UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

☐ **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: 001-38583

Crinetics Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-3744114**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10222 Barnes Canyon Road, Bldg. #2, San Diego, California	**92121**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: **(858) 450-6464**

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	CRNX	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 31, 2023, the registrant had 66,799,257 shares of common stock ($0.001 per share par value) outstanding.

CRINETICS PHARMACEUTICALS, INC. QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2023

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Crinetics Pharmaceuticals, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except per share data)

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 142,795	$ 32,672
Investment securities	411,858	301,753
Prepaid expenses and other current assets	21,107	10,759
Total current assets	575,760	345,184
Property and equipment, net	9,764	3,500
Operating lease right-of-use assets	48,042	1,486
Derivative asset	—	668
Investment in Radionetics	4,671	—
Restricted cash	1,300	1,301
Other assets	2,000	37
Total assets	$ 641,537	$ 352,176
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,935	$ 15,351
Accrued compensation and related expenses	12,877	9,081
Deferred revenue	1,662	2,240
Operating lease liabilities	3,989	1,051
Total current liabilities	40,463	27,723
Operating lease liabilities, non-current	48,182	2,024
Deferred revenue, non-current	5,144	6,101
Total liabilities	93,789	35,848
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.001 par; 10,000 shares authorized; no shares issued or outstanding on September 30, 2023 or December 31, 2022	—	—
Common stock and paid-in capital, $0.001 par; 200,000 shares authorized; 66,708 shares issued and outstanding on September 30, 2023; 53,877 shares issued and outstanding on December 31, 2022	1,142,218	759,432
Accumulated other comprehensive loss	(865)	(3,931)
Accumulated deficit	(593,605)	(439,173)
Total stockholders' equity	547,748	316,328
Total liabilities and stockholders' equity	$ 641,537	$ 352,176

See the accompanying notes to these unaudited condensed consolidated financial statements.

Crinetics Pharmaceuticals, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except per share data)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues	$ 346	$ 458	$ 4,013	$ 4,028
Operating expenses:				
Research and development	43,839	31,987	122,947	93,234
General and administrative	15,484	11,925	41,016	31,120
Total operating expenses	59,323	43,912	163,963	124,354
Loss from operations	(58,977)	(43,454)	(159,950)	(120,326)
Other income (expense):				
Interest income	2,569	1,500	6,714	2,413
Other income (expense), net	(53)	29	(199)	(35)
Change in valuation of derivative asset	—	—	—	31
Total other income, net	2,516	1,529	6,515	2,409
Loss before equity method investment	(56,461)	(41,925)	(153,435)	(117,917)
Loss on equity method investment	(997)	—	(997)	(1,010)
Net loss	$ (57,458)	$ (41,925)	$ (154,432)	$ (118,927)
Net loss per share:				
Net loss per share - basic and diluted	$ (1.01)	$ (0.78)	$ (2.81)	$ (2.32)
Weighted average shares - basic and diluted	56,808	53,768	55,003	51,356
Other comprehensive income (loss):				
Unrealized gain (loss) on investment securities	$ 840	$ (1,391)	$ 3,066	$ (4,628)
Comprehensive loss	$ (56,618)	$ (43,316)	$ (151,366)	$ (123,555)

See the accompanying notes to these unaudited condensed consolidated financial statements.

Crinetics Pharmaceuticals, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands)
(unaudited)

	Common Stock Shares	Common stock and Paid-In Capital	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total Stockholders' Equity
Balance on July 1, 2023	54,682	$ 791,968	$ (1,705)	$ (536,147)	$ 254,116
Issuance of common stock, net of $21.5 million of transaction costs	11,442	328,501	—	—	328,501
Exercise of stock options	584	10,700			10,700
Stock-based compensation	—	11,049	—	—	11,049
Comprehensive income	—	—	840	—	840
Net loss	—	—	—	(57,458)	(57,458)
Balance on September 30, 2023	66,708	$ 1,142,218	$ (865)	$ (593,605)	$ 547,748
Balance on January 1, 2023	53,877	$ 759,432	$ (3,931)	$ (439,173)	$ 316,328
Issuance of common stock, net of $21.8 million of transaction costs	11,965	339,812	—	—	339,812
Stock issued under Employee Stock Purchase Plan	75	1,123	—	—	1,123
Issuance of common stock upon vesting of restricted stock units	81	—	—	—	-
Exercise of stock options	710	12,531	—		12,531
Stock-based compensation		29,320	—	—	29,320
Comprehensive income	—	—	3,066	—	3,066
Net loss	—	—	—	(154,432)	(154,432)
Balance on September 30, 2023	$ 66,708	$ 1,142,218	$ (865)	$ (593,605)	$ 547,748
Balance at July 1, 2022	53,720	$ 742,041	$ (3,619)	$ (352,257)	$ 386,165
Exercise of stock options	76	1,089	—	—	1,089
Stock-based compensation	—	7,434	—	—	7,434
Comprehensive loss	—	—	(1,391)	—	(1,391)
Net loss	—	—	—	(41,925)	(41,925)
Balance at September 30, 2022	$ 53,796	$ 750,564	$ (5,010)	$ (394,182)	$ 351,372
Balance at January 1, 2022	47,597	$ 607,581	$ (382)	$ (275,255)	$ 331,944
Issuance of common stock, net of $7.8 million of transaction costs	5,626	117,242	—	—	117,242
Stock issued under Employee Stock Purchase Plan	66	813	—	—	813
Vesting of shares subject to repurchase	1	2	—	—	2
Exercise of stock options	506	4,606	—	—	4,606
Stock-based compensation	—	20,320	—	—	20,320
Comprehensive loss	—	—	(4,628)	—	(4,628)
Net loss	—	—	—	(118,927)	(118,927)
Balance at September 30, 2022	$ 53,796	$ 750,564	$ (5,010)	$ (394,182)	$ 351,372

See the accompanying notes to these unaudited condensed consolidated financial statements.

Crinetics Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30,	
	2023	**2022**
Operating activities:		
Net loss	$ (154,432)	$ (118,927)
Reconciliation of net loss to net cash used in operating activities:		
Stock-based compensation	29,320	20,320
Depreciation and amortization	836	703
Noncash lease expense	425	298
Accretion of purchase discounts and amortization of premiums on investment securities, net	(2,687)	385
Loss on equity method investment	997	1,010
Loss on disposal of property and equipment	6	—
Change in valuation of derivative asset	—	(31)
Noncash license revenues	(2,000)	—
Increase (decrease) in cash resulting from changes in:		
Prepaid expenses and other assets	(8,368)	1,052
Accounts payable and accrued expenses	10,457	6,911
Deferred revenue	(1,535)	8,972
Operating lease liabilities	(811)	(691)
Net cash used in operating activities	(127,792)	(79,998)
Investing activities:		
Purchases of investment securities	(354,806)	(296,256)
Purchase of investment in Radionetics preferred stock	(5,000)	—
Maturities of investment securities	250,454	86,805
Purchases of property and equipment	(3,753)	(1,382)
Net cash used in investing activities	(113,105)	(210,833)
Financing activities:		
Proceeds from issuance of common stock, net of $21.8 million (2023) and $7.8 million (2022) of transaction costs	340,267	117,242
Proceeds from exercise of stock options	10,752	4,606
Net cash provided by financing activities	351,019	121,848
Net change in cash, cash equivalents and restricted cash	110,122	(168,983)
Cash, cash equivalents and restricted cash at beginning of period	33,973	201,195
Cash, cash equivalents and restricted cash at end of period	$ 144,095	$ 32,212
Components of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 142,795	$ 30,912
Restricted cash	1,300	1,300
Cash, cash equivalents and restricted cash at end of period	$ 144,095	$ 32,212
Noncash investing and financing activities:		
Stock received under licensing arrangement	$ 2,000	$ —
Exercise of Derivative asset for Investment in Radionetics common stock	$ 668	$ —
Change in unvested stock liability	$ —	$ 2
Stock issued under Employee Stock Purchase Plan	$ 1,123	$ 813
Right-of-use asset obtained in exchange for lease obligation	$ 46,981	$ —
Leasehold improvements paid by the lessor	$ 2,925	$ —
Stock options exercised receivable	$ 1,779	$ —
Accrued financing costs	$ 455	$ —
Amounts accrued for purchases of property and equipment	$ 427	$ 60

See the accompanying notes to these unaudited condensed consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Crinetics Pharmaceuticals, Inc. (the "Company") is a clinical-stage pharmaceutical company incorporated in Delaware on November 18, 2008, and based in San Diego, California. The Company is focused on the discovery, development, and commercialization of novel therapeutics for rare endocrine diseases and endocrine-related tumors. In January 2017, the Company established a wholly owned Australian subsidiary, Crinetics Australia Pty Ltd ("CAPL"), in order to conduct various preclinical and clinical activities for its development candidates.

Unaudited Interim Financial Information

The accompanying interim condensed consolidated balance sheet as of September 30, 2023, the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023 and 2022, the condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2023 and 2022, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022, and the related disclosures are unaudited. In management's opinion, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2023 and the results of its operations and cash flows for the nine months ended September 30, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full fiscal year or any other interim period.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022, included in our Annual Report on Form 10-K filed with the SEC on February 28, 2023. The condensed consolidated balance sheet as of December 31, 2022, has been derived from the audited consolidated financial statements as of that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

Principles of Consolidation and Foreign Currency Transactions

The condensed consolidated financial statements include the accounts of the Company and CAPL. All intercompany accounts and transactions have been eliminated in consolidation. The functional currency of both the Company and CAPL is the U.S. dollar. Assets and liabilities that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), in the condensed consolidated statements of operations and were not material for all periods presented.

Segment Reporting

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

Liquidity

From inception, the Company has devoted substantially all of its efforts to drug discovery and development, and conducting preclinical studies and clinical trials. The Company has a limited operating history, and the sales and income potential of the Company's business and market are unproven. Successful transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support the Company's cost structure. The Company has experienced net losses and negative cash flows from operating activities since its inception and has an accumulated deficit of $593.6 million as of September 30, 2023.

As of September 30, 2023, the Company had $554.7 million in unrestricted cash, cash equivalents and investment securities, which the Company believes is sufficient to meet its funding requirements for at least the next 12 months.

The Company expects to continue to incur net losses for the foreseeable future and believes it will need to raise substantial additional capital to accomplish its business plan over the next several years. The Company plans to continue to fund its losses from operations and capital funding needs through a combination of equity offerings, debt financings or other sources, including potential collaborations, licenses, and other similar arrangements. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and

prospects. There can be no assurance as to the availability or terms upon which such financing and capital might be available in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The Company's condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of the Company's condensed consolidated financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the Company's condensed consolidated financial statements and accompanying notes. The most significant estimates in the Company's condensed consolidated financial statements relate to accrual of research and development expenses, valuation of stock-based awards, fair values of financial instruments, revenue recognition, investment in Radionetics, and the assumptions underlying the determination of the estimated incremental borrowing rate for the determination of the Company's operating lease right-of-use assets. Estimates are based on historical experiences or on forecasts, including information received from third parties and various other factors that the Company believes are reasonable under the circumstances. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from those estimates.

Investment in Radionetics

In October 2021, the Company, together with 5AM Ventures ("5AM") and Frazier Healthcare Partners ("Frazier"), announced the formation of Radionetics Oncology, Inc. ("Radionetics").

The Company first analyzes its investment in another entity to determine if the entity is a variable interest entity ("VIE") and if so, whether the Company is the primary beneficiary requiring consolidation. An entity is considered a VIE if (1) the entity does not have enough equity to finance its own activities without additional support, (2) the entity's at-risk equity holders lack the characteristics of a controlling financial interest, or (3) the entity is structured with non-substantive voting rights. VIEs are consolidated by the primary beneficiary, which is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that potentially could be significant to the VIE. Variable interests in a VIE can be contractual, ownership, or other financial interests. The Company re-assesses its investment upon reconsideration events to determine whether the Company is the primary beneficiary of the VIE, in which case the Company would consolidate the VIE.

If it has been determined that the Company is not the primary beneficiary but does have the ability to exercise significant influence over the VIE, the Company accounts for the unconsolidated investment under the equity method of accounting.

Fair Value Measurements

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

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions about risk and the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The carrying amounts of the Company's current financial assets, restricted cash and current financial liabilities are considered to be representative of their respective fair values because of the short-term nature of those instruments. The Company recorded the derivative asset (see Note 11) and investment securities (see Note 4) at fair value.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash held in readily available checking and money market accounts, as well as short-term debt securities with maturities of three months or less when purchased. Restricted cash represents cash held as collateral for the Company's facility leases and is reported as a long-term asset in the accompanying condensed consolidated balance sheets. Cash and cash equivalents are considered Level 1 investments.

Investment Securities

All investments have been classified as “available-for-sale” and are carried at fair value as determined based upon quoted market prices or pricing models for similar securities at period end. Investments with contractual maturities less than 12 months at the balance sheet date are considered short-term investments. Investments with contractual maturities beyond one year are also classified as short-term due to the Company’s ability to liquidate the investment for use in operations within the next 12 months.

Realized gains and losses on investment securities are derived using the specific identification method for determining the cost of securities sold and are included in other income (expenses), net in the accompanying condensed consolidated statements of operations and comprehensive loss. The Company has not realized any significant gains or losses on sales of available-for-sale debt securities during any of the periods presented. Interest income is recognized when earned and is included in interest income in the accompanying condensed consolidated statements of operations and comprehensive loss, as are the amortization of purchase premiums and accretion of purchase discounts on investment securities.

Effective January 1, 2023, at each balance sheet date, the Company assesses available-for-sale debt securities in an unrealized loss position to determine whether the unrealized loss or any potential credit losses should be recognized in net loss. For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through net loss. For available-for-sale securities that do not meet the criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the severity of the impairment, any changes in interest rates, underlying credit ratings, and forecasted recovery, among other factors. The credit-related portion of unrealized losses, and any subsequent improvements, are recorded as an allowance in interest income. There have been no impairment or credit losses recognized during the periods presented in the accompanying condensed consolidated statements of operations and comprehensive loss.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents and investment securities. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances due to the financial position of the depository institution in which those deposits are held. Additionally, the Company has established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity.

Leases

The Company determines if an arrangement is a lease at the inception of the arrangement. Leases with a term longer than 12 months that are determined to be operating leases are included in operating lease right-of-use assets, operating lease liabilities and noncurrent operating lease liabilities in the condensed consolidated balance sheets at the accounting commencement date of the arrangement. The Company accounts for each separate lease and non-lease component as a single lease component. When the Company’s leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at accounting commencement dates in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would expect to pay to borrow over a similar term, and on a collateralized basis, an amount equal to the lease payments in a similar economic environment. The Company’s lease terms may include options to extend or terminate the lease when the Company is reasonably certain that it will exercise such options. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease agreements may contain variable costs such as common area maintenance, insurance, taxes, or other costs. Such variable lease costs are expensed as incurred. The Company assesses its leases to determine whether the arrangements contain lease incentives.

Property and Equipment, Net

Property and equipment consist of leasehold improvements, and lab and various other equipment. Such assets are stated at cost and depreciated on a straight-line basis over the estimated useful life of the related assets. The Company estimates its useful lives of its lab and other equipment as follows: lab equipment – three to five years; office equipment - three to five years; computer and software – three years. Leasehold improvements are amortized over the estimated useful life of the improvement or the remaining term of the associated lease.

Repairs and maintenance costs are charged to expense as incurred and expenditures that materially extend the useful lives of assets are capitalized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets (or asset group) may not be fully recoverable.

Factors considered in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of an asset (or asset

group) are less than its carrying amount. If such assets are considered impaired, the impairment loss recognized is measured as the excess of the carrying value of the impaired asset over its fair value, determined based on future cash flows or appraised values, depending on the nature of the asset (or asset group). The Company has not recognized any impairment losses in any of the periods presented in these consolidated financial statements.

Revenue Recognition

The Company has generated revenue from licensing arrangements and supply agreements. The Company recognizes revenues when, or as, the promised goods or services are transferred to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. To determine revenue recognition for arrangements, the Company performs the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligation(s) in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) in the contract; and (5) recognize revenue when (or as) the performance obligation(s) are satisfied. At contract inception, the Company assesses the goods or services promised within each contract, assesses whether each promised good or service is distinct and identifies those that are performance obligations. The Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when, or as, the performance obligation is satisfied.

The Company has entered into licensing and collaboration agreements that mainly include the following: (i) upfront considerations; (ii) payments associated with achieving certain milestones; and (iii) royalties based on specified percentages of net product sales, if any.

The Company has also entered into a manufacturing and supply arrangement that includes reimbursements of costs plus a pre-determined margin.

At the initiation of an agreement, the Company analyzes each unit of account within the contract to determine if the counterparty is a customer in the context of the unit of account.

The Company considers a variety of factors in determining the appropriate estimates and assumptions under the arrangements, such as whether the elements are distinct performance obligations, whether there are observable standalone prices, whether the license is functional or symbolic, and whether the Company is acting as the agent or principal. The Company evaluates each performance obligation to determine if it can be satisfied and recognized as revenue at a point in time or over time.

At the inception of arrangements that include variable consideration, the Company uses judgment to estimate the amount of variable consideration to include in the transaction price using the most likely method. If it is probable that a significant revenue reversal will not occur, then the estimated amount is included in the transaction price. Milestone payments that are not within the Company's or the licensee’s control, such as regulatory approvals, are not included in the transaction price until those approvals are received. At the end of each reporting period, the Company re-evaluates the estimated variable consideration included in the transaction price and any related constraint and, as necessary, adjusts the estimate of the overall transaction price. Any adjustments will be recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

The Company develops estimates of the standalone selling price for each distinct performance obligation. Variable consideration that relates specifically to efforts to satisfy specific performance obligations is allocated entirely to those performance obligations. Other components of the transaction price are allocated based on the relative standalone selling price, over which management has applied significant judgment. The Company determines the standalone selling price for license-related performance obligations using a market approach, which may include assumptions such as forecasted revenues, development timelines, discount rates and probabilities of success. The Company estimates the standalone selling price for the data exchange performance obligation (see Note 8) by forecasting the expected costs of satisfying a performance obligation plus a predetermined margin.

In the case of a license that is a distinct performance obligation, the Company recognizes revenue allocated to the license from non-refundable, up-front fees at the point in time when the license is transferred to the licensee and the licensee can use and benefit from the license. For licenses that are bundled with other distinct or combined obligations, the Company uses judgment to assess the nature of the performance obligation to determine whether the 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. If the performance obligation is satisfied over time, then the Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. The Company has used the cost-to-cost measure of progress because it best depicts the transfer of control to the customer which occurs as the Company incurs costs. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation, which is considered an input method. The Company uses judgment to estimate the total cost of these performance obligations, which include subcontractors' costs, labor, materials, other direct costs, and an allocation of indirect costs. The Company evaluates these cost estimates and the progress each reporting period and, as necessary, the Company adjusts the measure of progress and related revenue recognition.

Sales-based milestones and royalties are recognized at the later of when the subsequent sale or usage occurs or the performance obligation for which some or all of the sales-based milestones and royalties have been allocated to has been satisfied or partially satisfied.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of salaries, payroll taxes, employee benefits and stock-based compensation for individuals involved in R&D efforts, as well as consulting expenses, third-party R&D expenses, laboratory supplies, clinical materials and overhead, including facilities and depreciation costs, offset by the Australian Tax Incentive discussed below. R&D expenses are charged to expense as incurred. Payments made prior to the receipt of goods or services to be used in R&D are capitalized until the goods or services are received and are recorded as prepaid expenses and other current assets.

Costs incurred under contracts with contract research organizations that conduct and manage the Company's clinical trials are also included in R&D expenses. The financial terms and activities of these agreements vary from contract to contract and may result in uneven expense levels. Generally, these agreements set forth activities that drive the recording of expenses such as start-up and initiation activities, enrollment and treatment of patients, or the completion of other clinical trial activities. Expenses related to clinical trials are accrued based on estimates and/or representations from service providers regarding work performed, including actual level of patient enrollment, completion of patient studies and progress of the clinical trials. Other incidental costs related to patient enrollment or treatment are accrued when reasonably certain. If the amounts that the Company is obligated to pay under its clinical trial agreements are modified (for instance, because of changes in the clinical trial protocol or scope of work to be performed), the Company adjusts its accruals accordingly on a prospective basis. Revisions to contractual payment obligations are charged to expense in the period in which the facts that give rise to the revision become reasonably certain.

Australian Tax Incentive

CAPL is eligible to obtain a cash refund from the Australian Taxation Office for eligible R&D expenditures under the Australian R&D Tax Incentive Program (the "Australian Tax Incentive"). The Australian Tax Incentive is recognized as a reduction to R&D expense when there is reasonable assurance that the relevant expenditure has been incurred, the amount can be reliably measured and the Australian Tax Incentive will be received. The Australian Taxation Office has a recapture right for a period of four years.

The Company recognized reductions to R&D expense of $8,000 and $45,000 for the three and nine months ended September 30, 2023, respectively, and $0.3 million and $0.7 million for the three and nine months ended September 30, 2022, respectively.

Stock-Based Compensation

Stock-based compensation expense represents the estimated grant date fair value of the Company's equity awards, consisting of stock options, restricted stock units and shares issued under the Company's Employee Stock Purchase Plan, recognized over the requisite service period of such awards (usually the vesting period) on a straight-line basis. The Company estimates the fair value of all stock option grants using the Black-Scholes option pricing model and recognizes forfeitures as they occur. Restricted stock units are valued using the grant date stock price. For stock awards for which vesting is subject to performance-based milestones, the expense is recorded over the remaining service period after the point when the achievement of the milestone is probable, or the performance condition has been achieved.

Comprehensive Loss

Comprehensive loss is comprised of the Company's net loss and the unrealized gains or losses on the Company's available for sale investment securities for all periods presented. The cumulative amount of unrealized gains and losses is reflected as a separate component of stockholders' equity in the accompanying condensed consolidated balance sheets as accumulated other comprehensive income (loss).

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock and dilutive common stock equivalents outstanding for the period determined using the treasury-stock and if-converted methods. Dilutive common stock equivalents are comprised of common stock subject to repurchase and stock options outstanding under the Company's stock option plan. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding as inclusion of the potentially dilutive securities on loss per share would be antidilutive.

Potentially dilutive securities (in common stock equivalent shares) not included in the calculation of diluted net loss per share because to do so would be anti-dilutive are as follows (*in thousands*):

	As of September 30,	
	2023	2022
Stock options	12,464	8,899
Restricted stock units	830	278
Employee stock purchase plan	257	159
Total	13,551	9,336

Recently Adopted Accounting Pronouncements

ASU 2016-13

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") 2016-13, “Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*” (“Topic 326”). Topic 326 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner like current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This ASU update affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income (loss). The Company adopted ASU 2016-13 as of January 1, 2023, which did not have a material impact on its condensed consolidated financial statements.

3. INVESTMENT SECURITIES

The Company reports its available-for-sale investment securities at their estimated fair values. The following is a summary of the available-for-sale investment securities held by the Company as of September 30, 2023 and December 31, 2022 (*in thousands*):

	As of September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale investment securities:				
U.S. government and agency obligations	$ 240,061	$ 43	$ (363)	$ 239,741
Certificates of deposit	2,926	—	(32)	2,894
Corporate debt securities	156,157	10	(523)	155,644
Commercial paper	13,579	—	—	13,579
Total	$ 412,723	$ 53	$ (918)	$ 411,858

	As of December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available-for-sale investment securities:				
U.S. government and agency obligations	$ 154,228	$ 12	$ (1,510)	$ 152,730
Certificates of deposit	4,629	—	(94)	4,535
Corporate debt securities	145,330	—	(2,336)	142,994
Asset-backed securities	1,497	—	(3)	1,494
Total	$ 305,684	$ 12	$ (3,943)	$ 301,753

As of September 30, 2023 and December 31, 2022, available-for-sale investment securities by contractual maturity were as follows (in thousands):

	As of September 30, 2023		As of December 31, 2022	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
Available-for-sale investment securities:				
Due in one year or less	$ 292,094	$ 291,253	$ 246,276	$ 243,542
Due after one year through five years	120,629	120,605	59,408	58,211
Total	$ 412,723	$ 411,858	$ 305,684	$ 301,753

The following is a summary of the available-for-sale investment securities by length of time in a net loss position as of September 30, 2023 and December 31, 2022 (*in thousands*):

	As of September 30, 2023					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
Available-for-sale investment securities:						
U.S. government and agency obligations	$ 143,242	$ (97)	$ 29,641	$ (266)	$ 172,883	$ (363)
Certificates of deposit	243	(2)	2,651	(30)	2,894	(32)
Corporate debt securities	84,291	(52)	47,072	(471)	131,363	(523)
Total	$ 227,776	$ (151)	$ 79,364	$ (767)	$ 307,140	$ (918)

	As of December 31, 2022					
	Less Than 12 Months		More Than 12 Months		Total	
	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
Available-for-sale investment securities:						
U.S. government and agency obligations	$ 95,933	$ (702)	$ 36,681	$ (808)	$ 132,614	$ (1,510)
Certificates of deposit	2,399	(47)	2,136	(47)	4,535	(94)
Corporate debt securities	96,663	(1,399)	43,330	(937)	139,993	(2,336)
Asset-backed securities	1,494	(3)	—	—	1,494	(3)
Total	$ 196,489	$ (2,151)	$ 82,147	$ (1,792)	$ 278,636	$ (3,943)

The Company reviewed its investment holdings as of September 30, 2023 and December 31, 2022 and determined that the decline in fair value is attributable to changes in interest rates and not credit quality, and as the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity. Therefore, there were no allowances for credit losses as of September 30, 2023 and December 31, 2022.

4. FAIR VALUE MEASUREMENTS

Investment Securities

The Company holds investment securities that consist of highly liquid, investment grade debt securities. The Company determines the fair value of its investment securities based upon one or more valuations reported by its investment accounting and reporting service provider. The investment service provider values the securities using a hierarchical security pricing model that relies primarily on valuations provided by an industry-recognized valuation service. Such valuations may be based on trade prices in active markets for identical assets or liabilities (Level 1 inputs) or valuation models using inputs that are observable either directly or indirectly (Level 2 inputs), such as quoted prices for similar assets or liabilities, yield curves, volatility factors, credit spreads, default rates, loss severity, current market and contractual prices for the underlying instruments or debt, and broker and dealer quotes, as well as other relevant economic measures.

Derivative Asset

On October 15, 2021, the Company received a warrant (the "Radionetics Warrant") to purchase the greater of 3,407,285 additional shares of common stock or the number of additional shares of common stock that would allow the Company to maintain an aggregate equity interest of 22% of the fully diluted capitalization of Radionetics. The estimated value of the Radionetics Warrant is based on valuations provided by a third-party valuation specialist using unobservable inputs due to little to no market data (Level 3 inputs).

In August 2023, the Company exercised its warrant to purchase 3,407,285 shares of Radionetics common stock with an exercise price of $0.00001 per share, and also cancelled its existing right to maintain an aggregate interest of 22% of the fully diluted capitalization of Radionetics. There were no material changes in the inputs or the total valuation of the Radionetics Warrant in 2023 prior to its exercise and cancellation. Upon exercise, the Radionetics Warrant of $0.7 million was derecognized (see "Note 11").

Financial assets measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022 were as follows (*in thousands*):

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Investment securities:				
U.S. government and agency obligations	$ 202,813	$ 36,928	$ —	$ 239,741
Certificates of deposit	—	2,894	—	2,894
Corporate debt securities	—	155,644	—	155,644
Commercial paper	—	13,579	—	13,579
Total assets measured at fair value	$ 202,813	$ 209,045	$ —	$ 411,858

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investment securities:				
U.S. government and agency obligations	$ 93,879	$ 58,851	$ —	$ 152,730
Certificates of deposit	—	4,535	—	4,535
Corporate debt securities	—	142,994	—	142,994
Asset-backed securities	—	1,494	—	1,494
Total Investment securities	93,879	207,874	—	301,753
Derivative Assets:				
Radionetics Warrant	—	—	668	668
Total assets measured at fair value	$ 93,879	$ 207,874	$ 668	$ 302,421

The Company's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. Other than the activity below, there were no transfers into or out of Level 3 during the nine months ended September 30, 2023, or year ended December 31, 2022.

The following is the Level 3 activity for the Company's derivative asset:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Derivative asset at beginning of period	$ 668	$ 99	$ 668	$ 68
Gain on change in fair value of derivative asset	—	—	—	31
Exercise of derivative asset	(668)	—	(668)	—
Balance at end of period	$ —	$ 99	$ —	$ 99

5. BALANCE SHEET DETAILS

Prepaid expenses and other current assets consisted of the following (*in thousands*):

	September 30, 2023	December 31, 2022
Prepaid clinical costs	$ 3,052	$ 2,567
Prepaid research and development costs	1,606	2,293
Australian tax incentive receivable	962	937
Prepaid insurance	1,289	939
Interest receivable	2,622	1,353
Due from Radionetics	98	135
Landlord improvements receivable	6,178	605
Option exercise receivable	1,779	—
Other	3,521	1,930
Total	$ 21,107	$ 10,759

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

	September 30, 2023	December 31, 2022
Leasehold improvements	$ 9,700	$ 3,516
Lab equipment	3,958	3,168
Office equipment	935	859
Computers and software	46	41
Property and equipment at cost	14,639	7,584
Less accumulated depreciation and amortization	(4,875)	(4,084)
Total	$ 9,764	$ 3,500

Accounts payable and accrued expenses consisted of the following (*in thousands*):

	September 30, 2023	December 31, 2022
Accounts payable	$ 5,842	$ 6,883
Accrued clinical costs	3,669	1,921
Accrued research and development costs	3,101	4,043
Accrued outside services and professional fees	2,908	1,810
Accrued landlord improvements	5,424	359
Other accrued expenses	991	335
Total	$ 21,935	$ 15,351

6. OPERATING LEASE

In February 2018, as amended in March 2018, the Company entered into a non-cancellable operating lease for a facility in San Diego, California (the "2018 Lease"). The 2018 Lease has an initial term of seven years which expires in August 2025, and the Company has an option to extend the term of the 2018 Lease for an additional five years, a termination option subject to early termination fees and an option to sublease the facility. The 2018 Lease is subject to base lease payments and additional charges for common area maintenance and other costs and includes certain lease incentives and tenant improvement allowances. The Company's estimated incremental fully collateralized borrowing rate of 8.0% was used in its present value calculation as the 2018 Lease does not have a stated rate and the implicit rate was not readily determinable.

In 2022, the Company entered into a lease agreement for laboratory and office space in San Diego, California (the "2022 Lease").

Under the terms of the 2022 Lease, the Company's expected future monthly minimum lease payments of $0.5 million, with six months of rent abatement in the first year, start on the earlier of (i) the date which is ten (10) months after substantial completion of demolition work, or (ii) the date of the substantial completion of improvements and first occupancy for business purposes, and the term expires on the date immediately preceding the one hundred thirty-seventh (137th) monthly anniversary of this lease payment start date. Lease payments are subject to annual 3% increases. The Company is also responsible for certain operating expenses and taxes during the term of the 2022 Lease. The 2022 Lease provides the Company with specified tenant improvement and landlord work allowances. The Company has (i) two options to extend the term of the 2022 Lease for an additional period of five (5) years each, and (ii) a right of first offer on adjacent space to the new facility, subject to the terms and conditions of the 2022 Lease. As of the date of the recording of the 2022 Lease, the Company is not reasonably certain that these options will be exercised. In September 2023, the Company recorded a right-of-use asset and corresponding lease liability in the accompanying condensed consolidated balance sheets in connection with the 2022 Lease.

The Company's estimated incremental fully collateralized borrowing rate of 8.6% was used in its present value calculation as the 2022 Lease does not have a stated rate and the implicit rate was not readily determinable. The rate was determined using a synthetic credit rating analysis.

Under the terms of the 2018 Lease and 2022 Lease, the Company provided the lessors with irrevocable letters of credit in the amounts of $0.5 million and $0.8 million, respectively. The lessors are entitled to draw on the letters of credit in the event of any default by the Company under the terms of the leases.

As of September 30, 2023, the Company's future minimum payments under non-cancellable operating lease, were as follows (in thousands):

Year ending December 31,		Minimum Payments
2023 (3 months)	$	689
2024		5,587
2025		7,501
2026		6,829
2027		7,034
Thereafter		56,985
Total future minimum lease payments		84,625
Less imputed interest		(32,454)
Total operating lease liability		52,171
Less operating lease liability, current		(3,989)
Operating lease liability, non-current	$	48,182

Operating lease cost was $0.4 million and $0.9 million for the three and nine months ended September 30, 2023, respectively and $0.3 million and $0.9 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023 and December 31, 2022, the Company's weighted average remaining term was 11.2 and 2.6 years, respectively. As of September 30, 2023 and December 31, 2022, the Company's weighted-average discount rate was 8.6% and 8%, respectively.

Cash paid for amounts included in the measurement of lease liabilities for operating cash flow from operating leases was $0.3 million and $0.9 million for the three and nine months ended September 30, 2023 and 2022, respectively.

7. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company may be subject to various claims and suits arising in the ordinary course of business. The Company does not expect that the resolution of these matters will have a material adverse effect on its financial position or results of operations.

8. REVENUE RECOGNITION

Sanwa Kagaku Kenkyusho Co., Ltd

On February 25, 2022, the Company and Sanwa Kagaku Kenkyusho Co., Ltd. ("Sanwa"), entered into a license agreement (the "Sanwa License") whereby the Company granted Sanwa an exclusive license to develop and commercialize paltusotine in Japan.

Under the Sanwa License, Sanwa has the right to receive data obtained by the Company through certain paltusotine studies. The Company assessed the Sanwa License and concluded that Sanwa is a customer within the agreement. Sanwa will assume all costs associated with clinical trials and regulatory applications associated with these processes in Japan. Further, the Company retains all rights to develop and commercialize the product outside Japan. The Company also granted Sanwa the right to purchase supply of paltusotine for clinical and commercial requirements at cost plus a pre-negotiated percentage which was a market rate and therefore not a material right.

The Company determined that its performance obligations under the Sanwa License comprised the license and data exchange. Certain professional services, such as the Company's participation on committees, were deemed to be immaterial to the context of the contract.

In exchange, the Company received a $13.0 million nonrefundable, upfront payment and will be eligible to receive up to an additional $25.5 million in milestone payments related to the achievement of certain development, regulatory and commercial goals. In addition, upon market approval of paltusotine in Japan, the Company will be eligible to receive certain sales-based royalties. The Company determined that the transaction price amounted to the upfront payment of $13.0 million. As there have been no sales to date, no sales-based milestones or royalties were recognized to date. Further, using the most-likely-method, the developmental milestone payments were considered fully constrained.

The control of the license was transferred to Sanwa at the inception of the contract and the Company does not have an ongoing performance obligation to support or maintain the licensed intellectual property. Revenue allocated to the data exchange obligation is recognized over time using the cost-to-cost measure as this method represents a faithful depiction of progress toward the ongoing paltusotine studies in the U.S. and related data transfer. Revenue is recognized on a gross basis as the Company is the principal.

Deferred revenue consisted of the following (*in thousands*):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Deferred revenues at beginning of period	$ 7,152	$ 9,431	$ 8,341	$ —
Unearned revenue from cash received during the period, excluding amounts recognized as revenue during the period	—	—	—	8,972
Revenue recognized that was included in deferred revenues as of the beginning of the period	(346)	(459)	(1,535)	—
Balance at end of period	6,806	8,972	6,806	8,972
Less deferred revenue, current	(1,662)	(2,320)	(1,662)	(2,320)
Deferred revenue, non-current	$ 5,144	$ 6,652	$ 5,144	$ 6,652

During the three and nine months ended September 30, 2023, $0.3 million and $1.5 million, respectively, of the $13.0 million upfront payment was recognized as revenues in the accompanying condensed consolidated statements of operations and comprehensive loss. During the three and nine months ended September 30, 2022, $0.5 million and $4.0 million, respectively, of the $13.0 million upfront payment was recognized as revenues in the accompanying condensed consolidated statements of operations and comprehensive loss. Of the license revenues recognized during the nine months ended September 30, 2022, $1.5 million is related to the transfer of the license at the inception of the Sanwa License at a point in time, with the remaining amounts related to the data exchange performance obligation recognized over time. Deferred revenues are expected to be recognized over the duration of certain paltusotine studies conducted by the Company.

On June 14, 2022, the Company and Sanwa, entered into a clinical supply agreement (the "Sanwa Clinical Supply Agreement") whereby the Company is responsible for manufacturing and supplying certain materials to Sanwa for the completion of certain studies and trials under the Sanwa License. During the nine months ended September 30, 2023, the Company recognized $0.4 million of revenues from the Sanwa Clinical Supply Agreement in the accompanying condensed consolidated statements of operations and comprehensive loss. No significant supply purchases made by Sanwa through the Sanwa Clinical Supply Agreement during the three months ended September 30, 2023 or during the three and nine months ended September 30, 2022.

Cellular Longevity, Inc., doing business as Loyal

On March 24, 2023, the Company and Cellular Longevity Inc., doing business as Loyal ("Loyal") entered into a license agreement (the “Loyal License”) whereby the Company granted Loyal an exclusive license to develop and commercialize CRN01941, a somatostatin receptor type 2 agonist, for veterinary use. In exchange the Company received a $0.1 million nonrefundable, upfront payment and preferred stock in Loyal valued at approximately $2.0 million. The Company will also be eligible to receive certain single-digit sales-based royalties if the licensed intellectual property is approved for veterinary use.

During the nine months ended September 30, 2023, the Company recognized $2.1 million of revenues from the Loyal License at the inception of the contract in the accompanying condensed consolidated statements of operations and comprehensive loss. As of September 30, 2023, the shares of Loyal preferred stock issued and to be issued to the Company valued at $2.0 million is included in other assets in the accompanying condensed consolidated balance sheets. The Loyal preferred stock does not have a readily determinable fair value and is recorded at cost less impairment. The Company assesses equity securities without a readily determinable fair value for changes in observable prices each period, noting none.

9. STOCKHOLDERS’ EQUITY

Stock Offerings

On April 18, 2022, the Company completed an underwritten follow-on offering of 5,625,563 shares of its common stock at a price to the public of $22.22 per share. Net proceeds from the offering were approximately $117.2 million, after underwriting discounts and commissions and estimated offering costs of approximately $7.8 million. The shares were registered pursuant to the Company’s 2021 Shelf Registration Statement.

On September 15, 2023, the Company completed an underwritten follow-on offering of 11,441,648 shares of its common stock at a price to the public of $30.59 per share. Net proceeds from the offering were approximately $328.5 million, after underwriting discounts and commissions and offering costs of approximately $21.5 million. The shares were registered pursuant to the Company’s 2021 Shelf Registration Statement.

Shelf Registration Statements and ATM Offering

On August 13, 2019, the Company filed a registration statement on Form S-3 (the “2019 Shelf Registration Statement”), covering the offering of up to $300.0 million of common stock, preferred stock, debt securities, warrants and units. The 2019 Shelf Registration Statement became effective on August 29, 2019 and expired on August 29, 2022.

On August 13, 2019, the Company also entered into a Sales Agreement (the “Sales Agreement”) with SVB Leerink LLC and Cantor Fitzgerald & Co. (collectively, the “Sales Agents”), under which the Company may, from time to time, sell shares of its common stock through the Sales Agents (the “ATM Offering”). The 2019 Shelf Registration Statement included a prospectus covering the offering, issuance, and sale of up to $75.0 million of the Company’s common stock from time to time through the ATM Offering.

On August 10, 2021, the Company filed a registration statement on Form S-3 (the “2021 Shelf Registration Statement”), which became immediately effective upon filing, covering the offering of common stock, preferred stock, debt securities, warrants and units and the resale of up to 851,306 shares by the accredited investor who purchased shares in the Private Placement.

On August 12, 2022, the Company filed with the SEC a prospectus supplement, dated August 12, 2022, to the 2021 Shelf Registration Statement pursuant to Rule 424(b) under the Securities Act of 1933, as amended, relating to the offer and sale of up to $150 million of shares of its common stock from time to time to or through the Sales Agents, pursuant to the Sales Agreement, in the ATM Offering. Following the expiration of the 2019 Shelf Registration Statement, the shares to be sold under the Sales Agreement may be issued and sold pursuant to the 2021 Shelf Registration Statement.

During the nine months ended September 30, 2023, the Company issued 522,807 shares of common stock in the ATM Offering pursuant to the 2021 Shelf Registration Statement for net proceeds of approximately $11.3 million, after deducting commissions.

10. EQUITY INCENTIVE PLANS

2021 Employment Inducement Incentive Award Plan

The Company adopted the 2021 Employment Inducement Incentive Award Plan (the "2021 Inducement Plan") in December 2021. The Company initially reserved 1,500,000 shares of the Company’s common stock for issuance pursuant to awards granted under the 2021 Inducement Plan. The terms of the 2021 Inducement Plan are substantially similar to the terms of the Company’s 2018 Incentive Award Plan with the exception that awards may only be made to an employee who has not previously been an employee or member of the board of directors of the Company if the award is in connection with commencement of employment. In 2022, the Company amended the 2021 Inducement Plan to increase the number of shares of the Company’s common stock available for future issuance under the 2021 Inducement Plan to 5,000,000 shares. In November 2023, the Company amended the 2021 Inducement Plan to increase the number of shares of the Company’s common stock available for future issuance under the 2021 Inducement Plan to 7,500,000 shares. As of September 30, 2023, 589,211 shares of common stock were available for future issuance under the 2021 Inducement Plan.

2018 Incentive Award Plan

The Company adopted the 2018 Incentive Award Plan (the “2018 Plan”) in July 2018. Under the 2018 Plan, which expires in July 2028, the Company may grant equity-based awards to individuals who are employees, officers, directors or consultants of the Company. Options issued under the 2018 Plan will generally expire ten years from the date of grant and vest over a four-year period. As of September 30, 2023, 2,549,748 shares of common stock were available for future issuance under the 2018 Plan.

The 2018 Plan contains a provision that allows annual increases in the number of shares available for issuance on the first day of each calendar year through January 1, 2028, in an amount equal to the lesser of: (i) 5% of the aggregate number of shares of the Company’s common stock outstanding on December 31 of the immediately preceding calendar year, or (ii) such lesser amount determined by the Company. Under this evergreen provision, on January 1, 2023, an additional 2,693,859 shares became available for future issuance under the 2018 Plan.

2015 Stock Incentive Plan

The Company adopted the 2015 Stock Incentive Plan (the “2015 Plan”) in February 2015, which provided for the issuance of equity awards to the Company’s employees, members of its board of directors and consultants. In general, options issued under this plan vest over four years and expire after 10 years. Subsequent to the adoption of the 2018 Plan, no additional equity awards can be made under the 2015 Plan.

2018 Employee Stock Purchase Plan

The Company adopted the 2018 Employee Stock Purchase Plan (the “ESPP”) in July 2018. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation. As of September 30, 2023, 1,664,012 shares of common stock were available for issuance under the ESPP.

The ESPP contains a provision that allows annual increases in the number of shares available for issuance on the first day of each calendar year through January 1, 2028, in an amount equal to the lesser of: (i) 1% of the aggregate number of shares of the Company’s common stock outstanding on December 31 of the immediately preceding calendar year, or (ii) such lesser amount determined by the Company. Under this evergreen provision, on January 1, 2023, an additional 538,771 shares became available for future issuance under the ESPP.

Stock Awards

Stock Options

Activity under the Company's stock option plans during the nine months ended September 30, 2023 was as follows:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value (000's)
Balance on December 31, 2022	9,757,329	$ 17.79		
Granted	4,027,897	$ 19.28		
Exercised	(710,020)	$ 17.65		
Forfeited and expired	(611,685)	$ 20.69		
Balance on September 30, 2023	12,463,521	$ 18.14	8.0	$ 144,674
Vested and expected to vest on September 30, 2023	12,463,521	$ 18.14	8.0	$ 144,674
Exercisable on September 30, 2023	5,137,282	$ 16.76	6.7	$ 66,733

Aggregate intrinsic value is calculated as the difference at a specific point in time between the closing price of the Company's common stock and the exercise price of stock options that had exercise prices below the closing price. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2023 and 2022 was $6.3 million and $5.6 million, respectively.

Restricted Stock Units

The Company's restricted stock unit activity during the nine months ended September 30, 2023, was as follows:

	Restricted Stock Units Outstanding	Weighted-Average Grant Date Fair Value
Balance on December 31, 2022	290,311	$ 19.88
Granted	666,621	$ 16.62
Vested	(81,294)	$ 19.54
Forfeited	(45,142)	$ 19.77
Balance on September 30, 2023	830,496	$ 19.71

Fair Value of Stock Awards

The Company estimates the fair value of all stock option grants and the ESPP using the Black-Scholes option pricing model and recognizes forfeitures as they occur. The following table summarizes the weighted average assumptions used to estimate the fair value of stock options granted under the Company's stock option plans for the periods presented below:

Stock Option Awards	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Expected option term	6.1 years	6.0 years	6.0 years	6.0 years
Expected volatility	64%	87%	66%	88%
Risk free interest rate	4.3%	3.3%	4.1%	2.4%
Expected dividend yield	—%	—%	—%	—%

The weighted-average fair value of stock options awarded was $11.15 and $12.13 per share during the three and nine months ended September 30, 2023, respectively, and $15.12 and $15.04 per share during the three and nine months ended September 30, 2022, respectively.

The following table summarizes the weighted average assumptions used to estimate the fair value of the ESPP awards for the periods presented below:

ESPP	Nine months ended September 30,	
	2023	2022
Expected term	1.1 years	1.2 years
Expected volatility	57%	76%
Risk free interest rate	4.9%	2.2%
Expected dividend yield	—%	—%

The weighted-average fair value of the ESPP was $9.15 per share during the nine months ended September 30, 2023, and $8.82 per share during the nine months ended September 30, 2022. There were no ESPP awards during the three months ended September 30, 2023 and 2022.

The key assumptions used in determining the fair value of equity awards, and the Company's rationale, were as follows: (i) Expected term - the expected term for stock options represents the period that the stock options are expected to be outstanding and has been estimated using the simplified method, which is an average of the contractual option term and its vesting period; the expected term for awards granted under the ESPP represents the term the awards are expected to be outstanding; (ii) Expected volatility - during 2022, the expected volatility assumption was based on volatilities of a peer group of similar companies in the biotechnology industry whose share prices are publicly available. The Company computed the historical volatility data using the daily closing prices for the selected companies' shares during the period equivalent to the expected term of the Company's stock-based awards. Beginning in 2023, the Company determined that the volatility of its own market-traded shares best represents the expected volatility based on available historical data and, therefore, the expected volatility assumption for stock-based awards granted during the three and nine months ended September 30, 2023 is based on the historical volatility of the Company's common stock; (iii) Risk-free interest rate - the risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities that approximate the expected terms of awards; and (iv) Expected dividend yield - the expected dividend yield assumption is zero as the Company has never paid dividends and has no present intention to do so in the future.

Restricted stock units are valued using the grant date stock price.

Stock-Based Compensation Expense

Stock-based compensation expense for the equity awards issued by the Company to employees and non-employees for the periods presented below was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Included in research and development	$ 6,088	$ 3,860	$ 16,367	$ 10,732
Included in general and administrative	4,961	3,574	12,953	9,588
Total stock-based compensation expense	$ 11,049	$ 7,434	$ 29,320	$ 20,320

As of September 30, 2023, unrecognized stock-based compensation cost related to option awards, restricted stock units, and ESPP was $89.9 million, $13.7 million and $2.0 million, respectively, which is expected to be recognized over a remaining weighted-average period of 2.1 years, 3.2 years and 1.2 years, respectively.

11. INVESTMENT IN RADIONETICS

Investment in Radionetics

In October 2021, the Company entered into a Collaboration and License Agreement with Radionetics, or the Radionetics License, in which the Company granted Radionetics an exclusive worldwide license to its technology for the development of radiotherapeutics and related radio-imaging agents in exchange for 50,500,000 shares of common stock of Radionetics, which represented an initial majority stake in Radionetics of 64%, and the Radionetics Warrant to purchase the greater of 3,407,285 additional shares of common stock or the number of additional shares of common stock that would allow the Company to maintain an aggregate equity interest of 22% of the fully diluted capitalization of Radionetics.

Radionetics is a VIE due to having insufficient equity to finance its activities without additional subordinated financial support. The Company evaluated whether it is the primary beneficiary of Radionetics by evaluating Radionetics' key activities: (1) conducting research and development, (2) making financing decisions, and (3) determining the strategic direction of Radionetics. Decisions about research and development activities are made by unanimous vote of members of the research and development committee, in which no individual party has unilateral decision making power. Decisions about financing and strategic direction rest with Radionetics' board of directors, and no party was determined to be in control, given the Radionetics board of directors was comprised of three members for which each of Crinetics, 5AM and Frazier were entitled to appoint and replace, as needed, their board designee, and a fourth member mutually agreed upon by the other three board members. Radionetics' management was separate from the Company and was determined by Radionetics' board of directors. As the Company did not control any of Radionetics' key activities, it was not the primary beneficiary of the VIE and did not consolidate the financial results of Radionetics.

The Company accounts for its investment in Radionetics common stock under the equity method of accounting due to its ability to exercise significant influence. The Company records its share of Radionetics income (loss) outside of operations in the statements of operations and comprehensive loss on a quarterly lag. The Company's equity method investment in Radionetics was written down to zero during the first quarter of 2022 as a result of the allocation of the Company's share of losses of the investee.

In August 2023, Radionetics completed a refinancing that included a number of transactions that were negotiated by the Company as a package (the "August 2023 Radionetics Transaction"). In connection with the August 2023 Radionetics Transaction, (1) the Company exercised the Radionetics Warrant to purchase 3,407,285 shares of Radionetics common stock with an exercise price of $0.00001 per

share, (2) the Company exchanged 32,344,371 shares of Radionetics common stock for Radionetics preferred stock on a one-for-one basis, (3) the Company invested $5.0 million to purchase 14,404,656 shares of preferred stock in Radionetics along with other new and existing investors who participated in the financing, and (4) the Company and Radionetics agreed to amend the Radionetics License to include additional sales milestones of up to $15 million. Radionetics' convertible notes held by other investors were also converted to Radionetics preferred stock and certain Radionetics common shares held by other investors were cancelled in connection with the financing.

The August 2023 Radionetics Transaction was a VIE reconsideration event. The Company determined that Radionetics continues to be a VIE due to having insufficient equity to finance its activities without additional subordinated financial support. The Company also reevaluated whether it is the primary beneficiary of Radionetics and noted there were no changes to Radionetics' key activities or the conclusion that the Company does not control any of these activities. The size of Radionetics' board of directors was increased from four to six members. Crinetics, 5AM and Frazier are each entitled to appoint and replace, as needed, their board designee, the fourth member is Radionetics' CEO, and the fifth and sixth members must be mutually agreed upon by the other four board members. All changes to board composition are subject to shareholder approval with common and preferred shareholders having equal votes. Radionetics' management continues to be entirely separate from the Company and determined by the Radionetics' board of directors. As the Company does not control any of Radionetics' key activities, it is not the primary beneficiary and does not consolidate the financial results of Radionetics. Accordingly, the Company continues to account for its investment in Radionetics under the equity method of accounting due to its ability to exercise significant influence.

The Company determined that its preferred stock investment in Radionetics represents in-substance common stock. The preferred stock investment is substantially similar to common stock in that it does not have a substantive liquidation preference since the preferred stock will participate in substantially all of Radionetics losses, the conversion ratio for preferred stock into common stock is on a one-for-one basis without any significant restrictions or contingencies, and the preferred stock lacks redemption features, among other factors.

The Company is not obligated to fund losses incurred by Radionetics. The Company's $5.0 million purchase of preferred stock in the August 2023 Radionetics Transaction was alongside new and existing investors and did not fund previous losses.

In connection with the August 2023 Radionetics Transaction, the Company exercised the Radionetics Warrant, which had a fair value of $0.7 million, and purchased $5.0 million of preferred stock. These transactions resulted in a $5.7 million increase in the Company's investment in Radionetics. As a result of the August 2023 Radionetics Transaction, the Company experienced net dilution in its ownership of Radionetics from a 55% ownership stake in Radionetics common stock to a 31% combined ownership stake in Radionetics common and preferred stock. No gain was recorded upon dilution since cumulative losses that had been suspended exceeded the gain on dilution.

During the three months ended September 30, 2023, the Company recorded an equity method loss of $1.0 million in the accompanying condensed consolidated statements of operations and comprehensive loss, as a result of the allocation of the Company's share of Radionetics eligible losses, which is recorded on a quarterly lag. As of September 30, 2023, the Company's investment in Radionetics of $4.7 million is recorded as a long-term asset in the accompanying condensed consolidated balance sheets.

The amendment to the Radionetics License in connection with the August 2023 Radionetics Transaction did not result in additional revenue at the time of modification and the sales-based milestone and royalty payments will only be recognized when the milestones or sales occur.

Other Items

R. Scott Struthers, Ph.D., the Company's President and Chief Executive Officer, serves as chairman of the Radionetics board of directors. Pursuant to such arrangement, Dr. Struthers received 1,000,000 shares of restricted common stock of Radionetics, which vest ratably over 36 months, subject to continued service, and Dr. Struthers receives a $50,000 annual retainer for his service as a board member of Radionetics.

As of September 30, 2023 and December 31, 2022, the Company had $0.1 million due from Radionetics for reimbursement of certain expenses paid on behalf of Radionetics. These amounts are recorded within prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. The Company received reimbursements from Radionetics of $21,000 and $53,000 for the three and nine months ended September 30, 2023, respectively, and $0.4 million for the nine months ended September 30, 2022.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Forward Looking Statements

The following discussion and other parts of this quarterly report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations and financial position, business strategy, the impact of international conflicts, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations and future results of anticipated products, are forward-looking statements. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy, short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors." The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are a clinical-stage pharmaceutical company focused on the discovery, development and commercialization of novel therapeutics for endocrine diseases and endocrine-related tumors. Endocrine pathways function to maintain homeostasis and commonly use peptide hormones acting through G protein coupled receptors, or GPCRs, to regulate many aspects of physiology including growth, energy, metabolism, gastrointestinal function and stress responses. We have built a highly productive drug discovery and development organization with extensive expertise in endocrine GPCRs. We have discovered a pipeline of oral nonpeptide (small molecule) new chemical entities that target peptide GPCRs to treat a variety of rare endocrine diseases where treatment options have significant efficacy, safety and/or tolerability limitations. Our product candidates include paltusotine (formerly CRN00808), which is in clinical development for the treatment of acromegaly and neuroendocrine tumors complicated by carcinoid syndrome, and CRN04894, which is in clinical development for diseases of excess adrenocorticotrophic hormone, or ACTH, including Cushing's disease and congenital adrenal hyperplasia, or CAH. We are advancing additional product candidates through preclinical discovery and development studies in parallel. Our vision is to build the leading endocrine company which consistently pioneers new therapeutics to help patients better control their disease and improve their daily lives.

We focus on the discovery and development of oral nonpeptide therapeutics that target peptide GPCRs with well understood biological functions, validated biomarkers and the potential to substantially improve the treatment of endocrine diseases and/or endocrine-related tumors. Our pipeline consists of the following product candidates:

Paltusotine (SST2 Agonist Program)

Paltusotine, our lead product candidate, establishes a new class of oral selective nonpeptide somatostatin receptor type 2, or SST2, agonists designed for the treatment of acromegaly and neuroendocrine tumors, or NETs. Somatostatin is a neuropeptide hormone that broadly inhibits the secretion of other hormones, including growth hormone, or GH, from the pituitary gland. Acromegaly arises from a benign pituitary tumor that secretes excess GH that, in turn, causes excess secretion of insulin-like growth factor-1, or IGF-1, by the liver. This loss of homeostasis in the GH axis results in excess tissue growth and other adverse metabolic effects throughout the body. Approximately 27,000 people in the United States suffer from acromegaly, and depending on surgical success, we estimate that approximately 11,000 are candidates for chronic pharmacological intervention, of which somatostatin peptide analogs are the primary pharmacotherapy. NETs originate from neuroendocrine cells commonly found in the gut, lung or pancreas. Typically, NETs are only diagnosed at a time of extensive metastatic disease and will often progress to liver failure. NETs are present in approximately 175,000 adults in the United States. Of these, it is estimated that approximately 33,000 patients have carcinoid syndrome, which occurs when the tumors secrete hormones or other chemical substances into the bloodstream that cause severe flushing or diarrhea, among other symptoms. Most NETs overexpress SST2 receptors and injected depots of peptide somatostatin analogs have become the first-line standard of care for many NETs patients as detailed in National Comprehensive Cancer Network, or NCCN, guidelines. In 2022, branded somatostatin peptide drugs accounted for approximately $2.8 billion in global sales for the treatment of acromegaly, NETs, and other uses. These drugs require painful monthly or daily injections and, in the case of somatostatin peptide drugs, often fail to fully control the disease in many acromegaly patients. The U.S. Food and Drug Administration, or FDA, has granted orphan drug designation for paltusotine for the treatment of acromegaly.

To date, our clinical trials have shown that paltusotine was generally well tolerated among healthy adults and patients with acromegaly. In our ACROBAT Phase 2 program in acromegaly patients, including our ACROBAT Advance long-term extension study, paltusotine maintained IGF-1 levels in patients previously treated with injected somatostatin receptor ligands, or SRLs. In our ACROBAT Phase 2 program, paltusotine lowered and maintained IGF-1 for up to 103 weeks at levels comparable to prior injected SRL therapy.

Our Phase 3 development program for paltusotine in acromegaly consists of two placebo-controlled clinical trials, PATHFNDR-1 and PATHFNDR-2. The randomized controlled portion of the PATHFNDR-1 trial was completed and was designed as a double-blind, placebo-controlled, nine-month clinical trial of paltusotine in acromegaly patients with average IGF-1 levels less than or equal to 1.0 times the upper limit of normal, or ULN, and who had been on stable doses of somatostatin receptor ligand monotherapy (octreotide LAR or lanreotide depot). The open label extension phase of the PATHFNDR-1 trial is ongoing. We are also conducting a second study, the PATHFNDR-2 trial, which is designed as a double-blind, placebo-controlled, six-month clinical trial of acromegaly patients with elevated IGF-1 levels who are untreated. Three groups of subjects have been enrolled in PATHFNDR-2, including subjects who are treatment-naive (Group 1), subjects not receiving medical therapy and who last received medical therapy at least four months prior to screening (Group 2), and subjects who are controlled on octreotide or lanreotide but agree to washout prior to beginning study treatment (Group 3). Groups 1 and 2 constitute Stratum 1 and Group 3 constitutes Stratum 2. The PATHFNDR-2 study population was stratified to ensure equivalent active treatment versus placebo allocations in each stratum. We originally planned to enroll approximately 76 subjects based on the assumption that there would be an equal number of subjects in each stratum. Due to higher than expected enrollment of naïve patients, we increased the targeted sample size to 98 patients in order to ensure sufficient statistical power to detect a difference between the active and placebo groups for the study as a whole and to increase experience with paltusotine in naïve and untreated patients. The sample size adjustment was prespecified in the protocol if enrollment in Stratum 2 was below a predetermined threshold. The primary endpoint of both PATHFNDR studies is the proportion of patients with IGF-1 ≤ 1.0 ×ULN at the end of the treatment period on paltusotine as compared to placebo.

Positive topline data from the randomized controlled portion of the PATHFNDR-1 study was reported in September 2023, where the primary endpoint and all secondary endpoints of the study were achieved. The study met statistical significance ($p<0.0001$) on the primary endpoint, based on the proportion of participants whose IGF-1 levels were maintained ≤ 1.0 ×ULN in the paltusotine arm (83%) compared to those in the placebo arm (4%). All secondary endpoints also met statistical significance. In PATHFNDR-1, paltusotine was well tolerated and no serious or severe adverse events were reported in participants treated with paltusotine. The frequency of participants with at least one treatment emergent adverse event, or TEAE, was comparable in the paltusotine treatment arm vs placebo, or PBO arm (80% vs. 100% respectively). The most commonly reported TEAEs in paltusotine included: arthralgia (27% paltusotine vs. 57% PBO), headache (20% paltusotine vs. 36% PBO), diarrhea (23% paltusotine vs. 14% PBO), abdominal pain (17% paltusotine vs. 11% PBO) and nausea (10% paltusotine vs. 7% PBO). The frequency of adverse events considered related to acromegaly was notably lower in paltusotine treated participants compared to placebo treated participants (30% vs. 86% respectively).

Enrollment in the PATHFNDR-2 study was completed in August 2023 and a total of 112 subjects were enrolled who were either treatment-naïve (n=46) or untreated for at least four months (n=36), or who washed out of prior octreotide or lanreotide monotherapy (n=30). We expect topline data from the PATHFNDR-2 study in the first quarter of 2024. We believe that, if successful, the two trials could support marketing applications for the use of paltusotine for all acromegaly patients who require pharmacotherapy, including untreated patients and those switching from other therapies, and we would plan to seek regulatory approval for paltusotine for the treatment of acromegaly in the United States with an anticipated submission of a New Drug Application, or NDA, in the second half of 2024.

We are also conducting a Phase 2 trial to assess the safety and pharmacokinetics of paltusotine in patients with NETs complicated by carcinoid syndrome. The primary objectives for this Phase 2 trial include the evaluation of safety, tolerability, and pharmacokinetics of multiple doses of paltusotine. In addition, exploratory efficacy during the 8-week period will be evaluated including frequency of bowel movements and flushing episodes. We expect to complete enrollment for this study by the end of 2023 and anticipate initial data from a subset of approximately half of the patients from this study in December 2023.

In February 2022, we entered into a license agreement with Sanwa Kagaku Kenkyusho Co., Ltd., or Sanwa, pursuant to which Sanwa has the exclusive right to develop and commercialize paltusotine in Japan, or the Sanwa License.

CRN04894 (ACTH Antagonist)

CRN04894 is our investigational, oral, nonpeptide product candidate designed to antagonize the ACTH receptor, intended for the treatment of diseases caused by excess ACTH, including Cushing's disease and CAH. Cushing's disease results from a pituitary tumor that secretes excess ACTH which, in turn, causes the downstream synthesis and over-secretion of cortisol by the adrenal glands. Cortisol is the body's main stress hormone and excess amounts can cause significant increases in mortality and morbidity. CAH encompasses a set of disorders that are caused by genetic mutations that result in impaired cortisol synthesis. A lack of cortisol leads to a loss of feedback mechanisms and results in persistently high levels of ACTH, which, in turn, causes overstimulation of the adrenal cortex. The resulting adrenal hyperplasia and over-secretion of other steroids (particularly androgens) and steroid precursors can lead to a variety of effects from improper gonadal development to life-threatening dysregulation of mineralocorticoids. In the United States, there are an estimated 27,000 patients with CAH and over 11,000 patients with Cushing's disease. Of the patients with CAH

and Cushing's disease, we estimate that 17,000 and 5,000 patients, respectively, are potential candidates for treatment with CRN04894.

We conducted a double-blind, randomized, placebo-controlled Phase 1 study of CRN04894 in healthy volunteers to assess the safety and tolerability of single and multiple doses of CRN04894. In addition, the study was designed to measure the effect of CRN04894 on suppression of cortisol, cortisol precursors, and adrenal androgens following exogenous ACTH stimulation. We announced positive topline data from the Phase 1 study. CRN04894 was well tolerated and demonstrated dose-dependent increases in CRN04894 plasma concentrations. We believe CRN04894 demonstrated pharmacologic proof-of-concept, as the Phase 1 results showed reductions of both basal cortisol and elevated cortisol following an ACTH challenge. All adverse events were considered mild to moderate and there were no serious adverse events.

In January 2023, we submitted an Investigational New Drug application, or IND, to the FDA for the study of CRN04894 in CAH. In February 2023, we were notified that the IND was allowed to proceed, and we initiated a Phase 2 study in CAH patients. This open-label Phase 2 study is designed to evaluate the safety and pharmacokinetics of increasing doses of CRN04894. In addition, biomarkers, including serum androstenedione and 17 hydroxyprogesterone, will be measured as we seek to evaluate the potential efficacy of CRN04894. Data from this Phase 2 study is expected in the second half of 2024.

We entered into a Clinical Trial Agreement with the National Institute of Diabetes and Digestive and Kidney Diseases, or NIDDK, of the National Institutes of Health, or NIH, to collaborate on a company-sponsored multiple-ascending dose exploratory trial of CRN04894 in ACTH dependent Cushing's Syndrome, or ADCS. ADCS includes patients with either Cushing's disease or Ectopic ACTH Syndrome, or EAS. This open-label study is designed to evaluate safety and pharmacokinetics of increasing doses of CRN04894 in patients with ADCS as well as to measure 24-hour urinary-free cortisol and serum cortisol as indicators of efficacy. Study activities have been initiated and, based on our current projections, data is expected from the study in the second half of 2024.

Parathyroid Hormone Antagonist

We are developing antagonists of the parathyroid hormone, or PTH, receptor for the treatment of primary hyperparathyroidism, or PHPT and humoral hypercalcemia of malignancy, or HHM, and other diseases of excess PTH. PTH regulates calcium and phosphate homeostasis in bone and kidney through activation of its receptor, PTHR1. Increased activation of PTHR1, either via PTH or PTH-related peptide (PTHrP, PTHLH) can lead to skeletal, renal, gastrointestinal, and neurological problems. Primary hyperparathyroidism arises from a small, benign tumor on one or more of the parathyroid glands, which results in over-secretion of PTH, leading to increased blood calcium levels, or hypercalcemia. Some patients experience no symptoms, and many can have surgery to remove the tumor and/or hyperactive gland(s), while some require management with medical therapy. Symptomatic PHPT is characterized by skeletal, renal, gastrointestinal, and neurological manifestations with increased mortality. HHM typically arises in patients with advanced-stage cancers. In cases of HHM, over-secretion of PTHrP caused by the malignant tumor results in bone resorption and calcium reabsorption in the kidney, leading to hypercalcemia. We have identified investigational, orally available nonpeptide PTH antagonists that showed activity and drug-like properties in preclinical models. We are evaluating a subset of molecules to identify potential development candidates that we believe are suitable for evaluation in human clinical trials, and we expect to select a development candidate in late 2023 or early 2024.

Treatment for Autosomal Dominant Polycystic Kidney Disease

We have identified investigational, orally available nonpeptide molecules for the treatment of primary Autosomal Dominant Polycystic Kidney Disease, or ADPKD. ADPKD develops because of mutations in either the PKD1 or PKD2 genes and is the most common hereditary kidney disease, affecting approximately 1 in 1,000 individuals, and is the fourth leading cause of End Stage Renal Disease, or ESRD. These mutations lead to bilateral cyst formation and progressive decline in a patient's Glomerular Filtration Rate, or GFR, ultimately leading to kidney failure in 50% of individuals by their sixth decade with the disease. We are evaluating a subset of these molecules to identify potential development candidates that we believe are suitable for evaluation in human clinical trials, and we expect to select a development candidate in the first half of 2024.

Research Discovery

Patients with many other debilitating endocrine diseases await new therapeutic options, and we continuously evaluate where to deploy our drug discovery efforts. We plan to continue to expand our drug discovery efforts and leverage our expertise in the evaluation of additional conditions. In addition to our programs for hyperparathyroidism and ADPKD, we are evaluating potential product candidates for Graves' Disease (including Thyroid Eye Disease), metabolic diseases (including diabetes and obesity), and hyperinsulinism, among other indications. All of our product candidates have been discovered, characterized and developed internally and are the subject of composition of matter patent applications. We do not have any royalty obligations and have retained worldwide rights to commercialize our product candidates, except with respect to the exclusive right to develop and commercialize paltusotine in Japan pursuant to the Sanwa License, and the exclusive right to our radiotherapeutics technology pursuant to the Radionetics License.

Radionetics Oncology, Inc.

On October 18, 2021, we, together with 5AM Ventures and Frazier Healthcare Partners, announced the formation of Radionetics Oncology, Inc., or Radionetics. Radionetics aims to develop a deep pipeline of novel, targeted, nonpeptide radiopharmaceuticals for

the treatment of a broad range of oncology indications. In connection with the formation of Radionetics, we entered into a Collaboration and License Agreement with Radionetics, or the Radionetics License, granting Radionetics an exclusive world-wide license to our technology for the development of radiotherapeutics and related radio-imaging agents in exchange for an equity stake in Radionetics, a warrant to obtain additional shares of common stock of Radionetics, potential sales milestones in excess of $1.0 billion and single-digit royalties on net sales. In August 2023, we exercised our warrant to purchase 3,407,285 shares of Radionetics common stock with an exercise price of $0.00001 per share and invested $5.0 million to purchase 14,404,656 shares of preferred stock in Radionetics along with new and existing investors who participated in the financing. Subsequent to the warrant exercise, we exchanged 60% of our total number of outstanding shares of Radionetics common stock into 32,344,371 shares of Radionetics preferred stock. As of September 30, 2023, we have an approximately 31% combined ownership stake in Radionetics common and preferred stock. Additionally, the Radionetics License was amended to include additional sales milestones of up to $15.0 million. Following the amendment to the Radionetics License, we are eligible to receive total potential sales milestones in excess of $1.0 billion and single-digit royalties on net sales.

Australian operations

In January 2017, we established Crinetics Australia Pty Ltd, or CAPL, a wholly-owned subsidiary which was formed to conduct various preclinical and clinical activities for our product and development candidates. We believe CAPL will be eligible for certain financial incentives made available by the Australian government for research and development expenses. Specifically, the Australian Taxation Office provides for a refundable tax credit in the form of a cash refund equal to 43.5% of qualified research and development expenditures under the Australian Research and Development Tax Incentive Program, or the Australian Tax Incentive, to Australian companies that operate the majority of their research and development activities associated with such projects in Australia. A wholly-owned Australian subsidiary of a non-Australian parent company is eligible to receive the refundable tax credit, provided that the Australian subsidiary retains the rights to the data and intellectual property generated in Australia, and provided that the total revenues of the parent company and its consolidated subsidiaries during the period for which the refundable tax credit is claimed are less than $20.0 million Australian dollars. If we lose our ability to operate CAPL in Australia, or if we are ineligible or unable to receive the research and development tax credit, or the Australian government significantly reduces or eliminates the tax credit, the actual refund amounts we receive may differ from our estimates.

Financial operations overview

To date, we have devoted substantially all of our resources to drug discovery, conducting preclinical studies and clinical trials, obtaining and maintaining patents related to our product candidates, licensing activities, and the provision of general and administrative support for these operations. We have recognized revenues from various research and development grants and license and collaboration agreements, but do not have any products approved for sale and have not generated any product sales. We have funded our operations primarily through our grant and license revenues, the private placement of our preferred stock, and sales of our common stock. As of September 30, 2023, we had unrestricted cash, cash equivalents, and investment securities of $554.7 million. On September 15, 2023, we completed an underwritten follow-on offering of 11,441,648 shares of our common stock at a price to the public of $30.59 per share. Net proceeds from the offering were approximately $328.5 million, after underwriting discounts and commissions and offering costs of approximately $21.5 million.

We have incurred cumulative net losses since our inception and, as of September 30, 2023, we had an accumulated deficit of $593.6 million. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials and preclinical studies and our expenditures on other research and development activities. We expect our expenses and operating losses will increase substantially as we conduct our ongoing and planned clinical trials, continue our research and development activities and conduct preclinical studies, hire additional personnel, protect our intellectual property and incur costs associated with being a public company, including audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission, or SEC, requirements, director and officer insurance premiums, and investor relations costs.

We do not expect to generate any revenues from product sales unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates. If we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially, collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and could force us to delay, scale back or discontinue the development of our existing product candidates or our efforts to expand our product pipeline.

Revenues

To date, our revenue has been mainly derived from research grant awards and licenses. As our data exchange performance obligation under the Sanwa License is fulfilled, we expect to recognize as revenues the deferred revenue amounts included in the accompanying condensed consolidated balance sheets as of September 30, 2023. We will recognize royalty and milestone revenues under our license

agreements if and when appropriate under the relevant accounting rules (see Note 8 to our condensed consolidated financial statements). We have not generated any revenues from the commercial sale of approved products, and we do not expect to generate revenues from the commercial sale of our product candidates for at least the foreseeable future, if ever.

License revenues

License revenues for 2022 were primarily derived from the Sanwa License, under which Sanwa was granted the exclusive right to develop and commercialize paltusotine in Japan.

On March 24, 2023, we and Cellular Longevity Inc., doing business as Loyal ("Loyal") entered into a license agreement (the “Loyal License”) pursuant to which we granted Loyal an exclusive license to develop and commercialize CRN01941, a somatostatin receptor type 2 agonist, for veterinary use.

License revenues for 2023 were primarily derived from the Sanwa License and the Loyal License.

Clinical supply revenues

On June 14, 2022, we and Sanwa, entered into a clinical supply agreement, or the Sanwa Clinical Supply Agreement, whereby we are responsible for manufacturing and supplying certain materials to Sanwa for specified activities under the Sanwa License. During the nine months ended September 30, 2023, we recognized $0.4 million of revenues from the Sanwa Clinical Supply Agreement in the accompanying condensed consolidated statements of operations and comprehensive loss. No significant supply purchases were made by Sanwa through the Sanwa Clinical Supply Agreement during the three months ended September 30, 2023 or during the three and nine months ended September 30, 2022.

Research and development

To date, our research and development expenses have related primarily to discovery efforts and preclinical and clinical development of our product candidates. Research and development expenses are recognized as incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received.

Research and development expenses include:

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

We recognize the Australian Tax Incentive as a reduction of research and development expense. The amounts are determined based on eligible research and development expenditures. The Australian Tax Incentive is recognized when there is reasonable assurance that the Australian Tax Incentive will be received, the relevant expenditure has been incurred, and the amount of the Australian Tax Incentive can be reliably measured.

Our direct research and development expenses consist principally of external costs, such as fees paid to CROs, investigative sites and consultants in connection with our clinical trials, preclinical and non-clinical studies, and costs related to manufacturing clinical trial materials. The majority of our third-party expenses during 2023 and 2022 related to the research and development of paltusotine, CRN04894, and CRN04777. We deploy our personnel and facility related resources across all of our research and development activities.

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

- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- number of doses that patients receive;
- drop-out or discontinuation rates of patients;

•potential additional safety monitoring requested by regulatory agencies;

•the duration of patient participation in the trials and follow-up;

•the cost and timing of manufacturing our product candidates;

•the phase of development of our product candidates; and

•the efficacy and safety profile of our product candidates.

We plan to increase our research and development expenses for the foreseeable future as we continue the development of our product candidates and the discovery of new product candidates. We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future preclinical studies and clinical trials of our product candidates due to the inherently unpredictable nature of preclinical and clinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. We anticipate that we will make determinations as to which product candidates to pursue and how much funding to direct to each product candidate on an ongoing basis in response to the results of ongoing and future preclinical studies and clinical trials, regulatory developments and our ongoing assessments as to each product candidate's commercial potential. We will need to raise substantial additional capital in the future. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

General and administrative

General and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance and other administrative functions. Other significant costs include facility-related costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services, insurance costs, and commercial planning expenses. We anticipate that our general and administrative expenses will increase in the future to support our continued research and development activities and, if any of our product candidates receive marketing approval, commercialization activities. Dr. Dana Pizzuti, the Company's Chief Development Officer, assumed the additional role of Chief Medical Officer, which did not result in additional expenses to the organization. We also incur expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed consolidated 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 at the date of our condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and on various other factors that we believe are reasonable under the circumstances at the time the estimates are made, the results of which form the basis for making judgments about the book 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 accounting principles generally accepted in the United States that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations, as well as the specific manner in which we apply those principles. For a description of our critical accounting policies, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" contained in our Annual Report on Form 10-K for the year ended December 31, 2022.

Other than those changes discussed below, during the three and nine months ended September 30, 2023, there have not been any material changes to the critical accounting estimates discussed therein.

Stock-based compensation expense

Beginning in the first quarter of 2023, we determined that the volatility of our own market-traded shares best represents the expected volatility based on the available historical data and, therefore, the expected volatility assumption used to value certain stock-based awards granted during the three and nine months ended September 30, 2023 utilizes the historical volatility of our common stock. Previously, the expected volatility assumption used in the Black-Scholes option pricing model for certain stock-based awards was based on volatilities of a peer group of similar companies in the biotechnology industry whose share prices were publicly available. We calculated the historical volatility using the daily closing prices for the selected companies' shares during the period equivalent to that of the expected term of our stock-based awards.

Leases

When our leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at accounting commencement dates in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that we would expect to pay to borrow over a similar term, and on a collateralized basis, an amount equal to the lease payments in a similar economic environment. On September 9, 2022, we entered into a lease agreement for laboratory and office space in San Diego, California, or the 2022 Lease. The incremental borrowing rate for the 2022 Lease was determined using a synthetic credit rating analysis.

Results of Operations

Comparison of the three months ended September 30, 2023 and 2022

The following table summarizes our results of operations for the three months ended September 30, 2023 and 2022 (*in thousands*):

	Three months ended September 30, 2023	2022	Dollar Change
Revenues	$ 346	$ 458	$ (112)
Operating expenses:			
Research and development	43,839	31,987	11,852
General and administrative	15,484	11,925	3,559
Total operating expenses	59,323	43,912	15,411
Loss from operations	(58,977)	(43,454)	(15,523)
Other income, net	2,516	1,529	987
Loss before equity method investment	(56,461)	(41,925)	(14,536)
Loss on equity method investment	(997)	—	(997)
Net loss	$ (57,458)	$ (41,925)	$ (15,533)

Revenues. Revenues during the three months ended September 30, 2023 and 2022 relate to the Sanwa License.

Research and development expenses. Research and development expenses were $43.8 million and $32.0 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in personnel costs of $8.3 million, increased net spending on manufacturing and development activities of $1.8 million associated with our clinical and nonclinical programs, and increased outside services of $1.2 million.

The following table summarizes our primary external and internal research and development expenses for the three months ended September 30, 2023 and 2022 (*in thousands*):

	Three months ended September 30, 2023	2022	Dollar Change
External research and development expenses:			
Clinical trials	$ 10,431	$ 8,653	$ 1,778
Contract manufacturing	3,680	4,337	(657)
Preclinical studies	3,877	3,160	717
Outside services	3,771	2,577	1,194
Other external research and development	6	13	(7)
Total external research and development expenses	21,765	18,740	3,025
Internal expenses:			
Payroll and benefits	14,298	8,235	6,063
Stock-based compensation	6,088	3,860	2,228
Facilities and related	638	602	36
Other internal research and development	1,050	550	500
Total internal research and development expenses	22,074	13,247	8,827
Total research and development expenses	$ 43,839	$ 31,987	$ 11,852

The following table summarizes our research and development expenses by program for the three months ended September 30, 2023 and 2022 (*in thousands*):

	Three months ended September 30, 2023	2022	Dollar Change
Paltusotine	$ 12,374	$ 12,271	$ 103
CRN04894	3,606	1,526	2,080
CRN04777	1,501	2,006	(505)
Discovery	3,663	2,252	1,411
Payroll and benefits	14,298	8,235	6,063
Stock-based compensation	6,088	3,860	2,228
Other	2,309	1,837	472
Total research and development expenses	$ 43,839	$ 31,987	$ 11,852

Research and development expenses for our paltusotine program were $12.4 million and $12.3 million for the three months ended September 30, 2023 and 2022, respectively. The expenses were consistent and comparable between the two periods.

Research and development expenses for our CRN04894 program were $3.6 million and $1.5 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to increased spending on manufacturing and development activities of $2.0 million.

Research and development expenses for our CRN04777 program were $1.5 million and $2.0 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due the clinical hold received from the FDA in November 2022 which delayed the advancement of CRN04777 prior to its discontinuation from clinical development.

Research and development expenses for our discovery programs were $3.7 million and $2.3 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in outside services of $1.1 million.

Research and development expenses for payroll and benefits were $14.3 million and $8.2 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in headcount to support our ongoing programs as well as for the expansion of our discovery efforts across new therapeutic targets.

Research and development expenses for stock-based compensation were $6.1 million and $3.9 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in headcount to support our ongoing programs as well as for the expansion of our discovery efforts across new therapeutic targets.

Other research and development expenses were $2.3 million and $1.8 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in travel and other expenditures of $0.4 million.

General and administrative expenses. General and administrative expenses were $15.5 million and $11.9 million for the three months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in personnel costs of $3.2 million.

Other income, net. Other income, net was $2.5 million and $1.5 million for the three months ended September 30, 2023 and 2022, respectively. The increase was primarily due to income generated by our investment securities.

Loss on equity method investment. Loss on equity method investment was $1.0 million for the three months ended September 30, 2023. The loss on equity method investment was due to our share of loss in Radionetics' net loss subsequent to the August 2023 Radionetics stock purchase and warrant exercise for a total of $5.7 million. There was no loss on equity method investment during the three months ended September 30, 2022, as the original investment in Radionetics common stock was written down to zero in previous periods.

Comparison of the nine months ended September 30, 2023 and 2022

The following table summarizes our results of operations for the nine months ended September 30, 2023 and 2022 (*in thousands*):

	Nine months ended September 30, 2023	2022	Dollar Change
Revenues	$ 4,013	$ 4,028	$ (15)
Operating expenses:			
Research and development	122,947	93,234	29,713
General and administrative	41,016	31,120	9,896
Total operating expenses	163,963	124,354	39,609
Loss from operations	(159,950)	(120,326)	(39,624)
Other income, net	6,515	2,409	4,106
Loss before equity method investment	(153,435)	(117,917)	(35,518)
Loss on equity method investment	(997)	(1,010)	13
Net loss	$ (154,432)	$ (118,927)	$ (35,505)

Revenues. Revenues during the nine months ended September 30, 2023 and 2022 primarily relate to licensing arrangements, including $2.1 million from the Loyal License which was entered into during the first quarter of 2023. Revenues during the nine months ended September 30, 2023 include $1.5 million and $0.4 million related to the Sanwa License and Sanwa Clinical Supply Agreement, respectively. Revenues in 2022 were related to the Sanwa License.

Research and development expenses. Research and development expenses were $122.9 million and $93.2 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in personnel costs of $22.2 million, increased outside services of $4.1 million, and increased net spending on manufacturing and development activities of $1.2 million associated with our clinical and nonclinical programs.

The following table summarizes our primary external and internal research and development expenses for the nine months ended September 30, 2023 and 2022 (*in thousands*):

	Nine months ended September 30, 2023	2022	Dollar Change
External research and development expenses:			
Clinical trials	$ 30,352	$ 27,512	$ 2,840
Contract manufacturing	9,443	13,975	(4,532)
Preclinical studies	12,230	9,328	2,902
Outside services	10,458	6,368	4,090
Other external research and development	27	48	(21)
Total external research and development expenses	62,510	57,231	5,279
Internal expenses:			
Payroll and benefits	38,621	22,065	16,556
Stock-based compensation	16,367	10,732	5,635
Facilities and related	2,372	1,887	485
Other internal research and development	3,077	1,319	1,758
Total internal research and development expenses	60,437	36,003	24,434
Total research and development expenses	$ 122,947	$ 93,234	$ 29,713

The following table summarizes our research and development expenses by program for the nine months ended September 30, 2023 and 2022 (*in thousands*):

	Nine months ended September 30, 2023	2022	Dollar Change
Paltusotine	$ 34,917	$ 34,707	$ 210
CRN04894	9,250	7,227	2,023
CRN04777	7,309	7,922	(613)
Discovery	8,803	5,002	3,801
Payroll and benefits	38,621	22,065	16,556
Stock-based compensation	16,367	10,732	5,635
Other	7,680	5,579	2,101
Total research and development expenses	$ 122,947	$ 93,234	$ 29,713

Research and development expenses for our paltusotine program were $34.9 million and $34.7 million for the nine months ended September 30, 2023 and 2022, respectively. The expenses were consistent and comparable between the two periods.

Research and development expenses for our CRN04894 program were $9.3 million and $7.2 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to increased spending on manufacturing and development activities of $1.7 million.

Research and development expenses for our CRN04777 program were $7.3 million and $7.9 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to a decrease in outside services of $0.4 million.

Research and development expenses for our discovery programs were $8.8 million and $5.0 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in outside services of $2.7 million and increased spending in lab supplies of $0.7 million as a result of the expansion of our discovery efforts across new therapeutic targets.

Research and development expenses for payroll and benefits were $38.6 million and $22.1 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in headcount to support our ongoing programs as well as for the expansion of our discovery efforts into new therapeutic targets.

Research and development expenses for stock-based compensation were $16.4 million and $10.7 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in headcount to support our ongoing programs as well as for the expansion of our discovery efforts across new therapeutic targets.

Other research and development expenses were $7.7 million and $5.6 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due an increase in travel and other expenditures of $1.2 million and an increase in facilities expenditures of $0.5 million.

General and administrative expenses. General and administrative expenses were $41.0 million and $31.1 million for the nine months ended September 30, 2023 and 2022, respectively. The change was primarily due to an increase in personnel costs of $8.6 million and an increase in other corporate expenditures of $1.8 million, offset by a decreased professional and outside services of $0.7 million.

Other income, net. Other income, net was $6.5 million and $2.4 million for the nine months ended September 30, 2023 and 2022, respectively. The increase was primarily due to income generated by our investment securities.

Loss on equity method investment. Loss on equity method investment was $1.0 million for each of the nine months ended September 30, 2023 and 2022, respectively. The 2023 loss on equity method investment was due to our share of loss in Radionetics' net loss subsequent to the August 2023 Radionetics stock purchase and warrant exercise for a total of $5.7 million. The loss during the nine months ended September 30, 2022, was due to our share of loss in Radionetics' net loss associated with our original Radionetics investment.

Cash Flows

We have incurred cumulative net losses and negative cash flows from operations since our inception and anticipate we will continue to incur net losses for the foreseeable future. As of September 30, 2023, we had unrestricted cash, cash equivalents and investment securities of $554.7 million and an accumulated deficit of $593.6 million.

The following table provides information regarding our cash flows for the nine months ended September 30, 2023 and 2022 (*in thousands*):

	Nine months ended September 30,	
	2023	2022
Net cash used in operating activities	$ (127,792)	$ (79,998)
Net cash used in investing activities	(113,105)	(210,833)
Net cash provided by financing activities	351,019	121,848
Net change in cash, cash equivalents and restricted cash	$ 110,122	$ (168,983)

Operating Activities. Net cash used in operating activities was $127.8 million and $80.0 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in cash used in operations was primarily attributable to higher personnel costs. The net cash used in operating activities during the nine months ended September 30, 2023, was primarily due to our net loss of $154.4 million adjusted for $26.9 million of noncash charges, primarily for stock-based compensation. Net cash used in operating activities during the nine months ended September 30, 2022 was primarily due to our net loss of $118.9 million adjusted for $22.7 million of noncash charges, primarily for stock-based compensation and loss on the investment of Radionetics, and a $16.2 million change in operating assets and liabilities.

Investing activities. Investing activities consist primarily of purchases and maturities of investment securities and, to a lesser extent, the cash outflow associated with purchases of property and equipment. During the nine months ended September 30, 2023, we also invested $5.0 million to purchase preferred stock in Radionetics Oncology, Inc. Such activities resulted in a net outflow of funds of approximately $113.1 million during the nine months ended September 30, 2023, compared to a net outflow of funds of approximately $210.8 million during the nine months ended September 30, 2022.

Financing activities. Net cash provided by financing activities was $351.0 million and $121.8 million for the nine months ended September 30, 2023 and 2022, respectively. The net cash provided by financing activities during 2023 and 2022 resulted from proceeds received from the sale of common stock and cash received from the exercise of stock options.

Liquidity and Capital Resources

We believe that our existing capital resources, together with investment income, will be sufficient to satisfy our current and projected funding requirements for at least the next twelve months. However, our forecast of the period through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

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

- the type, number, scope, progress, expansions, results, costs and timing of our preclinical studies and clinical trials of our product candidates which we are pursuing or may choose to pursue in the future;
- the costs and timing of manufacturing for our product candidates, including commercial manufacturing if any product candidate is approved;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of obtaining, maintaining and enforcing our patents and other intellectual property rights;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our preclinical and clinical activities increase.
- the timing and the extent of any Australian Tax Incentive refund and future grant revenues that we receive;
- the costs and timing of establishing or securing sales and marketing capabilities if any product candidate is approved;
- our ability to achieve sufficient market acceptance, adequate coverage and reimbursement from third-party payors and adequate market share and revenue for any approved products;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- costs associated with any products or technologies that we may in-license or acquire;
- the funding of any co-development arrangements we enter into; and
- our ability to participate in future equity offerings by Radionetics.

Until such time, if ever, as we can generate substantial product revenues to support our cost structure, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses, and other similar arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we raise funds through collaborations, licenses, and other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

In August 2019, we entered into a Sales Agreement, or the Sales Agreement, with Leerink Partners LLC and Cantor Fitzgerald & Co., or collectively, the Sales Agents, under which we may, from time to time, sell shares of our common stock through the Sales Agents, or the ATM Offering. Sales of our common stock made pursuant to the Sales Agreement will be made directly on or through the Nasdaq Global Select Market under our effective shelf Registration Statement on Form S-3 filed on August 10, 2021, or the 2021 Shelf Registration Statement, and a prospectus supplement filed on August 12, 2022 relating to the offer and sale of up to $150.0 million of shares of our common stock in the ATM Offering by means of ordinary brokers' transactions at market prices. Additionally, under the terms of the Sales Agreement, we may also sell shares of our common stock through the Sales Agents, on the Nasdaq Global Select Market or otherwise, at negotiated prices or at prices related to the prevailing market price. We are not obligated to, and we cannot provide any assurances that we will continue to, make any sales of the shares under the Sales Agreement. The Sales Agreement may be terminated by either Sales Agent (with respect to itself) or us at any time upon 10 days' notice to the other parties, or by either Sales Agent, with respect to itself, at any time in certain circumstances, including the occurrence of a material adverse change. We will pay the Sales Agents a commission for their services in acting as agent in the sale of common stock in an amount equal to 3% of the gross sales price per share sold.

On April 18, 2022, we completed an underwritten follow-on offering of 5,625,563 shares of our common stock at a price to the public of $22.22 per share. Net proceeds from the offering were approximately $117.2 million, after underwriting discounts and commissions and offering costs of approximately $7.8 million.

As discussed above, on August 12, 2022, we filed with the SEC a prospectus supplement to the 2021 Shelf Registration Statement pursuant to Rule 424(b) under the Securities Act of 1933, as amended, relating to the offer and sale of up to $150 million of shares of our common stock from time to time to or through the Sales Agents pursuant to the Sales Agreement. During the nine months ended September 30, 2023, we issued 522,807 shares of common stock in the ATM Offering for net proceeds of approximately $11.3 million, after deducting commissions, pursuant to the 2021 Shelf Registration Statement. No shares were issued under the ATM Offering during the three months ended September 30, 2023.

On September 15, 2023, we completed an underwritten follow-on offering of 11,441,648 shares of our common stock at a price to the public of $30.59 per share. Net proceeds from the offering were approximately $328.5 million, after underwriting discounts and commissions and offering costs of approximately $21.5 million.

2022 Lease

On September 9, 2022, we entered into a lease agreement for laboratory and office space in San Diego, California, or the 2022 Lease.

Under the terms of the 2022 Lease, our expected future monthly minimum lease payments of $0.5 million, with six months of rent abatement in the first year, start on the earlier of (i) the date which is ten (10) months after substantial completion of demolition work, or (ii) the date of the substantial completion of improvements and first occupancy for business purposes, and the term expires on the date immediately preceding the one hundred thirty-seventh (137th) monthly anniversary of this lease payment start date. Lease payments are subject to annual 3% increases. We are also responsible for certain operating expenses and taxes during the term of the 2022 Lease. The 2022 Lease provides us with specified tenant improvement and landlord work allowances. We have (i) two options to extend the term of the 2022 Lease for an additional period of five (5) years each, and (ii) a right of first offer on adjacent space to the new facility, subject to the terms and conditions of the 2022 Lease.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

Our cash, cash equivalents and investment securities consist of cash held in readily available checking and money market accounts as well as short-term debt securities. We are exposed to market risk related to fluctuations in interest rates and market prices. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of United States interest rates. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates would not be expected to have a material impact on our financial condition or results of operations.

Foreign Currency

We contract with vendors, CROs and investigational sites in several foreign countries, including countries in South America, Europe and the Asia Pacific. As such, we have exposure to fluctuations in foreign currency rates in connection with these agreements. We do not hedge our foreign currency exchange rate risk. We believe this exposure to be immaterial and, to date, we have not incurred any material adverse effects from foreign currency changes on these contracts.

In January 2017, we formed CAPL, a wholly-owned subsidiary in Australia, which exposes us to foreign currency exchange rate risk. The functional currency of CAPL is the United States dollar. Assets and liabilities of our foreign subsidiary that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets and capital accounts, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Expenses are generally remeasured at foreign currency exchange rates which approximate average rates in effect during each period. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense), net, in the condensed consolidated statements of operations and totaled ($41,000) and ($102,000) for the three and nine months ended September 30, 2023, respectively, and $0 and ($0.1 million) for the nine months ended September 30, 2022. There were no net realized and unrealized gains and losses from foreign currency transactions and remeasurement during the three months ended September 30, 2022.

As of September 30, 2023 and 2022, the impact of a theoretical 10% change in the exchange rate of the Australian dollar would not result in a material gain or loss. To date, we have not hedged exposures denominated in foreign currencies.

Inflation Risk

Inflationary factors, such as increases in the cost of our materials, supplies, and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some adverse effect if inflation rates rise. Significant adverse changes in inflation and prices in the future could result in material losses.

Item 4. Controls and Procedures

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

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2023 at the reasonable assurance level.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

We do not believe that there have been any material changes to the risk factors set forth in Part II, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 and Part II, Item 1A of our Quarterly Report for the quarter ended March 31, 2023, except as follows:

One of our sites in our PATHFNDR-2 clinical trial for paltusotine is located in Israel, and the Israel-Hamas war may cause interruption or suspension of this site without warning, or otherwise negatively impact the global economy or our business.

One of our sites in our PATHFNDR-2 clinical trial for paltusotine is located in Israel and has enrolled one patient. As a result, we may be directly influenced by the political, economic, and military conditions affecting Israel. The intensity, duration and short and long-term implications of the Israel-Hamas war are difficult to predict at this time. In the event that our clinical trial site is damaged as a result of hostile action, or hostilities otherwise disrupt the ongoing operations of our site, our ability to continue our clinical trial at this site could be materially and adversely affected with little to no warning. The patient has completed their week 12 visit, the site has clinical supplies sufficient to support the ongoing enrollment and care of the patient for the next 6-9 months. Additionally, a prolonged conflict may impact the global economy and result in, among other things, increased inflation, supply chain shortages and declines in economic growth. The war may also have the effect of heightening other risks to our business including, but not limited to, adverse effects on macroeconomic conditions, including inflation; disruptions to our global technology infrastructure, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; disruptions in global supply chains; and constraints, volatility, or disruption in the capital markets, any of which could negatively affect our business and financial condition.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

On August 25, 2023, Stephen Betz, Ph.D, Chief Scientific Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 40,035 shares of our common stock until September 15, 2024. On September 25, 2023, Dana Pizzuti, M.D., Chief Development Officer, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 57,500 shares of our common stock until December 31, 2024. None of our officers (as defined in Rule 16a–1(f)) or directors terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each such term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation	8-K	001-38583	3.3	7/20/2018	
3.2	Amended and Restated Bylaws	8-K	001-38583	3.1	4/14/2020	
4.1	Specimen Stock Certificate Evidencing the Shares of Common Stock	S-1/A	333-225824	4.1	7/9/2018	
10.1#	Amendment No. 3 to the Crinetics Pharmaceuticals, Inc. 2021 Employment Inducement Incentive Award Plan					X
31.1	Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002					X
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

# Indicates management contract or compensatory plan.

* The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Crinetics Pharmaceuticals, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Crinetics Pharmaceuticals, Inc.

Date: November 7, 2023

By: /s/ R. Scott Struthers, Ph.D.
R. Scott Struthers, Ph.D.
President and Chief Executive Officer
(Principal executive officer)

Date: November 7, 2023

By: /s/ Marc J.S. Wilson
Marc J.S. Wilson
Chief Financial Officer
(Principal financial and accounting officer)

Exhibit 10.1

AMENDMENT TO THE
CRINETICS PHARMACEUTICALS, INC. 2021 EMPLOYMENT INDUCEMENT INCENTIVE AWARD PLAN

THIS AMENDMENT TO THE CRINETICS PHARMACEUTICALS, INC. 2021 EMPLOYMENT INDUCEMENT INCENTIVE AWARD PLAN (this "Amendment"), effective as of November 5, 2023, is made and adopted by Crinetics Pharmaceuticals, Inc., a Delaware corporation (the "Company"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan (as defined below).

RECITALS

WHEREAS, the Company maintains the Crinetics Pharmaceuticals, Inc. 2021 Employment Inducement Incentive Award Plan (as amended from time to time, the "Plan");

WHEREAS, pursuant to Section 10.4 of the Plan, the Plan may be amended by the Administrator of the Plan at any time;

WHEREAS, the Compensation Committee of the Company's Board of Directors (the "Board") is the Administrator of the Plan;

WHEREAS, pursuant to Section 3.1 of the Plan, the Board may re-vest administrative authority over the Plan to itself at any time;

WHEREAS, the Board has re-vested itself administrative authority over the Plan solely with respect to and for purposes of approving this Amendment and, pursuant to such authority, adopted and approved this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the Company hereby amends the Plan as follows:

1. Section 11.28 of the Plan is hereby amended and restated in its entirety to read as follows:

"11.28 '***Overall Share Limit***' means 7,500,000 Shares."

2. This Amendment shall be and is hereby incorporated in and forms a part of the Plan.

3. Except as expressly provided herein, all other terms and provisions of the Plan shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, I hereby certify that this Amendment was duly adopted by the Board of Directors of Crinetics Pharmaceuticals, Inc. on November 5, 2023.

Crinetics Pharmaceuticals, Inc.

By: /s/ Garlan Adams
Garlan Adams
General Counsel

Date: November 5, 2023

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, R. Scott Struthers, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crinetics Pharmaceuticals, Inc.;

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

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

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

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ R. Scott Struthers, Ph.D.
R. Scott Struthers, Ph.D.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc J.S. Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Crinetics Pharmaceuticals, Inc.;

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

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

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

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Marc J.S. Wilson
Marc J.S. Wilson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Crinetics Pharmaceuticals, Inc. (the "Company") hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

/s/ R. Scott Struthers, Ph.D.
R. Scott Struthers, Ph.D.
President and Chief Executive Officer

Date: November 7, 2023

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Crinetics Pharmaceuticals, Inc. (the "Company") hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

/s/ Marc J.S. Wilson
Marc J.S. Wilson
Chief Financial Officer

Date: November 7, 2023