raise funds as and when needed could have a negative impact on our financial condition and ability to pursue our business strategies. Additionally, if additional funding is not secured when required, we may need to delay or curtail our operations until such funding is received, which would have a material and adverse impact on our business prospects and results of operations.

We believe that our cash and cash equivalents and investments as of September 30, 2023 are sufficient to fund projected operations through year-end 2024.

Cash Flows

The following table shows a summary of our cash flows for the periods indicated:

(in thousands)	Nine Months Ended September 30, 2023	2022
	(unaudited)	
Net cash used in operating activities	$ (61,809)	$ (70,657)
Net cash provided by investing activities	55,008	17,976
Net cash provided by financing activities	54	171
Net decrease in cash and cash equivalents	$ (6,747)	$ (52,510)

Net Cash Used in Operating Activities

During the nine months ended September 30, 2023, net cash used in operating activities was $61.8 million and primarily reflected our net loss of $69.6 million and noncash charges of $5.3 million in stock-based compensation and $2.3 million in depreciation expense, accretion of investments and non-cash operating lease expense. We expect to continue to use cash in our operating activities as we conduct our clinical trials and nonclinical studies, incur costs of manufacturing clinical trial and nonclinical study materials and continue process development activities to optimize our manufacturing processes.

During the nine months ended September 30, 2022, net cash used in operating activities was $70.7 million and primarily reflected our net loss of $76.5 million and a $3.5 million net change in our operating assets and liabilities, offset by noncash charges of $4.8 million in stock-based compensation, $3.7 million in depreciation expense, amortization of investments and non-cash operating lease expense and $0.8 million in impairment loss.

Net Cash Provided by Investing Activities

During the nine months ended September 30, 2023, net cash provided by investing activities was $55.0 million, of which $55.4 million represents the net change in investments and $0.4 million was used to purchase property and equipment.

During the nine months ended September 30, 2022, net cash used in investing activities was $18.0 million, of which $28.9 million represents the net change in investments and $10.9 million was used to purchase property and equipment, primarily attributable to our continued efforts to bring in-house certain process development, manufacturing and laboratory capabilities.

Net Cash Provided by Financing Activities

During the nine months ended September 30, 2023, net cash provided by financing activities was $0.1 million and was primarily from the exercise of stock options and purchases pursuant to our employee stock purchase plan.

During the nine months ended September 30, 2022, net cash provided by financing activities was $0.2 million and was primarily from the exercise of stock options and purchases pursuant to our employee stock purchase plan.

Contractual Obligations and Other Commitments

See Note 5 to our financial statements found elsewhere in this Quarterly Report on Form 10-Q for additional disclosures. There have been no other material changes from the Contractual Obligations and Other Commitments disclosed in Note 6 and 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Critical Accounting Policies

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in

the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, the accrual for research and development expenses, and the valuation

of stock-based awards. We base our estimates on historical experience, known trends and events, and various other factors that are 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 that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies are those policies which require the most significant judgments and estimates in the preparation of our financial statements. We believe that the assumptions and estimates associated with our most critical accounting policies are those relating to revenue, accrued research and development costs and stock-based compensation.

There have been no material changes in our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Recent Accounting Pronouncements

See Note 2 to our financial statements found elsewhere in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements applicable to our financial statements.

Emerging Growth Company and Smaller Reporting Company Status

We are an emerging growth company as defined in the JOBS Act. Under the JOBS Act, an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards and delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from complying with new or revised accounting standards and, therefore, will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We have evaluated the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation exemptions to the requirements for (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (a) the last day of the fiscal year (i) following the fifth anniversary of the completion of our IPO, (ii) in which we have total annual gross revenues of at least $1.235 billion or (iii) in which we are deemed to be a "large accelerated filer" under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th, or (b) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

We are also a "smaller reporting company" as defined under the Securities and Exchange Act of 1934, as amended, or the Exchange Act. We may continue to be a smaller reporting company if either (i) the market value of our stock held by non-affiliates is less than $250.0 million or (ii) our annual revenue is less than $100.0 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700.0 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company, as defined by Rule 12b-2 under the Exchange Act and in Item 10(f)(1) of Regulation S-K, and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures. Based on this evaluation of our disclosure controls and procedures as of September 30, 2023, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as of such date are effective at the reasonable assurance level. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act 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. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the third quarter of the year ending December 31, 2023 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

Except as discussed in Note 5 to our financial statements found elsewhere in this Quarterly Report on Form 10-Q, we are not presently a party to any other legal proceedings that, in the opinion of our management and if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

Item 1A. Risk Factors

Our business is subject to various risks, including those described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes from the risk factors disclosed in Item 1A of our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed or furnished as part of this Quarterly Report on Form 10-Q are set forth below.

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Shattuck Labs, Inc. (incorporated by reference from Exhibit 3.1 to Shattuck's Current Report on Form 8-K filed on October 14, 2020 (Commission File No. 001-39593))
3.2	Amended and Restated Bylaws of Shattuck Labs, Inc. (incorporated by reference from Exhibit 3.2 to Shattuck's Current Report on Form 8-K filed on October 14, 2020 (Commission File No. 001-39593))
4.1	Form of common stock certificate of Shattuck (incorporated by reference from Exhibit 4.1 of Shattuck's Amendment No. 2 to Registration Statement on Form S-1 filed on October 8, 2020 (Commission File No. 333-248918))
4.2	Second Amended and Restated Investors' Rights Agreement, dated as of June 12, 2020, by and among Shattuck Labs, Inc. and certain of its stockholders (incorporated by reference from Exhibit 4.2 of Shattuck's Amendment No. 2 to Registration Statement on Form S-1 filed on October 8, 2020 (Commission File No. 333-248918))
31.1*	Certification of the principal executive officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of the principal financial officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934
32.1* (1)	Certification of the principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350 and Rule 13a-14(b) under the Securities Exchange Act of 1934
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page for this report, formatted in Inline XBRL (included in Exhibit 101)

* Filed herewith

(1) The certifications on Exhibit 32 hereto are deemed not "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such certifications will not 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.

Shattuck Labs, Inc.

Date: November 9, 2023

By: /s/ Dr. Taylor Schreiber

Dr. Taylor Schreiber
Chief Executive Officer
(principal executive officer)

Date: November 9, 2023

By: /s/ Andrew R. Neill

Andrew R. Neill
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 31.1

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

I, Taylor Schreiber, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Shattuck Labs, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant 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 9, 2023

By: /s/ Dr. Taylor Schreiber

Dr. Taylor Schreiber
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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

I, Andrew R. Neill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Shattuck Labs, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant 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 9, 2023

By: /s/ Andrew R. Neill

Andrew R. Neill
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

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

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

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

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

Date: November 9, 2023

By: /s/ Dr. Taylor Schreiber
Dr. Taylor Schreiber
Chief Executive Officer
(principal executive officer)

Date: November 9, 2023

By: /s/ Andrew R. Neill
Andrew R. Neill
Chief Financial Officer
(principal financial and accounting officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Note: A signed original of this written statement required by §906 has been provided to Shattuck Labs, Inc. and will be retained by Shattuck Labs, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.