

REFINITIV

DELTA REPORT

10-Q

INVA - INNOVIVA, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	883
CHANGES	222
DELETIONS	239
ADDITIONS	422

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 **March 31**, **June 30**, 2024

OR

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

For the transition period from to

Commission File Number: 000-30319

INNOVIVA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

94-3265960

(I.R.S. Employer
Identification No.)

1350 Old Bayshore Highway Suite 400

Burlingame, CA 94010

(Address of Principal Executive Offices)

(650) 238-9600

(Registrant's Telephone Number, Including Area Code)

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 \$0.01 per share	INVA	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the 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 Act). Yes ☐ No ☒

The number of shares of registrant's common stock outstanding on April 30, 2024 July 24, 2024 was 62,444,778 62,562,495.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INNOVIVA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2024 (unaudited)	December 31, 2023 *	June 30, 2024 (Unaudited)	December 31, 2023 *
Assets				
Current assets:				
Cash and cash equivalents	\$ 178,357	\$ 193,513	\$ 217,003	\$ 193,513
Accounts receivable	14,139	14,454	26,782	14,454
Receivables from collaboration arrangement	61,871	69,621	67,198	69,621
Inventory	37,437	40,737	36,664	40,737
Prepaid expenses	16,551	21,630	8,484	21,630
Other current assets	2,987	4,264	2,146	4,264
Total current assets	311,342	344,219	358,277	344,219
Property and equipment, net	324	483	427	483
Equity method investments	151,888	116,546	91,780	116,546

Equity and long-term investments	476,549	444,432	444,655	444,432
Capitalized fees paid, net	80,328	83,784	76,872	83,784
Right-of-use assets	2,269	2,536	3,118	2,536
Goodwill	17,905	17,905	17,905	17,905
Intangible assets	223,895	230,335	217,455	230,335
Deferred tax assets, net	11,446	—		
Other assets	3,112	3,267	2,982	3,267
Total assets	<u>\$ 1,267,612</u>	<u>\$ 1,243,507</u>	<u>\$ 1,224,917</u>	<u>\$ 1,243,507</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 890	\$ 6,717	\$ 2,039	\$ 6,717
Accrued personnel-related expenses	3,422	7,020	4,757	7,020
Accrued interest payable	833	3,422	3,422	3,422
Deferred revenue	987	1,277	855	1,277
Other accrued liabilities	23,747	19,698	17,133	19,698
Total current liabilities	<u>29,879</u>	<u>38,134</u>	<u>28,206</u>	<u>38,134</u>
Long-term debt, net of discount and issuance costs	446,759	446,234	447,282	446,234
Other long-term liabilities	71,686	71,870	72,065	71,870
Deferred tax liabilities, net	3,807	563	—	563
Income tax payable, long-term	11,800	11,751	11,849	11,751
Commitments and contingencies (Note 12)				
Stockholders' equity:				
Preferred stock: \$0.01 par value, 230 shares authorized, no shares issued and outstanding	—	—	—	—
Common stock: \$0.01 par value, 200,000 shares authorized, 62,797 and 63,307 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	628	633		
Treasury stock: at cost, 32,005 shares as of March 31, 2024 and December 31, 2023	(393,829)	(393,829)		
Common stock: \$0.01 par value, 200,000 shares authorized, 62,562 and 63,307 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	626	633		
Treasury stock: at cost, nil and 32,005 shares as of June 30, 2024 and December 31, 2023, respectively	—	(393,829)		
Additional paid-in capital	1,085,539	1,093,340	688,231	1,093,340
Retained earnings (accumulated deficit)	<u>11,343</u>	<u>(25,189)</u>		
Accumulated deficit	<u>(23,342)</u>	<u>(25,189)</u>		
Total stockholders' equity	<u>703,681</u>	<u>674,955</u>	<u>665,515</u>	<u>674,955</u>
Total liabilities and stockholders' equity	<u>\$ 1,267,612</u>	<u>\$ 1,243,507</u>	<u>\$ 1,224,917</u>	<u>\$ 1,243,507</u>

*Condensed consolidated balance sheet has been derived from audited consolidated financial statements as of December 31, 2023.

See accompanying notes to condensed consolidated financial statements.

INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Revenue:						
Royalty revenue, net of amortization of capitalized fees paid of \$3,456 in the three months ended March 31, 2024 and 2023	\$ 58,415	\$ 56,858				
Royalty revenue, net of amortization of capitalized fees paid of \$3,456 in the three months ended June 30, 2024 and 2023, and \$6,912 in the six months ended June 30, 2024 and 2023	\$ 63,742	\$ 62,265	\$ 122,157	\$ 119,123		
Net product sales	19,084	11,514	21,651	15,727	40,735	27,241
License revenue	—	8,000	14,505	3,000	14,505	11,000
Total revenue	77,499	76,372	99,898	80,992	177,397	157,364
Expenses:						
Cost of products sold (inclusive of amortization of inventory fair value adjustments, excluding amortization of intangible assets)	10,971	8,749	8,472	8,979	19,443	17,728
Cost of license revenue	—	1,600	—	—	—	1,600
Selling, general and administrative	30,405	19,735	27,740	23,542	58,145	43,277
Research and development	3,878	12,588	2,560	14,989	6,438	27,577
Amortization of acquired intangible assets	6,440	3,805	6,440	4,958	12,880	8,763
Changes in fair values of equity method investments, net	(35,342)	(15,817)	60,108	19,911	24,766	4,094
Changes in fair values of equity and long-term investments, net	13,335	2,164	30,556	83	43,891	2,247
Interest and dividend income	(4,399)	(3,365)	(3,474)	(3,553)	(7,873)	(6,918)
Interest expense	5,851	4,427	5,802	4,382	11,653	8,809
Other expense, net	1,236	1,346	973	1,896	2,209	3,242
Total expenses, net	32,375	35,232	139,177	75,187	171,552	110,419
Income before income taxes	45,124	41,140				
Income tax expense, net	8,592	6,275				
Net income and comprehensive income	\$ 36,532	\$ 34,865				
Net income per share:						
Income (loss) before income taxes	(39,279)	5,805	5,845	46,945		
Income tax expense (benefit), net	(4,594)	4,525	3,998	10,800		
Net income (loss) and comprehensive income (loss)	\$ (34,685)	\$ 1,280	\$ 1,847	\$ 36,145		
Net income (loss) per share:						
Basic	\$ 0.58	\$ 0.51	\$ (0.55)	\$ 0.02	\$ 0.03	\$ 0.54

Diluted	\$	0.46	\$	0.42	\$	(0.55)	\$	0.02	\$	0.03	\$	0.46
Shares used to compute net income per share:												
Shares used to compute net income (loss) per share:												
Basic		63,185		67,786		62,526		65,341		62,856		66,557
Diluted		84,531		89,788		62,526		65,489		63,064		88,175

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2024							Six Months Ended June 30, 2024						
	Common Stock		Additional Paid-In Capital	Retained Earnings		Treasury Stock		Common Stock		Additional Paid-In Capital	Retained Earnings		Treasury Stock	
				(Accumulated Deficit)	Shares	Amount	Stockholders' Equity				(Accumulated Deficit)	Shares	Amount	Stockholders' Equity
	Shares	Amount						Shares	Amount					
Balance as of January 1, 2024	63,307	\$ 633	\$ 1,093,340	\$ (25,189)	32,005	\$ (393,829)	\$ 674,955	63,307	\$ 633	\$ 1,093,340	\$ (25,189)	32,005	\$ (393,829)	\$ 674,955
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	124	1	403	—	—	—	404	124	1	403	—	—	—	404
Repurchase of common stock	(634)	(6)	(9,659)	—	—	—	(9,665)	(634)	(6)	(9,659)	—	—	—	(9,665)
Stock-based compensation	—	—	1,455	—	—	—	1,455	—	—	1,455	—	—	—	1,455
Net income	—	—	—	36,532	—	—	36,532	—	—	—	36,532	—	—	36,532

Balance as of March 31, 2024	<u>62,797</u>	<u>\$ 628</u>	<u>\$ 1,085,539</u>	<u>\$ 11,343</u>	<u>32,005</u>	<u>\$ (393,829)</u>	<u>\$ 703,681</u>	62,797	628	1,085,539	11,343	32,005	(393,829)	703,681
Exercise of stock options and issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	118	1	135	—	—	—	136							
Repurchase of common stock	(353)	(3)	(5,257)	—	—	—	(5,260)							
Retirement of treasury stock	—	—	(393,829)	—	(32,005)	393,829	—							
Stock-based compensation	—	—	1,643	—	—	—	1,643							
Net loss	—	—	—	(34,685)	—	—	(34,685)							
Balance as of June 30, 2024	<u>62,562</u>	<u>\$ 626</u>	<u>\$ 688,231</u>	<u>\$ (23,342)</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 665,515</u>							

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	Three Months Ended March 31, 2023							Six Months Ended June 30, 2023						
	Additional						Total	Additional						Total
	Common Stock		Paid-In	Accumulated	Treasury Stock		Stockholders'	Common Stock		Paid-In	Accumulated	Treasury Stock		Stockholders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance as of January 1, 2023	69,188	\$ 692	\$ 1,163,836	\$ (204,911)	32,005	\$ (393,829)	\$ 565,788	69,188	\$ 692	\$ 1,163,836	\$ (204,911)	32,005	\$ (393,829)	\$ 565,788

Issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	55	1	(24)	—	—	—	(23)	55	1	(24)	—	—	—	(23)
Repurchase of common stock	(3,419)	(34)	(40,701)	—	—	—	(40,735)	(3,419)	(34)	(40,701)	—	—	—	(40,735)
Stock-based compensation	—	—	1,598	—	—	—	1,598	—	—	1,598	—	—	—	1,598
Net income	—	—	—	34,865	—	—	34,865	—	—	—	34,865	—	—	34,865
Balance as of March 31, 2023	65,824	\$ 659	\$ 1,124,709	\$ (170,046)	32,005	\$ (393,829)	\$ 561,493	65,824	659	1,124,709	(170,046)	32,005	(393,829)	561,493
Issuance of common stock units and stock awards, net of repurchase of shares to satisfy tax withholding	177	2	78	—	—	—	80							
Repurchase of common stock	(776)	(8)	(9,278)	—	—	—	(9,286)							
Stock-based compensation	—	—	1,520	—	—	—	1,520							
Net income	—	—	—	1,280	—	—	1,280							
Balance as of June 30, 2023	65,225	\$ 653	\$ 1,117,029	\$ (168,766)	32,005	\$ (393,829)	\$ 555,087							

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		

Net income	\$	36,532	\$	34,865
Adjustments to reconcile net income to net cash provided by operating activities:				
Deferred income taxes		3,244		(812)
Amortization of capitalized fees and depreciation of property and equipment		3,510		3,479
Amortization of acquired intangible assets		6,440		3,805
Inventory fair value step-up adjustment included in cost of products sold		6,843		6,842
Stock-based compensation		1,455		1,598
Amortization of debt discount and issuance costs		525		523
Changes in fair values of equity method investments, net		(35,342)		(15,817)
Changes in fair values of equity and long-term investments, net		13,335		2,164
Accrued interest income added to long-term investments		—		(1,482)
Other non-cash items		(1,513)		(2,062)
Changes in operating assets and liabilities:				
Accounts receivable		315		(6,089)
Receivables from collaboration arrangement		7,750		(5,642)
Inventory		(3,543)		(598)
Prepaid expenses		5,079		5,440
Other assets		633		518
Accounts payable		(5,827)		2,994
Accrued personnel-related expenses and other accrued liabilities		441		(565)
Accrued interest payable		(2,589)		(3,526)
Income tax payable		49		49
Deferred revenue		(290)		—
Net cash provided by operating activities		37,047		25,684
Cash flows from investing activities				
Purchases of trading securities		(43,136)		—
Purchases of equity and long-term investments		—		(35,689)
Purchases of equity investments managed by ISP Fund LP		(8,756)		(3,891)
Sales of equity investments managed by ISP Fund LP		5,342		1,289
Purchases and sales of other investments managed by ISP Fund LP, net		3,414		2,602
Purchases of property and equipment		—		(33)
Sale of property and equipment		98		—
Net cash used in investing activities		(43,038)		(35,722)
Cash flows from financing activities				
Repurchase of common stock		(9,569)		(40,735)
Repurchase of shares to satisfy tax withholding		(84)		(23)
Proceeds from issuances of common stock, net		488		—
Payment for repurchase of convertible subordinated notes due 2023		—		(96,204)
Net cash used in financing activities		(9,165)		(136,962)
Net decrease in cash and cash equivalents		(15,156)		(147,000)
Cash and cash equivalents at beginning of period		193,513		291,049
Cash and cash equivalents at end of period	\$	178,357	\$	144,049

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 1,847	\$ 36,145

Adjustments to reconcile net income to net cash provided by operating activities:

Deferred income taxes	(12,009)	533
Amortization of capitalized fees and depreciation of property and equipment	6,986	6,954
Amortization of acquired intangible assets	12,880	8,763
Inventory fair value step-up adjustment included in cost of products sold	10,306	13,750
Stock-based compensation	3,098	3,118
Amortization of debt discount and issuance costs	1,048	1,032
Changes in fair values of equity method investments, net	24,766	4,094
Changes in fair values of equity and long-term investments, net	43,891	2,247
Accrued interest income added to long-term investments	—	(1,482)
Other non-cash items	(153)	1,061
Changes in operating assets and liabilities:		
Accounts receivable	(12,328)	(5,874)
Receivables from collaboration arrangement	2,423	(11,049)
Inventory	(6,233)	(4,699)
Prepaid expenses	13,146	9,024
Other assets	1,604	1,534
Accounts payable	(4,678)	1,653
Accrued personnel-related expenses and other accrued liabilities	(5,950)	(3,260)
Accrued interest payable	—	(937)
Income tax payable	543	99
Deferred revenue	(422)	1,160
Net cash provided by operating activities	80,765	63,866
Cash flows from investing activities		
Purchases of trading securities	(43,136)	—
Purchases of equity and long-term investments	—	(35,689)
Purchases of equity investments managed by ISP Fund LP	(30,892)	(17,784)
Sales of equity investments managed by ISP Fund LP	5,976	2,482
Purchases and sales of other investments managed by ISP Fund LP, net	24,916	15,302
Purchases of property and equipment	—	(33)
Sale of property and equipment	98	—
Net cash used in investing activities	(43,038)	(35,722)
Cash flows from financing activities		
Repurchase of common stock	(14,777)	(50,021)
Repurchase of shares to satisfy tax withholding	(105)	(54)
Proceeds from issuances of common stock, net	645	111
Payment for repurchase of convertible subordinated notes due 2023	—	(96,204)
Net cash used in financing activities	(14,237)	(146,168)
Net increase (decrease) in cash and cash equivalents	23,490	(118,024)
Cash and cash equivalents at beginning of period	193,513	291,049
Cash and cash equivalents at end of period	\$ 217,003	\$ 173,025

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest

Supplemental Disclosure of Non-cash Investing and Financing Activities:

Accrued interest income converted to long-term investments

Three Months Ended March 31,		Six Months Ended June 30,	
2024	2023	2024	2023
\$ 5,179	\$ 6,202	\$ 5,179	\$ 6,202
\$ 799	\$ —	\$ 799	\$ —

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

1. Description of Operations and Summary of Significant Accounting Policies**Description of Operations**

Innoviva, Inc. (and where context requires, together with its subsidiaries referred to as “Innoviva”, the “Company”, or “we” and other similar pronouns) is a company with a portfolio of royalties and innovative healthcare assets. Our royalty portfolio contains respiratory assets partnered with Glaxo Group Limited (“GSK”), including RELVAR®/BREO® ELLIPTA® (fluticasone furoate/vilanterol, “FF/VI”) and ANORO® ELLIPTA® (umeclidinium bromide/ vilanterol, “UMEC/VI”). Under the Long-Acting Beta2 Agonist (“LABA”) Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR®/BREO® ELLIPTA® as follows: 15% on the first \$3.0 billion of annual global net sales and 5% for all annual global net sales above \$3.0 billion; and royalties from the sales of ANORO® ELLIPTA®, which tier upward at a range from 6.5% to 10%.

We expanded our portfolio through the acquisition of Entasis Therapeutics Holdings Inc. (“Entasis”) on July 11, 2022 and the acquisition of La Jolla Pharmaceutical Company (“La Jolla”) on August 22, 2022. Our commercial and marketed products include GIAPREZA® (angiotensin II), approved to increase blood pressure in adults with septic or other distributive shock, and XERAVA® (eravacycline) approved for the treatment of complicated intra-abdominal infections in adults. Our third product, XACDURO® (formerly known as sulbactam-durlobactam or SUL-DUR), was approved by the United States Food and Drug Administration (“FDA”) for the treatment of hospital-acquired and ventilator-associated pneumonias caused by *Acinetobacter* in adults on May 23, 2023. We commenced commercial sales of XACDURO® in the third quarter of 2023. Our development pipeline includes zoliflodacin, an investigational treatment for uncomplicated gonorrhea that reported positive data in a pivotal Phase 3 clinical trial on November 1, 2023. As such, we have a wholly owned robust critical care and infectious disease operating platform with a hospital focus anchored by three differentiated products with growth potential and a late-stage drug candidate.

In addition, we own other strategic healthcare assets, such as a large equity stake in Armata Pharmaceuticals, a leader in development of bacteriophages with potential use across a range of infectious and other serious diseases. We also have economic interests in other healthcare companies.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements have been prepared on the same basis as audited consolidated financial statements and, in our opinion, include all adjustments, consisting of all normal recurring adjustments, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows. The interim results are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2024, or any other periods.

The accompanying unaudited condensed consolidated financial statements include the accounts of Innoviva, our wholly-owned subsidiaries, and certain variable interest entities ("VIEs") for which we are the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 29, 2024, and as amended on March 5, 2024 and March 22, 2024.

Use of Management's Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Management evaluates its significant accounting policies and estimates on an ongoing basis. We base our estimates on historical experience and other relevant assumptions that we believe to be reasonable under the circumstances. These estimates also form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources.

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Concentrations of Credit Risk and of Significant Suppliers and Partner

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and equity and long-term investments. Although we deposit our cash with multiple financial institutions, our deposits, at times, may exceed federally insured limits.

We are dependent on third-party manufacturers to supply active pharmaceutical ingredients ("API") and drug products for research and development and commercial programs. These programs could be adversely affected by significant interruption in the supply of API or drug products.

Currently, we derive most of our revenues from GSK. Our near-term success depends in large part upon the performance by GSK of its commercial obligations under the GSK Agreements and the commercial success of RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®]. If GSK does not devote sufficient resources to the commercialization of these products, is unsuccessful in its efforts, or chooses to reprioritize its commercial programs, our business would be materially harmed. GSK is responsible for all clinical and other product development, regulatory, manufacturing and commercialization activities for products developed under the GSK Agreements, including RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®]. Our quarterly royalty revenues may fluctuate due to a variety of factors, many of which are outside of our control. Our royalty revenues under the GSK Agreements may not meet our analysts' or investors' expectations due to a number of important factors.

We also generate revenue from product sales of GIAPREZA[®] and XERAVA[®]. Additionally, we generate revenue from product sales of XACDURO[®], which was commercially launched in September 2023. In the U.S., hospitals and other healthcare organizations generally acquire our products through a network of specialty distributors, which are regarded as our customers for accounting purposes. We do not believe that the loss of one of these distributors would significantly impact our ability to distribute our products, as we expect that sales volume would be absorbed by either new or remaining distributors. Three of our customers each account for 36 32%, 26 23% and 24 27%, respectively, of our net product sales for the three months ended March 31, 2024 June 30, 2024, and 34%, 24% and 25%, respectively, for the six months ended June 30, 2024. These same customers account for 37 31%, 21% and 12 18%, respectively, of our receivables from net product sales, which are included in "Accounts receivables" receivable" in our unaudited condensed consolidated balance sheet as of March 31, 2024 June 30, 2024. Three of our customers each account for 37%, 29% and 27%, respectively, of our net product sales for the three months ended June 30, 2023, and 35%, 30% and 29%, respectively, for the six months ended June 30, 2023. These same customers account for 29%, 19% and 15%, respectively, of our receivables from net product sales, which are included in "Accounts receivable" in our condensed consolidated balance sheet as of December 31, 2023.

Refer to Item 1A. "Risk Factors" disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Segment Reporting

We operate in a single segment, focusing on providing capital return to stockholders by maximizing the potential value of our portfolio of royalties and innovative healthcare assets. Our Chief Executive Officer serves as our Chief Operating Decision Maker ("CODM"). The CODM allocates resources and evaluates Innoviva's performance at the consolidated level using information about our revenues, operating results and other key financial data as needed.

Variable Interest Entities

The primary beneficiary of a variable interest entity ("VIE") is required to consolidate the assets and liabilities of the VIE. When we obtain a variable interest in another entity, we assess at the inception of the relationship and upon occurrence of certain significant events whether the entity is a VIE and, if so, whether we are the primary beneficiary of the VIE based on our power to direct the activities of the VIE that most significantly impact the VIE's economic performance and our obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, we consider all the facts and circumstances, including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes identifying the activities that most significantly impact the VIE's economic performance and identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE (management and representation on the Board of Directors) and have the right to unilaterally remove those decision-makers are deemed to have the power to direct the activities of a VIE.

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To assess whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, we consider all of our economic interests that are deemed to be variable interests in the VIE. This assessment requires us to apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE.

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Cash and Cash Equivalents

We consider all highly liquid investments purchased with a maturity of three months or less on the date of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Accounts Receivable

Accounts receivables are recorded net of estimates for prompt-pay discounts, chargebacks, returns and rebates. Allowances for prompt-pay discounts and chargebacks are based on contractual terms. We estimate the allowance for credit losses based on existing contractual payment terms, actual payment patterns of customers and individual customer circumstances.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value on a first in, first out basis. We periodically analyze inventory levels and write down inventory as cost of products sold when the following occurs: inventory has become obsolete, inventory has a cost basis in excess of its estimated net realizable value, or inventory quantities are in excess of expected product sales.

Goodwill and Intangible Assets

Goodwill is recognized as the excess of the purchase consideration of an acquired entity over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill and intangible assets with an indefinite useful life are not amortized and are tested for impairment at least annually on the first day of December of each year or more frequently if indicators for potential impairment exist or whenever events or changes in circumstances indicate that the asset's carrying asset amount may not be recoverable. Intangible assets with definite useful lives are amortized on a straight-line basis over their respective remaining useful lives and are tested for

impairment only if indicators for potential impairment exist or whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Significant judgment may be involved in determining if an indicator of impairment has occurred.

Operating Leases

Right-of-use assets represent our right to use an underlying asset over the lease term and include any lease payments made prior to the lease commencement date and are reduced by lease incentives. Lease liabilities represent the present value of the total lease payments over the lease term, calculated using an estimated incremental borrowing rate. Lease expense is recognized on a straight-line basis over the expected lease term.

Equity and Long-Term Investments

We invest from time to time in equity and debt securities of private or public companies. If we determine that we have control over these companies under either voting or VIE models, we consolidate them in our unaudited condensed consolidated financial statements. If we determine that we do not have control over these companies under either voting or VIE models, we then determine if we have an ability to exercise significant influence via voting interests, board representation or other business relationships.

We may account for the investments where we exercise significant influence using either an equity method of accounting or at fair value by electing the fair value option under Accounting Standards Codification ("ASC") Topic 825, *Financial Instruments*. If the fair value option is applied to an investment that would otherwise be accounted for under the equity method, we apply it to all our financial interests in the same entity (equity and debt, including guarantees) that are eligible items. All gains and losses from fair value changes, unrealized and realized, are presented as changes in fair values of equity method investments, net, and changes in fair values of equity and long-term investments, net, within the unaudited condensed consolidated statements of income and comprehensive income.

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If we conclude that we do not have an ability to exercise significant influence over an investee, we may elect to account for the security without a readily determinable fair value using the measurement alternative method under ASC 321, *Investments - Equity Securities*. This measurement alternative method allows us to measure the equity investment at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

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We also invest in ISP Fund LP, which investments consist of money market funds, trading and equity securities in the healthcare, pharmaceutical and biotechnology industries. Pursuant to the Partnership Agreement entered in December 2020, we became a limited partner of this partnership, and our contributions are subject to a 36-month lock-up period which restriction prevents us from having control and access to the contributions and related investments. The lock-up period for a certain portion of our contributions expired in December 2023. We did not elect to make a withdrawal in 2023, thereby extending the lock-up period and withdrawal elections into subsequent years. These investments are classified as long-term investments in the unaudited condensed consolidated balance sheets.

Revenue Recognition

We apply the guidance on principal versus agent considerations under ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), to determine the appropriate treatment for the transactions between us and third parties. The classification of transactions under our arrangements is determined based on the nature and contractual terms of the arrangement along with the nature of the operations of the participants. Any consideration related to activities in which we are considered the principal, which includes being in control of the good or service before such good or service is transferred to the customer, are accounted for as product sales.

Revenue is recognized when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. Revenue is recognized through a five-step process: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price for the contract; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue as a performance obligation is satisfied.

Royalty Revenue

We recognize the royalty revenue on net sales of products with respect to which we have contractual royalty rights in the period in which the royalties are earned. The net sales reports provided by our partner are based on its methodology and assumptions to estimate rebates and returns, which it monitors and adjusts regularly in light of contractual and legal obligations, historical trends, past experience and projected market conditions. Our partner may make significant adjustments to its sales based on actual results recorded, which could cause our royalty revenue to fluctuate. We conduct periodic royalty audits to evaluate the information provided by our partner. Royalties are recognized net of amortization of capitalized fees associated with any approval and launch milestone payments made to GSK.

Revenue from Product Sales

Revenue from product sales is recognized when our customers obtain control of the product and is recorded at the transaction price, net of estimates for variable consideration consisting of chargebacks, discounts, returns and rebates. Variable consideration is estimated using the expected-value amount method, which is the sum of probability-weighted amounts in a range of possible consideration amounts. Actual amounts of consideration ultimately received may differ from our estimates. If actual results vary materially from our estimates, we will adjust these estimates, which will affect revenue from product sales and earnings in the period such estimates are adjusted. These items may include:

- **Chargebacks:** Chargebacks are discounts we provide to distributors in the event that the sales prices to end users are below the distributors' acquisition price. This may occur due to a direct contract with a health system, a group purchasing organization ("GPO") agreement or a sale to a government facility. Chargebacks are estimated based on known chargeback rates and recorded as a reduction of revenue on delivery to our customers.
- **Discounts:** We offer customers various forms of incentives and consideration, including prompt-pay and other discounts. We estimate discounts primarily based on contractual terms. These discounts are recorded as a reduction of revenue on delivery to our customers.

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- **Returns:** We offer customers a limited right of return, generally for damaged or expired product. We estimate returns based on an internal analysis, which includes actual experience. The estimates for returns are recorded as a reduction of revenue on delivery to our customers.

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- **Rebates:** We participate in Medicaid rebate programs, which provide assistance to certain low-income patients based on each individual state's guidelines regarding eligibility and services. Under the Medicaid rebate programs, we pay a rebate to each participating state, generally within three months after the quarter in which product was sold. Additionally, we may offer customer incentives and consideration in the form of volume-based or other rebates. The estimates for rebates are recorded as a reduction of revenue on delivery to our customers.

We continue to assess our estimates of variable consideration as we accumulate additional historical data and will adjust these estimates accordingly.

License Revenue

At the inception of a licensing arrangement that includes development and regulatory milestone payments, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price. We generally include these milestone payments in the transaction price when they are achieved because there is considerable uncertainty in the research and development processes that trigger receipt of these payments under our agreements. Similarly, we

include approval milestone payments in the transaction price once the product is approved by the applicable regulatory agency. For a licensing arrangement that includes services, we will recognize revenue over time using an input method, representing the transfer of goods or services as we perform activities over the term of the arrangement.

Research and Development Expenses

Research and development expenses are recognized in the period that services are rendered or goods are received. Research and development expenses consist of salaries and benefits, laboratory supplies, facilities and other overhead costs, research-related manufacturing costs, contract service and clinical-related service costs performed by third party research organizations, research institutions and other outside service providers. Non-refundable prepayments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. Such amounts are recognized as an expense as the related goods are delivered or the related services are performed. We also utilize significant judgment and estimates to record accruals for estimated ongoing research costs based on the progress of the studies and progress of research manufacturing activities.

Interest Expense on Deferred Royalty Obligation

Interest expense related to the deferred royalty obligation is recognized over the expected repayment term of the deferred royalty obligation using the effective interest method. The assumptions used in determining the expected repayment term of the deferred royalty obligation require us to make estimates that could impact the effective interest rate. Each reporting period, we estimate the expected repayment term of the deferred royalty obligation based on forecasted net sales of GIAPREZA®. Changes in interest expense resulting from changes in the effective interest rate, if any, are recorded on a prospective basis. Refer to Note 11, "Debt" for more information.

Related Party

Sarissa Capital owned 11.6% of our outstanding common stock as of March 31, 2024 June 30, 2024. Transactions with Sarissa Capital are described in Note 5, "Consolidated Entity". Sarissa Capital is considered to be a related party because two of its principals are members of our board of directors.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendment modifies the disclosure or presentation requirements for a variety of topics. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. The Company does not expect the adoption of the amendments to have a significant impact on its financial statements.

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In November 2023, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures (Topic 280)*. This ASU update requires enhanced segment disclosures, primarily related to significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company does not expect the adoption of the amendments to have a significant impact on its financial statements.

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In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires the disclosure of income taxes paid disaggregated by jurisdiction and enhanced disclosures for the entity's effective tax rate reconciliation as well as other income tax related disclosures. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. The Company does not expect the adoption of the amendments to have a significant impact on its financial statements.

2. Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock and dilutive potential common stock equivalents then outstanding. Dilutive potential common stock equivalents include the assumed exercise, vesting and issuance of employee stock awards using the treasury stock method, as well as common stock issuable upon assumed conversion of our convertible subordinated notes due 2023 (the "2023 Notes") up until its maturity date on January 15, 2023, our convertible senior notes due 2025 (the "2025 Notes") and our convertible senior notes due 2028 (the "2028 Notes") using the if-converted method. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding for the period, without consideration for dilutive potential common stock equivalents.

The following table shows the computation of basic and diluted net income (loss) per share for the three and six months ended March 31, 2024, June 30, 2024 and 2023:

(In thousands except per share data)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Numerator:						
Net income, basic	\$ 36,532	\$ 34,865				
Net income (loss), basic	\$ (34,685)	\$ 1,280	\$ 1,847	\$ 36,145		
Add: interest expense on 2023 Notes, net of tax effect	—	81	—	—	—	71
Add: interest expense on 2025 Notes, net of tax effect	1,121	1,169	—	—	—	2,050
Add: interest expense on 2028 Notes, net of tax effect	1,401	1,459	—	—	—	2,554
Net income, diluted	\$ 39,054	\$ 37,574				
Net income (loss), diluted	\$ (34,685)	\$ 1,280	\$ 1,847	\$ 40,820		
Denominator:						
Weighted-average shares used to compute basic net income per share	63,185	67,786				
Weighted-average shares used to compute basic net income (loss) per share	62,526	65,341	62,856	66,557		
Dilutive effect of 2023 Notes	—	757	—	—	—	376
Dilutive effect of 2025 Notes	11,150	11,150	—	—	—	11,150
Dilutive effect of 2028 Notes	9,956	9,956	—	—	—	9,955
Dilutive effect of options and awards granted under equity incentive plan and employee stock purchase plan	240	139	—	148	208	137
Weighted-average shares used to compute diluted net income per share	84,531	89,788				
Net income per share						
Weighted-average shares used to compute diluted net income (loss) per share	62,526	65,489	63,064	88,175		
Net income (loss) per share						
Basic	\$ 0.58	\$ 0.51	\$ (0.55)	\$ 0.02	\$ 0.03	\$ 0.54
Diluted	\$ 0.46	\$ 0.42	\$ (0.55)	\$ 0.02	\$ 0.03	\$ 0.46

Anti-Dilutive Securities

The following common stock equivalents were not included in the computation of diluted net income (loss) per share because their effect was anti-dilutive for the periods presented:

(In thousands)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Outstanding options and awards granted under equity incentive plan and employee stock purchase plan	1,360	1,326	1,897	1,319	1,542	1,260
Outstanding stock warrant	591	591	591	591	591	591
Outstanding 2025 Notes	11,150	11,150	11,150	—		
Outstanding 2028 Notes	9,955	9,955	9,955	—		
Total	1,951	1,917	23,593	23,015	23,238	1,851

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3. Revenue Recognition

Net Revenue from Collaboration Arrangement

Net revenue recognized under our GSK Agreements was as follows:

(In thousands)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Royalties						
- RELVAR/BREO	\$ 52,138	\$ 50,883	\$ 53,980	\$ 54,454	\$ 106,118	\$ 105,337
Royalties						
- ANORO	9,733	9,431	13,218	11,267	22,951	20,698
Total royalties	61,871	60,314	67,198	65,721	129,069	126,035
Less: amortization of capitalized fees paid	(3,456)	(3,456)	(3,456)	(3,456)	(6,912)	(6,912)
Total net royalty revenue	\$ 58,415	\$ 56,858	\$ 63,742	\$ 62,265	\$ 122,157	\$ 119,123

Net Product Sales

Our net product sales were \$19.1 21.7 million, consisting of net sales of GIAPREZA®, XERAVA®, and XACDURO® for \$12.1 13.1 million, \$4.8 6.2 million and \$2.2 2.4 million, respectively, for the three months ended March 31, 2024 June 30, 2024. Our net product sales were \$40.7 million, consisting of net sales of GIAPREZA®, XERAVA®, and XACDURO® for \$25.2 million, \$10.9 million and \$4.6 million, respectively, for the six months ended June 30, 2024. We derived over approximately 91 87% and 89% of our net product sales from customers located in the U.S for the period, three and six months ended June 30, 2024, respectively.

Our net product sales were \$11.5 15.7 million, consisting of net sales of GIAPREZA® and XERAVA® for \$9.0 11.2 million and \$2.5 4.5 million, respectively, for the three months ended March 31, 2023 June 30, 2023. Our net product sales were \$27.2 million, consisting of net sales of GIAPREZA® and XERAVA® for \$20.2 million and \$7.0 million, respectively, for the six months ended June 30, 2023. We derived over approximately 99 94% and 96% of our net product sales from customers located in the U.S for the period, three and six months ended June 30, 2023, respectively.

License Revenue

Refer to the out-license agreement with Zai Lab and Everest in Note 4, "License and Collaboration Arrangements".

4. License and Collaboration Arrangements

Out-License Agreements

Zai Lab

Entasis entered into a license and collaboration agreement with Zai Lab (Shanghai) Co., Ltd. ("Zai Lab") (Nasdaq: ZLAB), pursuant to which Zai Lab licensed exclusive rights to durlobactam and SUL-DUR, in the Asia-Pacific region ("the Zai Agreement"). Under the terms of the Zai Agreement, Zai Lab will fund most of the registrational clinical trial costs in China for SUL-DUR, with the exception of Phase 3 patient drug supply of licensed products. Zai Lab will conduct development activities and plan and obtain regulatory approval in a specified number of countries in the Asia-Pacific region beyond China after receipt of regulatory approval of a licensed product in China. Zai Lab is also solely responsible for commercializing licensed products in the Asia-Pacific region and will commercialize licensed products for which it has obtained regulatory approval. We are obligated to supply Zai Lab with the licensed products for clinical development and, if the licensed product is approved, for commercial use for a certain period unless Zai Lab notifies otherwise. Zai Lab may take over manufacturing responsibilities for its own commercialization activities within a specified time period following the effective date of the Zai Agreement.

We are eligible to receive up to an aggregate of \$91.0 million in research and development support payments and development, regulatory and sales milestone payments related to SUL-DUR, imipenem and other combinations with the licensed products. Zai Lab will pay us a tiered royalty equal to from a high-single digit to low-double digit percentage based on annual net sales of licensed products in the territory, subject to specified reductions for the market entry of competing products, loss of patent coverage of licensed products and for payments owed to third parties for additional rights necessary to commercialize licensed products in the territory. Payments received for research support and reimbursable clinical trial costs are recorded as a reduction to research and development expense during the period in which the qualifying expenses are incurred. Such amounts recorded for the three and six months ended March 31, 2024, June 30, 2024 and 2023 were not material. SUL-DUR was approved by China's National Medical Products Administration in May 2024, and we recognized \$8.0 million in license revenue for the three and six months ended June 30, 2024 under this agreement. This amount is included in "Accounts receivable" in our unaudited condensed consolidated balance sheet as of June 30, 2024. Following the approval of XACDURO® by the FDA in May 2023, we recognized \$3.0 million in license revenue for the three and six months ended June 30, 2023.

On April 24, 2024, we entered into an amendment to the Zai Agreement (the "Amended Zai Agreement"), pursuant to which Zai Lab shall share costs associated with certain new manufacturing and technology transfer activities for XACDURO® (the "Services"), which were not contemplated under the Zai Agreement and are crucial for regulatory approval in the Asia-Pacific region. We determined that the Amended Zai Agreement falls within the scope of ASC 606 and Zai Lab is a customer in this arrangement as the Services are an output of our ordinary activities. We have determined that the Services represent the only performance obligation and are distinct from the performance obligations under the original Zai Agreement. In addition, the costs estimated at approximately we incur in performing the Services most accurately depict the transfer of value to Zai Lab and maximize the use of observable inputs for measuring progress, therefore, we recognize revenue from this arrangement as the costs related to Services are incurred. We recognized \$8.1 million associated with supply chain activities in license revenue for manufacturing XACDURO® the three and six months ended June 30, 2024, under the Amended Zai Agreement. This amount is included in "Accounts receivable" in our unaudited condensed consolidated balance sheet as of June 30, 2024.

GARDP

Entasis entered into a collaboration agreement with the Global Antibiotic Research and Development Partnership ("GARDP") for the development, manufacture and commercialization of the product candidate zoliflodacin in certain countries ("the GARDP Collaboration Agreement"). Under the terms of the GARDP Collaboration Agreement, GARDP will use commercially reasonable endeavors to perform and fully fund the Phase 3 registrational trial, including the manufacture and supply of the

product candidate containing zoliflodacin, in uncomplicated gonorrhea. We recorded reimbursements from GARDP under this agreement as reduction to research and development expense. Relevant amounts for the three and six months ended March 31, 2024 June 30, 2024 and 2023 were not material.

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In addition, under the GARDP Collaboration Agreement, GARDP was granted a worldwide, fully paid, exclusive and royalty-free license, with the right to sublicense, to use our zoliflodacin technology in connection with GARDP's development, manufacture and commercialization of zoliflodacin in low-income and specified middle-income countries. We retained commercial rights in all other countries worldwide, including the major markets in North America, Europe and Asia-Pacific. We also retained the right to use and grant licenses to our zoliflodacin technology to perform our obligations under the GARDP Collaboration Agreement and for any purpose other than gonorrhea or community-acquired indications. If we believe that the results of the Phase 3 registrational trial of zoliflodacin would be supportive of an application for marketing approval, we are obligated to use our best efforts to file an application for marketing approval with the FDA within six months of the completion of the trial and to use commercially reasonable endeavors to file an application for marketing approval with the European Medicines Agency ("EMA"). Each party is responsible for using commercially reasonable efforts to obtain marketing authorizations for the product candidate in their respective territories.

PAION Pharma GmbH

Pursuant to the PAION AG and PAION Deutschland GmbH (together and individually "PAION") License, La Jolla granted PAION an exclusive license to commercialize GIAPREZA® and XERAVA® in the European Economic Area, the United Kingdom and Switzerland (collectively, the "PAION Territory"). We are entitled to receive potential commercial milestone payments of up to \$109.5 million and double-digit tiered royalty payments. Royalties payable in a given jurisdiction under the PAION License will be subject to reduction on account of generic competition and after patent expiration in that jurisdiction. Pursuant to the PAION License, PAION will be solely responsible for the future development and commercialization of GIAPREZA® and XERAVA® in the PAION Territory. PAION is required to use commercially reasonable efforts to commercialize GIAPREZA® and XERAVA® in the PAION Territory. We have not recognized any revenue from PAION related to commercial milestones from the date of acquisition of La Jolla to March 31, 2024 June 30, 2024. Royalty revenue recognized under this agreement for the three and six months ended March 31, 2024 June 30, 2024 and 2023 was not material.

La Jolla also entered into the PAION commercial supply agreement (the "PAION Supply Agreement") whereby La Jolla will supply PAION a minimum quantity of GIAPREZA® and XERAVA® through July 13, 2024. The PAION supply agreement automatically renewed and will automatically renew expire until the earlier of July 13, 2027, or until a new supply agreement is executed. During the initial term of the supply agreement, we will be reimbursed for direct and certain indirect manufacturing costs at cost. We did not recognize any cost reimbursements under this agreement for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

PAION filed for insolvency in Germany on October 27, 2023 and the insolvency proceedings commenced on January 1, 2024. PAION announced on December 22, 2023 that it concluded negotiations with Humanwell Healthcare Group and entered into an agreement on the sale of the essential business operations of PAION with the approval of the insolvency administrator in both procedures. In early 2024, the sale of business operations of PAION was completed and starting February 2024, PAION has continued its business as a subsidiary of the Humanwell Healthcare Group as an independent company under the name PAION Pharma GmbH.

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Everest Medicines Limited

Pursuant to the Everest Medicines Limited ("Everest") License, La Jolla granted Everest an exclusive license to develop and commercialize XERAVA® for the treatment of complicated intra-abdominal infections ("cIAI") and other indications in mainland China, Taiwan, Hong Kong, Macau, South Korea, Singapore, the Malaysian Federation, the Kingdom of Thailand, the Republic of Indonesia, the Socialist Republic of Vietnam and the Republic of the Philippines (collectively, the "Everest Territory").

Under the Everest License, we recognized \$8.0 million in license revenue for the **three** **six** months ended **March 31, 2023** **June 30, 2023** as a result of our achievement of a regulatory milestone during the period. We are eligible to receive additional sales milestone payments of up to an aggregate of \$20.0 million.

We are also entitled to receive tiered royalties from Everest at percentages in the low double digits on sales, if any, in the Everest Territory of products containing eravacycline. Royalties are payable with respect to each jurisdiction in the Everest Territory until the latest to occur of: (i) the last-to-expire of specified patent rights in such jurisdiction in the Everest Territory; (ii) expiration of marketing or regulatory exclusivity in such jurisdiction in the Everest Territory; or (iii) 10 years after the first commercial sale of a product in such jurisdiction in the Everest Territory. Royalty revenue recognized for the three **and six** months ended **March 31, 2024** **June 30, 2024** was **\$1.2 million** and **2023** **\$1.8 million, respectively**. Royalty revenue recognized for the three and six months ended **June 30, 2023** was not material.

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La Jolla also entered into the Everest commercial supply agreement (the "Everest Supply Agreement") whereby La Jolla will supply Everest a minimum quantity of XERAVA® and will transfer to Everest certain XERAVA®-related manufacturing know-how. Under the Everest Supply Agreement, we are reimbursed for direct and certain indirect manufacturing costs at 110% of cost. Revenue recognized under this agreement for the three **and six** months ended **March 31, 2024** **June 30, 2024** was **\$0.8 million** and **2023** **\$1.7 million, respectively**. Revenue recognized under this agreement for the three and six months ended **June 30, 2023** was not material.

In-License Agreements

George Washington University

Pursuant to the George Washington University ("GW") License, GW exclusively licensed to La Jolla certain intellectual property rights relating to GIAPREZA®, including the exclusive rights to certain issued patents and patent applications covering GIAPREZA®. Under the GW License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell GIAPREZA®. We are obligated to pay a 6% royalty on net sales of GIAPREZA® and 15% on payments received from sublicensees. The obligation to pay royalties under this agreement extends through the last-to-expire patent covering GIAPREZA®. Amounts recognized under this agreement for the three **and six** months ended **March 31, 2024** **June 30, 2024** were **\$0.7 million** and **2023** **\$1.4 million, respectively**. Amounts recognized under this agreement for the three and six months ended **June 30, 2023** were not material.

Harvard University

Pursuant to the Harvard University ("Harvard") License, Harvard exclusively licensed to La Jolla certain intellectual property rights relating to tetracycline-based products, including XERAVA®, including the exclusive rights to certain issued patents and patent applications covering such products. Under the Harvard License, we are obligated to use commercially reasonable efforts to develop, commercialize, market and sell tetracycline-based products, including XERAVA®. For each product covered by the Harvard License, we are obligated to make certain payments for the following: (i) up to approximately \$15.1 million upon the achievement of certain clinical development and regulatory milestones; (ii) a 5% royalty on direct U.S. net sales of XERAVA®; (iii) a single-digit tiered royalty on direct ex-U.S. net sales of XERAVA®, starting at a minimum royalty rate of 4.5%, with step-ups to a maximum royalty of 7.5% based on the achievement of annual net product sales thresholds; and (iv) 20% on payments received from sublicensees. The obligation to pay royalties under this agreement extends through the last-to-expire patent covering tetracycline-based products, including XERAVA®. Amounts recognized under this agreement for the three **and six** months ended **March 31, 2024** **June 30, 2024** were **not material**, **\$0.5 million** and **\$1.2 million, respectively**. For the **three** **six** months ended **March 31, 2023** **June 30, 2023**, we recognized \$1.6 million in cost of license revenue under this agreement as a result of the license revenue we earned under the out-licensing agreement with Everest for the same period.

Paratek Pharmaceuticals, Inc.

Pursuant to the Paratek Pharmaceuticals, Inc. ("Paratek") License, Paratek non-exclusively licensed to La Jolla certain intellectual property rights relating to XERAVA®, including non-exclusive rights to certain issued patents and patent applications covering XERAVA®. We **are were** obligated to pay Paratek a 2.25% royalty based on direct U.S. net sales of XERAVA®. Our obligation to pay royalties with respect to the licensed product was retroactive to the date of the first commercial sale of XERAVA® and continued until there were no longer any valid claims of the Paratek patents, which expired in October 2023. Amounts recognized under this agreement for the three **and six** months ended **March 31, 2023** **June 30, 2023** were not material.

Business Transfer and Subscription Agreement with AstraZeneca

Entasis entered into a Business Transfer and Subscription Agreement with AstraZeneca, AstraZeneca UK Limited and AstraZeneca Pharmaceuticals LP (collectively, "AstraZeneca") (the "AstraZeneca Agreement") in 2015, which was amended and restated through 2018, pursuant to which Entasis obtained, among other things, worldwide rights to durlobactam and zoliflodacin. Under the AstraZeneca Agreement, we are obligated to pay AstraZeneca a one-time milestone payment of \$5.0 million within three months of achieving a specified cumulative net sales milestone for durlobactam. We are also obligated to pay AstraZeneca a one-time milestone payment of \$10.0 million within two years of achieving the first commercial sale of zoliflodacin. Additionally, we are obligated to pay AstraZeneca tiered, single-digit royalties on the annual worldwide net **product** sales of durlobactam and, the lesser of tiered, single-digit royalties on the worldwide annual net sales of zoliflodacin and a specified share of the royalties we receive from sublicensees of zoliflodacin. Royalties on sales of zoliflodacin do not include sales by GARDP in low-income and specified middle-income countries as discussed above. Our obligation to make these royalty payments expires with respect to each product on a country-by-country basis upon the later of (i) the 10-year anniversary of the first commercial sale of a product in each such country or (ii) when the last patent right covering a product expires in each such country.

The royalty expense in respect of durlobactam arising from our net **product** sales of XACDURO® for the three **and six** months ended **March 31, 2024** **June 30, 2024** was not material.

5. Consolidated Entity

ISP Fund LP

In December 2020, Innoviva Strategic Partners LLC, our wholly owned subsidiary ("Strategic Partners"), contributed \$300.0 million to ISP Fund LP (the "Partnership") for investing in "long" positions in the healthcare, pharmaceutical and biotechnology sectors and became a limited partner. The general partner of the Partnership ("General Partner") is an affiliate of Sarissa Capital.

The Partnership Agreement provides for Sarissa Capital to receive management fees from the Partnership, payable quarterly in advance, measured based on the Net Asset Value of Strategic Partners' capital account in the Partnership. In addition, General Partner is entitled to an annual performance fee based on the Net Profits of the Partnership during the annual measurement period.

The Partnership Agreement includes a lock-up period of thirty-six months after which Strategic Partners is entitled to make withdrawals from the Partnership as of such lock-up expiration date and each anniversary thereafter, subject to certain limitations. The lock-up period for the initial contribution of \$190.0 million, which excludes the \$110.0 million amount discussed below, expired in December 2023. Strategic Partners did not elect to make a withdrawal in 2023, thereby extending the lock-up period and withdrawal elections into subsequent years.

In May 2021, Strategic Partners received a distribution of \$110.0 million from the Partnership to provide funding to Innoviva for a strategic repurchase of shares held by GSK. On March 30, 2022, Strategic Partners made an additional capital contribution of \$110.0 million to the Partnership pursuant to the letter agreement entered into between Strategic Partners, the Partnership and Sarissa Capital Fund GP LP on May 20, 2021. The capital contribution is subject to a 36-month lock up period from the contribution date.

We consolidate ISP Fund LP under the VIE model as we have determined that ISP Fund LP is a VIE and we are the primary beneficiary of the entity via our related party relationships with Sarissa Capital entities. Our maximum exposure to loss is equal to the amount we invested in the entity.

ISP Fund LP is determined to be an investment company under ASC 946, *Financial Services – Investment Companies*, as it meets all fundamental characteristics of an investment company, and its activities are consistent with those of an investment company. Since ISP Fund LP is subject to investment company industry specific guidance, we have retained the industry-specific guidance applied by the Partnership. In addition, as our investment in the Partnership is a passive investment for the Company and is not part of our main operations, the investments are presented as part of “Equity and long-term investments” in our condensed consolidated balance sheets. We report in our condensed consolidated statements of income and comprehensive income any investment gains and losses by the Partnership as part of “Changes in fair value of equity and long-term investments, net”, any interest and dividend income as part of “Interest and dividend income” and any investment expenses as part of “Other expense, net”.

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As of **March 31, 2024** **June 30, 2024**, we continued to hold approximately 100% of the economic interest of the Partnership. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, total assets of the Partnership were **\$287.2** **270.0** million and \$311.8 million, respectively, of which the majority was attributable to equity and long-term investments. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, total liabilities were **\$1.8** **0.6** million and \$0.1 million, respectively. The partnership's assets can only be used to settle its own obligations. During the three and six months ended **March 31, 2024** **June 30, 2024**, we recorded **\$0.2** **0.1** million and **\$0.3** million, respectively, of net investment-related expense incurred by the Partnership and **\$26.2** **15.8** million and **\$42.0** million, respectively, of net negative changes in fair values of equity and long-term investments in the unaudited condensed consolidated statements of income and comprehensive income. During the three and six months ended **March 31, 2023** **June 30, 2023**, we recorded **\$0.5** **0.6** million and **\$0.1** million, respectively, of net investment-related **expenses incurred** **income earned** by the Partnership, and **\$4.1** **3.8** million of net positive changes and **\$0.3** million of net negative changes, respectively, in fair values of equity and long-term investments in the unaudited condensed consolidated statements of income and comprehensive income.

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6. Equity and Other Investments and Fair Value Measurements

Equity Investment in Armata

During the first quarter of 2020, Innoviva acquired 8,710,800 shares of common stock as well as warrants to purchase 8,710,800 additional shares of common stock of Armata Pharmaceuticals, Inc. (“Armata”) for approximately \$25.0 million in cash. Armata is a clinical stage biotechnology company focused on precisely targeted bacteriophage therapeutics for antibiotic-resistant infections.

During the first quarter of 2021, ISO entered into a securities purchase agreement with Armata to acquire 6,153,847 shares of Armata common stock and warrants to purchase 6,153,847 additional shares of Armata common stock for approximately \$20.0 million. Armata also entered into a voting agreement with the Company and ISO, pursuant to which the Company and ISO agreed not to vote or take any action by written consent with respect to any common shares held by the Company and ISO that represent, in the aggregate, more than 49.5% of the total number of shares of Armata’s common stock for voting on the matters related to election or removal of Armata’s board members. The voting agreement will expire the earlier of the second anniversary of the agreement effective date and approval by the FDA of any of Armata’s product candidates for marketing and commercial distribution. During the fourth quarter of 2021, ISO also purchased an additional 1,212,122 shares of Armata common stock for approximately \$4.0 million.

On February 9, 2022, ISO entered into a securities purchase agreement with Armata to acquire 9,000,000 shares of Armata common stock and warrants to purchase 4,500,000 additional shares of common stock with an exercise price of \$5.00 per share for \$45.0 million. The investment closed in two tranches on February 9, 2022 and March 31, 2022. The investment is intended to aid Armata in advancing its clinical pipeline and strengthening its bacteriophage platform. On February 9, 2022, Armata also entered a second amended and restated voting agreement with the Company and ISO, pursuant to which the Company and ISO agreed not to vote or take any

action by written consent with respect to any common shares held by the Company and ISO that represent, in the aggregate, more than 49.5% of the total number of shares of Armata's common stock for voting on the matters related to election or removal of Armata's board members or amend the bylaws of Armata to reduce the maximum number of directors or set the number of directors who may serve on the board of Armata. The voting agreement will expire the earlier of the second anniversary of the agreement effective date and approval by the FDA of any of Armata's product candidates for marketing and commercial distribution. In addition, as of February 9, 2022, Armata entered into an amended and restated investor rights agreement with the Company and ISO, pursuant to which for as long as the Company and ISO hold at least 12.5% of the outstanding shares of Armata's common stock on a fully-diluted, the Company and ISO shall have the right to designate two directors to Armata's board of directors, and for so long as the Company and ISO hold at least 8%, but less than 12.5%, of the outstanding shares of Armata's common stock on a fully-diluted basis, the Company and ISO shall have the right to designate one director to Armata's board of directors, subject to certain conditions and qualifications set forth in the amended and restated investor rights agreement. On July 10, 2023, Armata entered into an amendment to the amended and restated investor rights agreement with the Company and ISO, pursuant to which the Company and ISO agreed that the voting agreement will expire on the earlier of the fifth anniversary of the original agreement's effective date, January 26, 2021, or the approval by the FDA of any of Armata's product candidates for marketing and commercial distribution. As of March 31, 2024 June 30, 2024, three of the seven members of Armata's board of directors are also members of the board of directors of Innoviva. As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company and ISO owned approximately 69.4% of Armata's common stock.

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On January 10, 2023, we entered into a Secured Convertible Credit Agreement (the "Credit Agreement") with Armata, under which we extended a one-year convertible note (the "Armata Convertible Note") in an aggregate amount of \$30.0 million at an interest rate of 8.0% per annum. Pursuant to the Credit Agreement, the balance on the Armata Convertible Note, including all accrued and unpaid interest thereon, will convert into shares of Armata's common stock upon the occurrence of a qualified financing, as defined in the Credit Agreement. Any portion of the balance on the Armata Convertible Note, including all accrued and unpaid interest thereon, may also be converted into shares of Armata's common stock at our option once a registration statement covering the resale of such securities has been declared effective by the SEC. The Armata Convertible Note is secured by substantially all of the assets of Armata and its domestic and foreign material subsidiaries. On July 10, 2023, ISO and Armata executed an amendment to the Armata Convertible Note extending the maturity date from January 10, 2024 to January 10, 2025.

On July 10, 2023, ISO and Armata entered into a Credit and Security Agreement (the "July 2023 Credit and Security Agreement"), under which we extended a term loan to Armata (the "Armata July 2023 Term Loan") in an aggregate amount of \$25.0 million. The Armata July 2023 Term Loan is subject to an interest rate of 14% per annum and is due to mature on January 10, 2025. The July 2023 Credit and Security Agreement is secured by substantially all of the assets of Armata and its domestic and foreign material subsidiaries.

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On March 4, 2024, ISO and Armata entered into a Credit and Security Agreement (the "March 2024 Credit and Security Agreement"), under which we extended a term loan to Armata (the "Armata March 2024 Term Loan") in an aggregate amount of \$35.0 million. The Armata March 2024 Term Loan is subject to an interest rate of 14% per annum and is due to mature on June 4, 2025. The March 2024 Credit and Security Agreement is secured by substantially all of the assets of Armata and its domestic and foreign material subsidiaries.

The investments in Armata's common stock and warrants provide Innoviva and ISO the ability to have significant influence, but not control over Armata's operations. Armata's business and affairs are managed under the direction of its board of directors, which Innoviva and ISO do not control. Based on our evaluation, we determined that Armata is a VIE, but Innoviva and ISO are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

We account for Armata's common stock and warrants under the equity method using the fair value option. The fair value of Armata's common stock is measured based on its closing market price. The warrants purchased in 2020, 2021 and 2022 have an exercise price of \$2.87, \$3.25 and \$5.00 per share, respectively. All warrants are exercisable immediately within five years from the issuance date of the warrants and include a cashless exercise option. We use the Black-Scholes-Merton pricing model to estimate the fair value of these warrants with the following input assumptions: Armata's closing market price on the valuation date, the risk-free interest rate computed based on the U.S. Treasury yield, the remaining contractual term as the expected term, and the expected stock price volatility calculated based on the historical volatility of the common stock of Armata and its peer companies. We account for the Armata Convertible Note as a trading security, measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of risk-free rate, volatility of stock price and timing of certain qualified events. We account for the Armata July 2023 Term Loan and the Armata March 2024 Term Loan as trading securities, measured at fair value using income approach based on the discounted value of expected future cash flows.

As of March 31, 2024 June 30, 2024, the fair values of our holdings of Armata common stock, warrants, the Armata Convertible Note, the Armata July 2023 Term Loan and the Armata March 2024 Term Loan were estimated at \$104.8 69.0 million, \$47.1 22.8 million, \$64.3 47.7 million, \$27.4 28.0 million, and \$35.5 36.4 million, respectively. As of December 31, 2023, the fair values of our holdings of Armata common stock, warrants, the Armata Convertible Note and the Armata July 2023 Term Loan were estimated at \$81.2 million, \$35.3 million, \$51.9 million and \$27.0 million, respectively.

For the Armata common stock and warrants, we recorded \$35.3 60.1 million and \$15.8 24.8 million in unrealized gain loss for the three and six months ended March 31, 2024 June 30, 2024, respectively, and 2023, \$19.9 million and \$4.1 million in unrealized loss for the three and six months ended June 30, 2023, respectively, as changes in fair values of equity method investments, net, in the unaudited condensed consolidated statements of income and comprehensive income.

For the Armata Convertible Note, we recorded \$12.4 16.6 million and \$2.8 4.2 million in unrealized loss for the three and six months ended June 30, 2024, respectively, and \$1.7 million unrealized loss and \$1.1 million unrealized gain for the three and six months ended June 30, 2023, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statement of income and comprehensive income.

For the July 2023 Armata Term Loan, we recorded \$0.6 million and \$1.0 million in unrealized gain for three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income. For the March 2024 Armata Term Loan, we recorded \$0.9 million and \$1.4 million for the three and six months ended June 30, 2024, respectively, in unrealized gain as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for three months ended March 31, 2024 and 2023, respectively. For the July 2023 Armata Term Loan, we recorded \$0.4 million unrealized gain as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for three months ended March 31, 2024. For the March 2024 Armata Term Loan, we recorded \$0.5 million unrealized gain as changes in fair values of equity and long-term investments, net, in the unaudited condensed consolidated statements of income and comprehensive income for three months ended March 31, 2024. income.

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The summarized financial information, including the portion we do not own, is presented for Armata on a one quarter lag as follows:

Income Statement Information

(In thousands)	Three Months Ended December 31,		Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2024	2023	2024	2023
Revenue	\$ 1,528	\$ 1,051	\$ 966	\$ 796	\$ 2,494	\$ 1,847
Loss from operations	\$ (6,578)	\$ (10,328)	\$ (10,228)	\$ (11,346)	\$ (16,806)	\$ (21,674)
Net loss	\$ (19,847)	\$ (10,314)	\$ (25,021)	\$ (14,490)	\$ (44,868)	\$ (24,804)

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Equity Investment in InCarda

During the third quarter of 2020, TRC purchased 20,469,432 shares of Series C preferred stock and a warrant to purchase 5,117,358 additional shares of Series C preferred stock of InCarda Therapeutics, Inc. ("InCarda") (the "InCarda 2020 Warrant") for \$15.8 million, which included \$0.8 million of transaction costs. InCarda is a privately held biopharmaceutical company focused on developing inhaled therapies for cardiovascular diseases. The investment is intended to fund the ongoing clinical development of InRhythm™ (flecainide for inhalation), InCarda's lead program, for the treatment of a recent-onset episode of paroxysmal atrial fibrillation. On July 20, 2022, under the terms of the TRC Equity Purchase Agreement, TRC transferred to Innoviva's wholly-owned subsidiary, Innoviva TRC Holdings, LLC ("ITH") all of TRC's ownership interests and investments in InCarda. ITH has the right to designate one member to InCarda's board of directors. As of March 31, 2024 and June 30, 2024, none of InCarda's six board members was designated by ITH. We did not exercise the InCarda 2020 Warrant which expired in March 2023 and wrote off its carrying value of \$0.1 million during the three months ended March 31, 2023.

On March 9, 2022, TRC entered into a Note and Warrant Purchase Agreement (the "InCarda Agreement") with InCarda to acquire a convertible promissory note (the "InCarda 2022 Convertible Note") and warrants (the "InCarda 2022 Warrant") for \$0.7 million. The InCarda 2022 Warrant expires on March 9, 2027 and is measured at fair value.

On June 15, 2022, the principal amount and the accrued interest of the InCarda 2022 Convertible Note were converted into equity securities. In addition, TRC participated in InCarda's Series D preferred stock financing by investing \$2.3 million. In connection with the new round of financing, InCarda recapitalized its equity structure resulting in TRC owning 4,093,886 shares of InCarda's common stock, 37,350 shares of its Series A-1 preferred stock, 20,469,432 shares of its Series C preferred stock, 8,771,780 shares of its Series D-1 preferred stock, 3,369,802 shares of its Series D-2 preferred stock, a warrant to purchase 5,117,358 shares of its Series C preferred stock at \$0.73 per share and a warrant to purchase 2,490,033 shares of its Series D-1 preferred stock at \$0.20 per share.

Due to certain changes in InCarda's business operations during the second quarter of 2023, ITH reassessed the value of its investments in InCarda using the Option Pricing Model methodology. Key assumptions used in the valuation model included an expected holding period of two years, a risk-free interest rate of 4.9%, a dividend yield of 0.0% and an estimated volatility of 114.2%. The estimated volatility was calculated based on the historical volatility of a selected peer group of public companies comparable to InCarda. We recognized an impairment charge of \$2.9 million during the second quarter of 2023.

On January 17, 2024, ITH purchased a secured convertible promissory note (the "InCarda Convertible Note") from InCarda for a total purchase price of \$0.4 million. The InCarda Convertible Note bears an annual interest rate of 8% and shall be due and payable upon the earlier to occur of certain events defined in the InCarda Convertible Note. The InCarda Convertible Note will convert into equity securities or shadow equity securities of InCarda depending upon the occurrence of a qualified event or a qualified financing event as also defined in the InCarda Convertible Note. The InCarda Convertible Note is secured by certain intellectual property rights of InCarda.

As of March 31, 2024 and June 30, 2024 and December 31, 2023, we held 9.1% and 8.1%, respectively, of InCarda equity ownership. Our investment in InCarda does not provide us with the ability to control or have significant influence over InCarda's operations. Based on our evaluation, we determined that InCarda is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

With the exception of the InCarda Convertible Note and the InCarda Series D Warrants, we account for our investments in InCarda under the measurement alternative. Under the measurement alternative, the equity investment is initially recorded at its allocated cost, but the carrying value may be adjusted through earnings upon an impairment or when there is an observable price change involving the same or a similar investment with the same issuer. Due to InCarda's equity recapitalization in the second quarter of 2022, TRC reassessed the value of its investments in InCarda using the Option Pricing Model Backsolve valuation methodology. Key assumptions used in the valuation model included an expected holding period of two years, a risk-free interest rate of 3.2%, a dividend yield of 0.0% and an estimated volatility of 122.0%. The estimated volatility was calculated based on the historical volatility of a selected peer group of public companies comparable to InCarda. We recognized an impairment charge of \$9.0 million during the second quarter of 2022. We account for the InCarda Convertible Note as a trading security, measured at fair value.

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, we recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets \$4.8 million in fair value carrying amount of InCarda's Series C preferred stock and \$0.1 million in fair value of the InCarda Series D Warrants. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, we recognized as equity and long-term investments in the unaudited condensed consolidated balance sheets \$2.7 million, for InCarda's Series D-1 preferred stock, Series D-2 preferred stock, and common stock using the measurement alternative. As of **March 31, 2024** **June 30, 2024**, we recorded \$0.4 million in fair value of the InCarda Convertible Note as equity and long-term investments in the unaudited condensed consolidated balance sheet. During the three and six months ended **March 31, 2024** **June 30, 2024**, there was immaterial change changes in the carrying amount of our investments. During the three and six months ended **March 31, 2023** **June 30, 2023**, we recorded \$0.1 2.9 million and \$3.0 million, respectively, in net unrealized loss as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income.

Equity Investment in ImaginAb

On March 18, 2021, TRC entered into a securities purchase agreement with ImaginAb, to purchase 4,051,724 shares of ImaginAb Series C preferred stock for \$4.7 million. On the same day, TRC also entered into a securities purchase agreement with one of ImaginAb's common stockholders to purchase 4,097,157 shares of ImaginAb common stock for \$1.3 million. ImaginAb is a privately held biotechnology company focused on clinically managing cancer and autoimmune diseases via molecular imaging. \$0.4 million was incurred for investment due diligence costs and execution and recorded as part of the equity investment in the condensed consolidated balance sheets.

On July 20, 2022, under the terms of the TRC Equity Purchase Agreement, TRC transferred to ITH all of TRC's ownership interests and investments in ImaginAb.

On March 14, 2023, ITH entered into a securities purchase agreement with ImaginAb to purchase 270,568 shares of ImaginAb Series C-2 preferred stock for \$0.6 million. On September 14, 2023, ITH entered into a securities purchase agreement with ImaginAb to purchase another 405,852 shares of ImaginAb Series C-2 preferred stock for \$0.6 million.

On February 23, 2024, ITH purchased a subordinated convertible promissory note (the "ImaginAb Convertible Note") from ImaginAb for a total purchase price of \$2.7 million. The ImaginAb Convertible Note bears an annual interest rate of 10% and shall be due and payable upon the earlier to occur of January 31, 2025 and certain events defined in the ImaginAb Convertible Note. Under certain circumstances, the ImaginAb Convertible Note is convertible at the option of ITH into ImaginAb's equity securities at defined conversion prices. The ImaginAb Convertible Note is subordinate to certain existing indebtedness of ImaginAb as defined in the ImaginAb Convertible Note.

As of **March 31, 2024** **June 30, 2024**, one of ImaginAb's six board members was designated by ITH. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, we held 11.8% and 12.4%, respectively, of ImaginAb equity ownership.

Our investment in ImaginAb does not provide us with the ability to control or have significant influence over ImaginAb's operations. Based on our evaluation, we determined that ImaginAb is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

Because ImaginAb's equity securities are not publicly traded and do not have a readily determinable fair value, we account for our investment in ImaginAb's Series C preferred stock, Series C-2 preferred stock and common stock using the measurement alternative. We account for the ImaginAb Convertible Note as a trading security, measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of risk-free rate, volatility of stock price and timing of certain qualified events. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, our investment in ImaginAb's Series C preferred stock, Series C-2

preferred stock and common stock amounted to \$7.6 million and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. As of **March 31, 2024** **June 30, 2024**, we recorded **\$2.9** **3.0** million in fair value of the ImaginAb Convertible Note as equity and long-term investments in the unaudited condensed consolidated balance sheet. During the three **and six** months ended **March 31, 2024** **June 30, 2024**, we recorded **\$0.2** **0.1** million **and \$0.3 million, respectively**, in net unrealized **loss** **gain** on the ImaginAb Convertible Note as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income. There was no change in the carrying amount of our equity investments in ImaginAb.

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Convertible Promissory Note in Gate Neurosciences

On November 24, 2021, TRC entered into a Convertible Promissory Note Purchase Agreement with Gate to acquire a convertible promissory note (the "Gate Convertible Note") with a principal amount of \$15.0 million. Gate is a privately held biopharmaceutical company focused on developing the next generation of targeted nervous system therapies, leveraging precision medicine approaches to develop breakthrough drugs for psychiatric and neurologic diseases. The investment is intended to fund Gate's ongoing development and research. The Gate Convertible Note bears an annual interest rate of 8% and will convert into shares of common stock of Gate upon a qualified event or into shares of shadow preferred stock of Gate ("Shadow Preferred") upon a qualified financing. A qualifying event can be a qualified initial price offering, a qualified merger, or a merger with a special-purpose acquisition company ("SPAC"). Shadow Preferred means preferred stock having identical rights, preferences and restrictions as the preferred stock that would be issued in a qualified financing.

The number of common stock shares to be issued in a qualified event shall be equal to the amount due on the conversion date divided by the lesser of a capped conversion price (the "Capped Conversion Price") and the qualified event price (the "Qualified Event Price"). The Capped Conversion Price is calculated as \$50.0 million divided by the number of shares of common stock outstanding at such time on a fully diluted basis. The Qualified Event Price is the price per share determined by the qualified event. A qualified financing is a sale or series of sales of preferred stock where (i) at least 50 percent of counterparties are not existing shareholders, (ii) net proceeds to Gate are at least \$35.0 million, and (iii) the stated or implied equity valuation of Gate is at least \$80.0 million.

On July 20, 2022, under the terms of the TRC Equity Purchase Agreement, TRC transferred to ITH all of TRC's debt investments in Gate.

On February 2, 2023, ITH entered into a Note Amendment Agreement (the "Note Amendment Agreement") with Gate to amend the Gate Convertible Note. Pursuant to the Note Amendment Agreement, the principal amount of the Gate Convertible Note was increased from \$15.0 million to \$21.5 million, which represents the original principal and accrued interest as of the first amendment date and an additional cash investment of \$5.0 million. All other material terms of the Gate Convertible Note were unchanged.

On October 6, 2023, ITH entered into a Second Note Amendment Agreement with Gate to amend the Note Amendment Agreement. Pursuant to the Second Note Amendment Agreement, the principal amount of the Gate Convertible Note was increased from \$21.5 million to \$27.7 million, which represents the principal and accrued interest as of the second amendment date and an additional cash investment of \$5.0 million. All other material terms of the Gate Convertible Note were unchanged.

On February 13, 2024, ITH entered into a Third Note Amendment Agreement with Gate to amend the Gate Convertible Note. Pursuant to the Third Note Amendment Agreement, the principal amount of the Gate Convertible Note was increased from \$27.7 million to \$33.5 million, which represents the principal and accrued interest as of the third amendment date and an additional cash investment of \$5.0 million. All other material terms of the Gate Convertible Note were unchanged.

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We have accounted for the Gate Convertible Note as a trading security, measured at fair value using a Monte Carlo simulation model with the probability of certain qualified events and the assumptions of equity value of Gate, risk-free rate, expected stock price, volatility of its peer companies, and the time until a financing is raised. As of

March 31, 2024 June 30, 2024 and December 31, 2023, the fair value of the Gate Convertible Note was estimated at \$33.2 33.5 million and \$28.0 million, respectively, and recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets. We recorded \$0.6 0.3 million unrealized gain and \$0.7 0.3 million unrealized loss for the three and six months ended June 30, 2024, respectively, as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statements of income and comprehensive income. We recorded \$0.6 million in unrealized gain and a minimal amount in unrealized loss as changes in fair values of equity and long-term investments, net in the unaudited condensed consolidated statement of income for the three and six months ended March 31, 2024 and 2023, June 30, 2023, respectively.

Equity Investment in Nanolive

On February 18, 2022, TRC entered into an investment and shareholders agreement with Nanolive to purchase 18,750,000 shares of Nanolive Series C preferred stock for \$9.8 million (equivalent to 9.0 million CHF). Nanolive SA is a Swiss privately held life sciences company focused on developing breakthrough imaging solutions that accelerate research in growth industries such as drug discovery and cell therapy. \$0.7 million was incurred for investment due diligence costs and execution and recorded as part of the equity and long-term investment in the condensed consolidated balance sheets. On July 20, 2022, under the terms of the TRC Equity Purchase Agreement, TRC transferred to ITH all of TRC’s ownership interests and investments in Nanolive. ITH has the right to designate one member to Nanolive’s board. ITH also has the right to designate another member, who will be mutually acceptable to ITH and another stockholder, to Nanolive’s board. As of March 31, 2024 June 30, 2024, no Innoviva designee is serving on Nanolive’s seven six-member board. As of March 31, 2024 June 30, 2024 and December 31, 2023, we held 15.3% of Nanolive equity ownership.

Our investment in Nanolive does not provide us with the ability to control or have significant influence over Nanolive’s operations. Based on our evaluation, we determined that Nanolive is a VIE, but we are not the primary beneficiary of the VIE. We have not provided financial or other support that we were not previously contractually required to provide during the periods presented. Our maximum exposure to loss is equal to the amount we invested in the entity.

Because Nanolive’s equity securities are not publicly traded and do not have a readily determinable fair value, we account for our investment in Nanolive’s Series C preferred stock using the measurement alternative. As of March 31, 2024 June 30, 2024 and December 31, 2023, \$10.6 million was recorded as equity and long-term investments in the unaudited condensed consolidated balance sheets and there was no change to the carrying amount of our investment.

Available-for-Sale Securities

The estimated fair value of available-for-sale securities is based on quoted market prices for these investments that were based on prices obtained from a commercial pricing service. Available-for-sale securities are summarized below:

(In thousands)	March 31, 2024				June 30, 2024			
	Amortized	Gross		Estimated	Amortized	Gross		Estimated
		Unrealized	Unrealized			Unrealized	Unrealized	
	Cost	Gains	Losses	Fair Value	Cost	Gains	Losses	Fair Value
Money market funds ⁽¹⁾	\$ 151,836	\$ —	\$ —	\$ 151,836	\$ 201,452	\$ —	\$ —	\$ 201,452
Total	\$ 151,836	\$ —	\$ —	\$ 151,836	\$ 201,452	\$ —	\$ —	\$ 201,452

⁽¹⁾ Money market funds are included in cash and cash equivalents in the condensed consolidated balance sheets.

(In thousands)	December 31, 2023			
	Amortized	Gross		Estimated
		Unrealized	Unrealized	
	Cost	Gains	Losses	Fair Value
Money market funds ⁽¹⁾	\$ 170,706	\$ —	\$ —	\$ 170,706
Total	\$ 170,706	\$ —	\$ —	\$ 170,706

⁽¹⁾ Money market funds are included in cash and cash equivalents in the condensed consolidated balance sheets.

As of March 31, 2024, June 30, 2024 and December 31, 2023, all available-for-sale investments were money market funds, and there was no credit loss recognized.

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Fair Value Measurements

Our available-for-sale securities, equity and long-term investments and contingent value rights are measured at fair value on a recurring basis and our debt is carried at amortized cost basis.

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of March 31, 2024 Using:				Estimated Fair Value Measurements as of June 30, 2024 Using:			
	Quoted Price				Quoted Price			
	in Active		Significant	Total	in Active		Significant	Total
	Markets for	Other	Significant		Markets for	Other	Significant	
	Identical	Observable	Unobservable		Identical	Observable	Unobservable	
	Assets	Inputs	Inputs		Assets	Inputs	Inputs	
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets								
Money market funds	\$ 151,836	\$ —	\$ —	\$ 151,836	\$ 201,452	\$ —	\$ —	\$ 201,452
Investments held by ISP Fund LP ⁽¹⁾	225,521	—	61,618	287,139	208,355	—	61,634	269,989
Equity investment - Armata Common Stock	104,821	—	—	104,821	68,961	—	—	68,961
Equity investment - Armata Warrants	—	47,067	—	47,067	—	22,819	—	22,819
Equity investment - InCarda Warrants	—	—	75	75	—	—	75	75
Convertible debt investment - Armata Note	—	—	64,254	64,254	—	—	47,670	47,670
Term loan investment - Armata July 2023 Term Loan	—	—	27,426	27,426	—	—	28,003	28,003
Term loan investment - Armata March 2024 Term Loan	—	—	35,479	35,479	—	—	36,373	36,373
Convertible debt investment - InCarda Note	—	—	436	436	—	—	436	436
Convertible debt investment - ImaginAb Note	—	—	2,894	2,894	—	—	2,972	2,972
Convertible debt investment - Gate Note	—	—	33,201	33,201	—	—	33,493	33,493
Total assets measured at estimated fair value	\$ 482,178	\$ 47,067	\$ 225,383	\$ 754,628	\$ 478,768	\$ 22,819	\$ 210,656	\$ 712,243
Liabilities								
Debt								
2025 Notes	\$ —	\$ 205,325	\$ —	\$ 205,325	\$ —	\$ 210,948	\$ —	\$ 210,948
2028 Notes	—	230,333	—	230,333	—	231,625	—	231,625
Total fair value of debt	\$ —	\$ 435,658	\$ —	\$ 435,658	\$ —	\$ 442,573	\$ —	\$ 442,573
Contingent value rights	—	—	325	325	—	—	214	214
Total liabilities measured at estimated fair value	\$ —	\$ 435,658	\$ 325	\$ 435,983	\$ —	\$ 442,573	\$ 214	\$ 442,787

⁽¹⁾ The investments held by ISP Fund LP consisted of \$225.7 million in equity investments, which included private placement positions of \$61.6 million and \$61.4 million in money market funds cash and interest receivable, cash. A certain portion of the total capital contribution of \$300.0 million is no longer subject to a 36-month lock-up period from the date of such capital contribution. However, we did not elect to make a withdrawal in 2023, thereby extending the lock-up period and withdrawal elections into subsequent years.

Types of Instruments (In thousands)	Estimated Fair Value Measurements as of December 31, 2023				Estimated Fair Value Measurements as of December 31, 2023 Using:			
	Using:							
	Quoted Price				Quoted Price			
	in Active	Significant			in Active	Significant		
	Markets for	Other	Significant		Markets for	Other	Significant	
	Identical	Observable	Unobservable		Identical	Observable	Unobservable	
	Assets	Inputs	Inputs		Assets	Inputs	Inputs	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Money market funds	\$ 170,706	\$ —	\$ —	\$ 170,706	\$ 170,706	\$ —	\$ —	\$ 170,706
Investments held by ISP Fund LP ⁽¹⁾	251,207	—	60,605	311,812	251,207	—	60,605	311,812
Equity investment - Armata Common Stock	81,249	—	—	81,249	81,249	—	—	81,249
Equity investment - Armata Warrants	—	35,297	—	35,297	—	35,297	—	35,297
Convertible debt investment - Armata Note			51,883	51,883	—	—	51,883	51,883
Term loan investment - Armata July 2023 Term Loan	—	—	27,044	27,044	—	—	27,044	27,044
Convertible debt investment - Gate Note	—	—	27,972	27,972	—	—	27,972	27,972
Total assets measured at estimated fair value	\$ 503,162	\$ 35,297	\$ 167,504	\$ 705,963	\$ 503,162	\$ 35,297	\$ 167,504	\$ 705,963
Liabilities								
Debt								
2025 Notes	—	200,407	—	200,407	—	200,407	—	200,407
2028 Notes	—	227,070	—	227,070	—	227,070	—	227,070
Total fair value of debt	\$ —	\$ 427,477	\$ —	\$ 427,477	\$ —	\$ 427,477	\$ —	\$ 427,477
Contingent value rights	—	—	359	359	—	—	359	359
Total liabilities at estimated fair value	\$ —	\$ 427,477	\$ 359	\$ 427,836	\$ —	\$ 427,477	\$ 359	\$ 427,836

⁽¹⁾ The investments held by ISP Fund LP consisted of \$248.5 million in equity investments, which included private placement positions of \$60.6 million, and \$62.9 million in money market funds. A certain portion of the total capital contribution of \$300.0 million is no longer subject to a 36-month lock-up period from the date of such capital contribution. However, we did not elect to make a withdrawal in 2023, thereby extending the lock-up period and withdrawal elections into subsequent years.

There were no transfers between Level 1, Level 2 or Level 3 during the periods presented.

The fair values of our equity investments in Armata's common stock and publicly traded investments held by ISP Fund LP are based on the quoted prices in active markets and are classified as Level 1 financial instruments. The fair values of the warrants in Armata classified within Level 2 are based upon observable inputs that may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

The Gate Convertible Note, the Armata Convertible Note, the Armata July 2023 Term Loan, the Armata March 2024 Term Loan, the InCarda Convertible Note, the InCarda Warrants, the ImaginAb Convertible Note, private placement positions held by ISP Fund LP, and contingent value rights are classified as Level 3 financial instruments as these securities are not publicly traded and the assumptions used in the valuation model for valuing these securities are based on significant unobservable and observable

inputs including those of publicly traded peer companies. There are uncertainties on the fair value measurement of the instruments classified under Level 3 due to the use of unobservable inputs and interrelationships between these unobservable inputs, which could result in higher or lower fair value measurements.

The fair values of our 2025 Notes and 2028 Notes are based on recent trading prices of the respective instruments.

7. Goodwill and Intangible Assets

Goodwill and intangible assets acquired are recognized at fair value as of the acquisition date. We recognized goodwill of \$11.5 million and \$6.4 million from our acquisitions of Entasis and La Jolla, respectively, in 2022. The carrying amount of goodwill

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as of March 31, 2024 June 30, 2024 and December 31, 2023 was \$17.9 million. We have not recognized any impairment losses related to goodwill during the periods presented.

Intangible assets with definite lives are amortized over their estimated useful lives. The carrying basis and accumulated amortization of recognized intangible assets as of March 31, 2024 June 30, 2024 and December 31, 2023 were as follows:

(In thousands)	March 31, 2024				June 30, 2024			
	Useful Life	Gross	Accumulated	Net Carrying	Useful Life	Gross	Accumulated	Net Carrying
	(Years)	Amount	Amortization	Amount	(Years)	Amount	Amortization	Amount
Marketed products	8-10	\$ 219,700	\$ (30,763)	\$ 188,937	8-10	\$ 219,700	\$ (36,321)	\$ 183,379
In-process research and development		2,600	—	\$ 2,600		2,600	—	\$ 2,600
Collaboration agreement	10	35,400	(3,042)	\$ 32,358	10	35,400	(3,924)	\$ 31,476
Total		\$ 257,700	\$ (33,805)	\$ 223,895		\$ 257,700	\$ (40,245)	\$ 217,455

(In thousands)	December 31, 2023			
	Useful Life	Gross	Accumulated	Net Carrying
	(Years)	Amount	Amortization	Amount
Marketed products	8-10	\$ 219,700	\$ (25,204)	\$ 194,496
In-process research and development		2,600	—	2,600
Collaboration agreement	10	35,400	(2,161)	33,239
Total		\$ 257,700	\$ (27,365)	\$ 230,335

Intangible assets recognized as a result of the acquisition of Entasis amounted to \$106.7 million, which consisted of Entasis' in-process research and development related to its antibacterial therapeutic product candidates and a collaboration agreement amounting to \$71.3 million and \$35.4 million, respectively. Following the FDA approval of XACDURO® in May 2023, we started amortizing \$68.7 million of the then in-process research and development as a marketed product, as well as the collaboration agreement, over their estimated useful lives. The useful life of the remaining in-process research and development of \$2.6 million will be determined upon commercialization of the underlying product candidate; thus, no amortization expense for this intangible asset was recognized for the periods presented.

Intangible assets recognized as a result of the acquisition of La Jolla amounting to \$151.0 million pertain to product rights and developed technologies on La Jolla's currently marketed products. These are intangible assets with determinable lives and are amortized over their estimated useful lives.

We recognized amortization expense of \$6.4 million and \$3.8 12.9 million for the three and six months ended March 31, 2024 June 30, 2024, respectively. We recognized amortization expense of \$5.0 million and 2023, \$8.8 million for the three and six months ended June 30, 2023, respectively. Future amortization expense is expected to be \$19.4 12.9 million for the remainder of 2024, \$25.8 million for each of the years from 2025 to 2028 and \$98.7 million thereafter.

8. Balance Sheet Components

Inventory

Inventory consisted of the following:

(in thousands)	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Raw materials	\$ 9,525	\$ 11,257	\$ 9,525	\$ 11,257
Work-in-process	20,196	15,670	22,802	15,670
Finished goods	7,716	13,810	4,337	13,810
Total inventory	<u>\$ 37,437</u>	<u>\$ 40,737</u>	<u>\$ 36,664</u>	<u>\$ 40,737</u>

As of **March 31, 2024** **June 30, 2024** and December 31, 2023, total inventory included net fair value adjustments resulting from the acquisition of La Jolla of approximately **\$16.1** **12.7** million and \$23.0 million, respectively, which will be amortized and recognized as cost of products sold when sales occur in future periods. The fair value adjustments recorded as part of cost of products sold amounted to **\$6.8** **3.5** million and **\$10.3** million, respectively, for the three and six months ended June 30, 2024. **The fair value adjustments recorded as**

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part of cost of products sold amounted to **\$7.0** million and **\$13.8** million for the three **and six** months ended **March 31, 2024 and 2023** **June 30, 2023**, respectively.

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Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in thousands)	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Accrued contract manufacturing expenses	\$ 2,197	\$ 1,966	\$ 1,052	\$ 1,966
Accrued clinical and research expenses	554	776	460	776
Accrued professional services	10,936	8,876	5,988	8,876
Current portion of lease liabilities	1,268	1,207	1,451	1,207
Current portion of deferred royalty obligations	663	—		
Royalty obligation payable	2,531	1,928	2,646	1,928
Accrued license fees and royalties	1,136	1,575	1,465	1,575
Other	5,125	3,370	3,408	3,370
Total other accrued liabilities	<u>\$ 23,747</u>	<u>\$ 19,698</u>	<u>\$ 17,133</u>	<u>\$ 19,698</u>

Other Long-term Liabilities

Other long-term liabilities consisted of the following:

(in thousands)	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Long-term portion of deferred royalty obligation	\$ 70,057	\$ 69,876	\$ 69,868	\$ 69,876
Long-term portion of lease liabilities	1,304	\$ 1,635	1,983	\$ 1,635
Contingent value rights liability	325	359	214	359
Total other long-term liabilities	\$ 71,686	\$ 71,870	\$ 72,065	\$ 71,870

9. Stock-Based Compensation

Stock- Based Compensation Expense

The following table summarizes stock-based compensation expense:

(In thousands)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Selling, general and administrative	\$ 1,358	\$ 1,152	\$ 1,567	\$ 1,042	\$ 2,925	\$ 2,194
Research and development	97	446	76	478	173	924
Total	\$ 1,455	\$ 1,598	\$ 1,643	\$ 1,520	\$ 3,098	\$ 3,118

Valuation Assumptions

Black-Scholes-Merton assumptions used in calculating the estimated value of stock options granted by Innoviva on the date of grant were as follows:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Risk-free interest rate	4.1% - 4.3%	3.7% - 4.0%	4.3% - 4.6 %	3.50% - 3.76%	4.1% - 4.6%	3.50% - 4.0%
Expected term (in years)	5.90 - 6.15	5.16 - 6.11	5.07 - 6.13	5.50 - 6.16	5.07 - 6.15	5.16 - 6.16
Volatility	36.7% - 36.8%	38.1% - 38.5%	36.0%	38.0%	36.0 % - 36.8%	38.0% - 38.5%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted-average estimated fair value of stock options granted	\$4.97 - \$6.93	\$5.40 - \$5.42	\$6.21 - \$6.71	\$5.22 - \$5.64	\$4.97 - \$6.93	\$5.22 - \$5.64

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10. Stockholders' Equity

On October 31, 2022, our board of directors authorized a new share repurchase program under which we may repurchase up to \$100.0 million of our outstanding shares of common stock. The repurchase program authorizes authorized the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan in accordance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), privately negotiated transactions, in block trades, accelerated share repurchase transactions, exchange transactions, or any combination thereof or by other means in accordance with federal securities laws. The authorization permits permitted management to repurchase shares of the Company's common stock from time to time at management's discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The actual means and timing of any shares purchased under the share repurchase program will depend on a variety of factors, including ongoing assessments of the capital needs of the business, the market price of

our common stock, prevailing stock prices, general market conditions and other considerations. This program has no termination date, may be suspended or discontinued at any time at our discretion, and does not obligate us was completed in April 2024. From January to acquire any amount of common stock. For the three months ended March 31, 2024, April 2024, we have repurchased 634,107 986,928 shares in the open market at an average price of \$15.24 15.12 per share for a total amount of approximately \$9.7 14.9 million. All the repurchased shares were retired. Subsequent to March 31, 2024 and through April 25, 2024,

In April 2024, we completed retired all the program by repurchasing 352,821 shares held in treasury resulting from our strategic buyback of GSK's common shares in the open market at an average price Company in 2021. We recorded the corresponding cost of treasury stock of \$14.91 393.8 per share for a total amount of approximately \$5.3 million. million in additional paid-in capital.

11. Debt

Our debt consists of the following:

(In thousands)	March 31,	December 31,	June 30,	December 31,
	2024	2023	2024	2023
2025 Notes	\$ 192,500	\$ 192,500	\$ 192,500	\$ 192,500
2028 Notes	261,000	261,000	261,000	261,000
Total debt	453,500	453,500	453,500	453,500
Less: Unamortized debt discount and issuance costs	(6,741)	(7,266)	(6,218)	(7,266)
Total long-term debt, net	\$ 446,759	\$ 446,234	\$ 447,282	\$ 446,234

Convertible Subordinated Notes Due 2023

In January 2013, we completed an underwritten public offering of \$287.5 million aggregate principal amount of our 2023 Notes, which matured on January 15, 2023.

The remaining balance of the 2023 Notes of \$96.2 million was fully paid upon the maturity date.

Convertible Senior Notes Due 2025

On August 7, 2017, we completed a private placement of \$192.5 million aggregate principal amount of our 2025 Notes. The proceeds include the 2025 Notes sold pursuant to the \$17.5 million over-allotment option granted by us to the initial purchasers, which option was exercised in full. The 2025 Notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The 2025 Notes are senior unsecured obligations and bear interest at a rate of 2.5% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2018.

The 2025 Notes are convertible, based on the applicable conversion rate, into cash, shares of our common stock or a combination thereof, at our election. The initial conversion rate for the 2025 Notes is 57.9240 shares of our common stock per \$1,000 principal amount of the 2025 Notes (which is equivalent to an initial conversion price of approximately \$17.26 per share), representing a 30.0% conversion premium over the last reported sale price of the Company's common stock on August 1, 2017, which was \$13.28 per share. The conversion rate is subject to customary anti-dilution adjustments in certain circumstances. The 2025 Notes will mature on August 15, 2025, unless repurchased or converted in accordance with their terms prior to such date. Prior to February 15, 2025, the 2025 Notes will be convertible at the option of the holders only upon the occurrence of specified events and during certain periods, as described below. From, and including, February 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, the 2025 Notes will be convertible at any time.

Holders of the 2025 Notes may convert all or a portion of their 2025 Notes prior to the close of business on February 15, 2025 only under the following circumstances:

- after September 30, 2017, if our closing common stock price for at least 20 days out of the most recent 30 consecutive trading days of the preceding quarter is

greater than 130% of the current conversion price of the 2025 Notes;

- for five consecutive business days, if the average trading price per \$1,000 of Notes during the prior 10 consecutive trading days is less than 98% of the product of our closing common stock price and the conversion rate of the 2025 Notes on such day; and,
- upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental changes (as defined in the indenture governing 2025 Notes) or a transaction resulting in our common stock converting into other securities or property or assets.

On or after February 15, 2025, holders of the 2025 Notes may convert their 2025 Notes at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2025 Notes.

In the event of default or a fundamental change (as defined above), holders of the 2025 Notes may require us to repurchase all or a portion of their 2025 Notes at price equal to 100% of the principal amount of the 2025 Notes, plus any accrued and unpaid interest.

The annual effective interest rate on the 2025 Notes is 2.88%.

Our outstanding 2025 Notes balances consisted of the following:

(In thousands)	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Principal	\$ 192,500	\$ 192,500	\$ 192,500	\$ 192,500
Debt discount and issuance costs, net	(1,024)	(1,205)	(841)	(1,205)
Net carrying amount	\$ 191,476	\$ 191,295	\$ 191,659	\$ 191,295

The following table sets forth total interest expense recognized related to the 2025 Notes for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

(In thousands)	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Contractual interest expense	\$ 1,203	\$ 1,203	\$ 1,203	\$ 1,203	\$ 2,406	\$ 2,406
Amortization of debt issuance costs	181	176	183	177	364	353
Total interest and amortization expense	\$ 1,384	\$ 1,379	\$ 1,386	\$ 1,380	\$ 2,770	\$ 2,759

Convertible Senior Notes Due 2028

In March 2022, we completed a private placement of \$261.0 million aggregate principal amount of our 2028 Notes, which will mature on March 15, 2028. The proceeds include the 2028 Notes sold pursuant to the \$45.0 million over-allotment option granted by us to the initial purchasers, of which \$36.0 million was exercised. The 2028 Notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

The net proceeds from the sale of the \$261.0 million aggregate principal amount of 2028 Notes were approximately \$252.6 million after deducting the initial purchasers' discounts and commissions and our estimated offering expenses. We used approximately \$21.0 million of the net proceeds from the offering to fund the cost of entering into the capped call transactions described below. In addition, we used \$165.6 million of the remaining net proceeds to repurchase \$144.8 million aggregate principal amount of the 2023 Notes in separate and individually negotiated transactions with certain holders of the 2023 Notes, which closed concurrently with the issuance of the 2028 Notes. We expect to use the remaining net proceeds for general corporate purposes.

The 2028 Notes bear interest at an annual rate of 2.125% that is payable semi-annually in arrears in cash on March 15 and September 15 of each year, beginning on September 15, 2022.

The 2028 Notes are convertible, based on the applicable conversion rate, into cash, shares of our common stock or a combination thereof, at our election. The initial conversion rate was 38.1432 shares per \$1,000 principal amount of the 2028 Notes, subject to customary anti-dilution adjustment in certain circumstances, which represented an initial conversion price of approximately \$26.22 per share.

Prior to September 15, 2027, the 2028 Notes will be convertible at the option of the holders only upon the occurrence of specified events and during certain periods, and will be convertible on or after September 15, 2027, at any time until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2028 Notes.

Holders of the 2028 Notes may convert all or a portion of their 2028 Notes prior to the close of business on September 15, 2027, only under the following circumstances:

- after March 31, 2022, if our closing common stock price for at least 20 days out of the most recent 30 consecutive trading days of the preceding quarter is greater than 130% of the current conversion price of the 2028 Notes;
- for five consecutive business days, if the average trading price per \$1,000 of Notes during the prior 10 consecutive trading days is less than 98% of the product of our closing common stock price and the conversion rate of the 2028 Notes on such day; and,
- upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental changes (as defined in the indenture governing 2028 Notes) or a transaction resulting in our common stock converting into other securities or property or assets.

On or after September 15, 2027, holders of the 2028 Notes may convert their 2028 Notes at any time until the close of the business on the second day immediately preceding the maturity date of the 2028 Notes.

The 2028 Notes will be redeemable, in whole or in part, at our option at any time, and from time to time, on or after March 20, 2025, and on or before the 75th scheduled trading day immediately before the maturity date but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price for a specified period of time. The redemption price will be equal to the principal amount of the 2028 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, calling any 2028 Note for redemption will constitute a make-whole fundamental change (as defined in the indenture governing the 2028 Notes) with respect to that 2028 Note, in which case the conversion rate applicable to the conversion of that 2028 Note will be increased in certain circumstances if it is converted after it is called for redemption.

If we undergo a fundamental change, subject to certain conditions, holders may require us to purchase for cash all or any portion of their 2028 Notes. The fundamental change purchase price will be 100% of the principal amount of the 2028 Notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date.

The indenture governing the 2028 Notes contains customary terms and covenants, including a merger covenant and that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% of the aggregate principal amount of the outstanding Notes may declare 100% of the principal of, and accrued and unpaid interest, if any, on, all the Notes to be due and payable immediately.

In connection with the offering of the 2028 Notes, we entered into privately negotiated capped call transactions. The cap price of the capped call transaction is initially \$33.9850 per share and is subject to certain adjustments under the terms of the capped call transactions. The capped call transactions cover, subject to customary adjustments, the number of shares of common stock initially underlying the 2028 Notes. The capped call transactions are expected generally to reduce potential dilution to our common stock upon conversion of the 2028 Notes or at our election (subject to certain conditions) offset any cash payments we are required to make in excess of the aggregate principal amount of converted 2028 Notes, as the case may be, with such reduction or offset subject to a cap.

The annual effective interest rate on the 2028 Notes is 2.70%.

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Our outstanding 2028 Notes balance consisted of the following:

(In thousands)	March 31,	December 31,	June 30,	December 31,
	2024	2023	2024	2023

Principal	\$ 261,000	\$ 261,000	\$ 261,000	\$ 261,000
Debt issuance costs, net	(5,717)	(6,061)	(5,377)	(6,061)
Net carrying amount	\$ 255,283	\$ 254,939	\$ 255,623	\$ 254,939

The following table sets forth total interest expense recognized related to the 2028 Notes for the three and six months ended March 31, 2024 June 30, 2024 and 2023:

(In thousands)	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023	2024	2023
Contractual interest expense	\$ 1,387	\$ 1,387	\$ 1,387	\$ 1,387	\$ 2,773	\$ 2,773
Amortization of debt issuance costs	344	335	339	331	684	666
Total interest and amortization expense	\$ 1,731	\$ 1,722	\$ 1,726	\$ 1,718	\$ 3,457	\$ 3,439

Debt Maturities

The aggregate scheduled maturities of our convertible debt as of March 31, 2024 June 30, 2024 were as follows:

(In thousands)	March 31, 2024	June 30, 2024
Years ending December 31:		
Remainder of 2024	\$ —	\$ —
2025	192,500	192,500
2026	—	—
2027	—	—
2028	261,000	261,000
Total	\$ 453,500	\$ 453,500

Deferred Royalty Obligation

As part of our acquisition of La Jolla, we recorded the fair value of its deferred royalty obligation in connection with La Jolla's royalty financing agreement ("La Jolla Royalty Agreement") with HealthCare Royalty Partners ("HCR"). Under the terms of the La Jolla Royalty Agreement, HCR is entitled to receive quarterly royalties on worldwide net sales of GIAPREZA® until either January 1, 2031 or when the maximum aggregate royalty payments have been made, whichever occurs first. Quarterly payments to HCR under the Royalty Agreement start at a maximum royalty rate, with step-downs based on the achievement of annual net product sales thresholds. The maximum royalty rate through December 31, 2013 December 31, 2023 was 14%. Starting January 1, 2024, the maximum royalty rate was increased to 18% based on the terms of the agreement. The La Jolla Royalty Agreement is subject to maximum aggregate royalty payments to HCR of \$225.0 million.

For the three and six months ended March 31, 2024 and 2023, June 30, 2024, we recognized interest expense of \$2.7 million and \$1.2 5.5 million, respectively. The carrying value of the deferred royalty obligation as of March 31, 2024 June 30, 2024 and December 31, 2023 was \$70.1 70.5 million and \$69.9 million, respectively (refer to Note 8 "Balance Sheet Components"). During the three six months ended March 31, 2024 June 30, 2024, we made royalty payments to HCR of \$1.9 4.1 million. The deferred royalty obligation was valued using Level 3 inputs, and its carrying value as of March 31, 2024 June 30, 2024 approximates fair value. The fair value of the deferred royalty obligation was calculated as the discounted deferred royalty obligations based on risk-adjusted revenue projections for GIAPREZA®. The annual effective interest rate of the deferred royalty obligation for the current period is 16.62 16.52%.

Under the terms of the La Jolla Royalty Agreement, if we are unable to meet certain obligations, including the obligation to use commercially reasonable and diligent efforts to commercialize GIAPREZA®, HCR would have the right to terminate the La Jolla Royalty Agreement and demand payment of either \$125.0 million or \$225.0 million (depending on which obligation we have failed to meet) less aggregate royalties already paid to HCR. As of March 31, 2024 June 30, 2024, inclusive of the aggregate royalties paid to HCR by La Jolla under the La Jolla Royalty Agreement prior to our acquisition, La Jolla paid \$20.0 22.1 million of aggregate royalties to HCR. In the event that we fail to pay such amount if and when due in a timely manner, HCR would have the right to foreclose on the GIAPREZA®-related assets. HCR has no recourse against any asset other than GIAPREZA®.

Certain contract provisions within the La Jolla Royalty Agreement that could result in an acceleration of amounts due under the La Jolla Royalty Agreement are recognized as embedded derivatives that require bifurcation from the deferred royalty obligation and fair value recognition. We determined the fair value of each derivative by assessing the probability of each event occurring, as well as the potential repayment amounts and timing of such repayments that would result under various scenarios. As a result of this assessment, we determined that the fair value of the embedded derivatives is immaterial and, therefore, not recognized as of **March 31, 2024**, **June 30, 2024** and December 31, 2023. We estimate the fair value of the embedded derivatives for each reporting period until either the features lapse or the La Jolla Royalty Agreement is terminated, whichever occurs first. Any material change in the fair value of the embedded derivatives will be recorded as either a gain or loss in the unaudited condensed consolidated statements of income.

12. Commitments and Contingencies

Operating Lease

We have operating leases for our corporate headquarters, office spaces and laboratory facilities.

The components of lease cost are as follows:

(In thousands)	Three months ended March 31,		Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023	2024	2023
Straight line operating lease costs	\$ 317	\$ 357	\$ 279	\$ 362	\$ 596	\$ 719
Variable lease costs	4	48	8	47	12	95
Total lease costs	\$ 321	\$ 405	\$ 287	\$ 409	\$ 608	\$ 814

Supplemental cash flow information related to leases are as follows:

(In thousands)	Three months ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities:	\$ 320	\$ 389		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 673	\$ 778		
Operating lease right-of-use asset obtained in exchange for operating lease obligations	\$ 1,156	\$ —		

As of **March 31, 2024**, **June 30, 2024**, our operating leases have weighted-average remaining term of approximately **2.1** **2.9** years and the weighted average discount rate on our operating lease liabilities was **7.5** **7.2**%.

Future minimum payments on our operating leases as of **March 31, 2024**, **June 30, 2024** were as follows:

(In thousands)	March 31, 2024	June 30, 2024
Years ending December 31:		
Remainder of 2024	\$ 1,052	\$ 792
2025	1,428	1,705
2026	143	435
2027	149	455
2028	325	
Thereafter	83	
Total undiscounted lease payments	2,772	3,795
Less: imputed interest	(200)	(361)
Total operating lease liabilities	\$ 2,572	\$ 3,434

Purchase Commitments

In April 2024, we entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments through December 31, 2027. As of June 30, 2024, we have approximately \$9.7 million, \$6.8 million, \$7.6 million and \$6.1 million in outstanding purchase commitments under the agreement for the remainder of 2024 and for the years 2025, 2026 and 2027, respectively.

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Legal Proceedings

From time to time, the Company is involved in legal proceedings in the ordinary course of its business. We are not currently a party to any material legal proceedings except as discussed below.

On February 15, 2022, La Jolla received a paragraph IV notice of certification (the "First Notice Letter") from Gland Pharma Limited ("Gland") advising that Gland had submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking approval to manufacture, use or sell a generic version of GIAPREZA® in the U.S. prior to the expiration of U.S. Patent Nos.: 9,220,745; 9,572,856; 9,867,863; 10,028,995; 10,335,451; 10,493,124; 10,500,247; 10,548,943; 11,096,983; and 11,219,662 (the "GIAPREZA® Patents"), which are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book"). The First Notice Letter alleges that the GIAPREZA® Patents are invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of the generic product described in Gland's ANDA.

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On March 29, 2022, La Jolla filed a complaint for patent infringement of the GIAPREZA® Patents against Gland and certain related entities in the United States District Court for the District of New Jersey in response to Gland's ANDA filing. In accordance with the Hatch-Waxman Act, because GIAPREZA® is a new chemical entity and La Jolla filed a complaint for patent infringement within 45 days of receipt of the First Notice Letter, the FDA cannot approve Gland's ANDA any earlier than 7.5 years from the approval of the GIAPREZA® NDA unless the District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable and/or not infringed.

On February 22, 2023, La Jolla received a paragraph IV notice of certification (the "Second Notice Letter") from Gland advising that Gland had amended its ANDA filing to include a paragraph IV certification alleging that all claims of the newly-issued and Orange Book-listed U.S. Patent No. 11,559,559 (the "'559 Patent"), which covers GIAPREZA®, are invalid, unenforceable and/or not infringed.

On March 22, 2023, La Jolla filed a First Amended Complaint in this litigation adding Gland's marketing and distribution partners for its ANDA angiotensin II product, Fresenius Kabi USA LLC and Fresenius Kabi SwissBiosim GmbH (collectively, the "Fresenius Kabi Defendants"), as co-defendants. On April 7, 2023, La Jolla filed a Second Amended Complaint in response to the Second Notice Letter, adding claims that the manufacture, use, sale, offer for sale, or import of Gland's ANDA angiotensin II product will infringe the '559 Patent. On November 14, 2023, La Jolla filed a Third Amended Complaint adding additional infringement claims against the Fresenius Kabi Defendants. We intend to vigorously enforce our intellectual property rights relating to GIAPREZA®.

Fact discovery closed on March 31, 2024 and expert discovery will be expected to be complete by August 2, 2024 August 16, 2024. A trial date has not yet been set in this matter.

Given the early stage of this matter, we cannot reasonably estimate a potential future loss or a range of potential future losses, if any, and have not recorded a contingent liability accrual as of March 31, 2024 June 30, 2024.

Indemnification

In the ordinary course of business, we may provide indemnifications of varying scope and terms to vendors, directors, officers, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by us, our negligence or willful misconduct, violations of law, or intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No material demands have been made upon us to provide indemnification under such agreements, and thus, there are no claims that we are aware of that could have a material effect on our unaudited condensed consolidated financial statements. We also maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors. To date, we have not incurred any material costs and have not accrued any material liabilities in the condensed consolidated financial statements as a result of these provisions.

13. Income Taxes

We recorded a provision for income tax expense benefit of \$8.6 million and \$6.3 million for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively. income tax expense of \$4.0 million for the six months ended June 30, 2024, compared to the income tax expense of \$4.5 million and \$10.8 million for the three and six months ended June 30, 2023. The Company's effective income tax rate for the three six months ended March 31, 2024 June 30, 2024 was 19.0 68.4% compared to 15.3 25.7% for the same period in 2023. The income tax expense for the three six months ended March 31, 2024 June 30, 2024 and 2023 was determined based upon estimates of the Company's effective income tax rates in various jurisdictions. Our effective tax rate for the three six months ended March 31, 2024 June 30, 2024 was lower higher than the expense computed at the U.S. federal statutory income tax rate due primarily to valuation allowance against unrealized investment losses, state income taxes and nondeductible expenses, partially offset by foreign-derived intangible income tax deduction and R&D credit, partially offset by non-deductible expenses research and state income taxes. development credits.

14. Subsequent Event

On April 11, 2024, we entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments aggregating to approximately \$30.0 million through December 31, 2027.

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

Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements involve substantial risks, uncertainties, and assumptions. All statements contained herein, other than statements of historical fact, including, without limitation, statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, intentions, expectations, goals and objectives may be forward-looking statements. The words "anticipates," "believes," "could," "designed," "estimates," "expects," "goal," "intends," "may," "objective," "plans," "projects," "pursuing," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements

may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. All written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

Important factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to, risks related to: lower than expected future royalty revenue from respiratory products partnered with GSK, the commercialization of RELVAR[®]/BREO[®] ELLIPTA[®], ANORO[®] ELLIPTA[®], GIAPREZA[®], XERAVA[®] and XACDURO[®] in the jurisdictions in which these products have been approved; the strategies, plans and objectives of the Company (including the Company's growth strategy and corporate development initiatives); the timing, manner, and amount of potential capital returns to shareholders; the status and timing of clinical studies, data analysis and communication of results; the potential benefits and mechanisms of action of product candidates; expectations for product candidates through development and commercialization; the timing of regulatory approval of product candidates; and projections of revenue, expenses and other financial items; the impact of the novel coronavirus ("COVID-19"); the timing, manner and amount of capital deployment, including potential capital returns to stockholders; and risks related to the Company's growth strategy and risks discussed in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 29, 2024, and as amended on March 5, 2024 and March 22, 2024 ("2023 Form 10-K"), and Item 1A of Part II of our Quarterly Reports on Form 10-Q and below in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Item 2 of Part I. All forward-looking statements in this Quarterly Report on Form 10-Q are based on current expectations as of the date hereof and we do not assume any obligation to update any forward-looking statements on account of new information, future events or otherwise, except as required by law.

We encourage you to read our unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q. We also encourage you to read Item 1A of Part I of our 2023 Form 10-K and Item 1A of Part II of our Quarterly Reports on Form 10-Q entitled "Risk Factors," which contain a more complete discussion of the risks and uncertainties associated with our business. In addition to the risks described above and in Item 1A of Part I of our 2023 Form 10-K and Item 1A of Part II of this report, other unknown or unpredictable factors also could affect our results. Therefore, the information in this report should be read together with other reports and documents that we file with the SEC from time to time, including on Form 10-K, Form 10-Q and Form 8-K, which may supplement, modify, supersede or update those risk factors. As a result of these factors, we cannot assure you that the forward-looking statements in this report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all.

OVERVIEW

Executive Summary

Innoviva, Inc. (and where context requires, together with its subsidiaries referred to as "Innoviva", the "Company", or "we" and other similar pronouns) is a company with a portfolio of royalties and innovative healthcare assets. Our royalty portfolio contains respiratory assets partnered with Glaxo Group Limited ("GSK"), including RELVAR[®]/BREO[®] ELLIPTA[®] (fluticasone furoate/vilanterol, "FF/V") and ANORO[®] ELLIPTA[®] (umeclidinium bromide/ vilanterol, "UMEC/V"). Under the Long-Acting

Beta2 Agonist ("LABA") Collaboration Agreement, Innoviva is entitled to receive royalties from GSK on sales of RELVAR[®]/BREO[®] ELLIPTA[®] as follows: 15% on the first \$3.0 billion of annual global net sales and 5% for all annual global net sales above \$3.0 billion; and royalties from the sales of ANORO[®] ELLIPTA[®], which tier upward at a range from 6.5% to 10%.

We expanded our portfolio through the acquisition of Entasis Therapeutics Holdings Inc. ("Entasis") on July 11, 2022 and the acquisition of La Jolla Pharmaceutical Company ("La Jolla") on August 22, 2022. Our commercial and marketed products include GIAPREZA[®] (angiotensin II), approved to increase blood pressure in adults with septic or other distributive shock, and XERAVA[®] (eravacycline) approved for the treatment of complicated intra-abdominal infections in adults. Our third product, XACDURO[®] (formerly known as sulbactam-durlobactam or SUL-DUR), was approved by the United States Food and Drug Administration ("FDA") for the treatment of hospital-acquired and ventilator-associated pneumonias caused by *Acinetobacter* in adults on May 23, 2023. We commenced commercial sales of XACDURO[®] in the third quarter of 2023. Our development pipeline includes zoliflodacin, an investigational treatment for uncomplicated gonorrhea that reported positive data in a pivotal Phase 3 clinical trial on November 1, 2023. As such, we have a wholly owned robust critical care and infectious disease operating platform with a hospital focus anchored by three differentiated products with significant growth potential and a promising drug candidate.

In addition, we own other strategic healthcare assets, such as a large equity stake in Armata Pharmaceuticals (“Armata”), a leader in development of bacteriophages with potential use across a range of infectious and other serious diseases. We also have economic interests in other healthcare companies.

Our corporate strategy is currently focused on increasing stockholder value by, among other things, maximizing the potential value of our respiratory assets partnered with GSK, optimizing our operations and augmenting capital allocation. We continue to diversify our royalty management business through actively pursuing opportunistic acquisitions of promising companies and assets in the healthcare industry and enhancing the returns on our capital. In particular, our recent acquisitions of Entasis and La Jolla created a robust hospital and infectious disease platform.

First Second Quarter 2024 and Recent Highlights:

GSK Net Sales Financial Highlights

- First Second quarter 2024 net sales of RELVAR®/BREO® ELLIPTA® by gross royalty revenue from GSK were \$347.6 million with \$125.0 million in net sales from was \$67.2 million, compared to \$65.7 million for the U.S. market and \$222.6 million from non-U.S. markets. second quarter 2023.
- First Second quarter 2024 net product sales of ANORO were \$21.7 million, which included \$13.1 million from GIAPREZA® ELLIPTA®, \$6.2 million from XERAVA® by GSK were \$149.7 million with \$56.1 million net sales, and \$2.4 million from XACDURO®, a 38% increase compared to \$15.7 million for the U.S. market and \$93.6 million from non-U.S. markets. second quarter 2023.

Key Business and R&D Highlights

- XACDURO® (sulbactam for injection; durlobactam for injection), co-packaged for intravenous use: targeted antibacterial for the treatment of patients with HABP/VABP hospital-acquired bacterial pneumonia and ventilator-associated bacterial pneumonia (HABP/VABP) caused by susceptible isolates of *Acinetobacter baumannii calcoaceticus complex*.
 - o Following In May 2024, XACDURO® was approved in China by the launch National Medical Products Administration for use in September 2023, commercial efforts continue to deliver strong performance with growing numbers Chinese patients 18 years of health systems integrating age and older.
 - o In July 2024, XACDURO® into their protocols. was named as the preferred agent for the treatment of Carbapenem-resistant *Acinetobacter baumannii* infections, in combination with a carbapenem, in the updated 2024 IDSA treatment guidelines.
 - o In July 2024, Galien Foundation announced XACDURO® as a nominee for highly prestigious Prix Galien USA, America's preeminent prize acknowledging the leading-edge of scientific advances in life sciences, in Best Biotechnology Product category.
 - o The World Health Organization considers *Acinetobacter* a top-priority pathogen worldwide that needs novel antibiotics.
- Zoliflodacin: XERAVA®, for injection is indicated for the treatment of complicated intra-abdominal infections (cIAI) caused by susceptible microorganisms in patients 18 years or older.

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- o In July 2024, XERAVA® was named as a recommended agent for empiric therapy in the updated 2024 SIS treatment guidelines for the management of complicated intra-abdominal infections. SIS also recommended XERAVA® be reserved for high-risk patients.
- Zoliflodacin: a potential first-in-class, single dose, oral antibiotic in development for the treatment of patients with uncomplicated gonorrhea
 - o Positive Phase 3 zoliflodacin clinical trial results highlighted is currently being developed in an oral presentation given by the Company's non-profit partner, partnership with The Global Antibiotic Research & Development Partnership (GARDP), at the European Society of Clinical Microbiology and Infectious Disease Global Congress (ESCMID Global 2024).
 - o The data showed Zoliflodacin has successfully completed Phase 3 clinical trials and the results were reported at that in the micro-intent-to-treat population (n=744), zoliflodacin achieved a microbiological cure rate of 90.9%, a 5.3% difference compared to ceftriaxone and azithromycin, the current global standard of care, which achieved a 96.2% cure rate (95% CI: 1.4%, 8.7%). Microbiological cure rates at extragenital sites were comparable between treatment arms (secondary endpoints). Zoliflodacin was generally well tolerated and emergent adverse events were comparable between treatment arms (46.2% vs 46.2%). No deaths or other serious adverse events were reported.

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o ESCMID Global 2024. The Company expects a New Drug Application to be submitted submit an NDA to the U.S. FDA during the first quarter of in early :

Strategic Healthcare Assets

- Our portfolio of strategic assets under the Company's various subsidiaries was valued at \$628.4 million as of March 31, 2024, compared to \$561.0 million as of December 31, 2023. In the first quarter 2024, Innoviva invested an additional \$35.0 million in one of our assets, Armata, to help advance its lead therapeutic phase candidates. In addition, Innoviva invested an additional \$5.8 million, with accrued interest, in Gate Neurosciences ("Gate") to support its strategy of developing next generation targeted CNS therapies, and an additional \$2.7 million into ImaginAb Inc. ("ImaginAb") to support its radiopharmaceutical platform.

Corporate Updates

- In April 2024, Derek Small, an accomplished biopharmaceutical entrepreneur and executive, joined the Company's Board of Directors.

Collaboration Arrangement with GSK

LABA Collaboration

In November 2002, we entered into the LABA collaboration with GSK to develop and commercialize once-daily LABA products for the treatment of chronic obstructive pulmonary disorder ("COPD") and asthma (the "LABA Collaboration Agreement"). For the treatment of COPD, the collaboration has developed three the following combination products:

- RELVAR[®]/BREO[®] ELLIPTA[®] ("FF/VI") (BREO[®] ELLIPTA[®] is the proprietary name in the U.S. and Canada and RELVAR[®] ELLIPTA[®] is the proprietary name outside the U.S. and Canada), a once-daily combination medicine consisting of a LABA, vilanterol (VI), and an inhaled corticosteroid ("ICS"), fluticasone furoate ("FF"), and
- ANORO[®] ELLIPTA[®] ("UMEC/VI"), a once-daily medicine combining a long-acting muscarinic antagonist ("LAMA"), umeclidinium bromide ("UMEC"), with a LABA, vilanterol (VI), and
- TRELEGY[®] ELLIPTA[®] (the combination FF/UMEC/VI), a once-daily combination medicine consisting of an ICS, LAMA and LABA.

As a result of the launch and approval of RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®] in the U.S., Japan and Europe, in accordance with the LABA Collaboration Agreement, we paid milestone fees to GSK totaling \$220.0 million during the year ended December 31, 2014. Although we have no further milestone payment obligations to GSK pursuant to the LABA Collaboration Agreement, we continue to have ongoing commercialization activities under the LABA Collaboration Agreement, including participation in the joint steering committee that are expected to continue over the life of the agreement. The milestone fees paid to GSK were recognized as capitalized fees, which are being amortized over their estimated useful lives commencing upon the commercial launch of the products.

On July 20, 2022, we sold our ownership interest in TRC, which received royalty payments from GSK stemming from sales of TRELEGY[®] ELLIPTA[®]. We retained our royalty rights with respect to RELVAR[®]/BREO[®] ELLIPTA[®] and ANORO[®] ELLIPTA[®].

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe there have been no significant changes in our critical accounting policies as described in the Form 10-K for the year ended December 31, 2023 filed with the SEC on February 29, 2024, and as amended on March 5 and 22, 2024.

Results of Operations

Net Revenue

Royalty Revenue

Total royalty revenue, net, as compared to the prior year period, periods, was as follows:

(In thousands)	Three Months Ended				Three Months Ended				Six Months Ended			
	March 31,		Change		June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Royalties												
- RELVAR/BREO	\$ 52,138	\$ 50,883	\$ 1,255	2%	\$ 53,980	\$ 54,454	\$ (474)	(1)%	\$ 106,118	\$ 105,337	\$ 781	1%
Royalties												
- ANORO	9,733	9,431	302	3%	13,218	11,267	1,951	17%	22,951	20,698	2,253	11%
Total royalties	61,871	60,314	1,557	3%	67,198	65,721	1,477	2%	129,069	126,035	3,034	2%
Less: amortization of capitalized fees paid	(3,456)	(3,456)	—	*	(3,456)	(3,456)	—	*	(6,912)	(6,912)	—	*
Total net royalty revenue	\$ 58,415	\$ 56,858	\$ 1,557	3%	\$ 63,742	\$ 62,265	\$ 1,477	2%	\$ 122,157	\$ 119,123	\$ 3,034	3%

*Not Meaningful

Total net royalty revenue increased to \$58.4 million \$63.7 million and \$122.2 million for the three and six months ended March 31, 2024 June 30, 2024, compared to \$56.9 million \$62.3 million and \$119.1 million, respectively, for the same period a year ago. The increase of total net royalty revenue was primarily due to sales growth in both RELVAR®/BREO®ELLIPTA® and ANORO® ELLIPTA®.

Net Product Sales

Net product sales recognized for the three months ended March 31, 2024 June 30, 2024 was \$19.1 million \$21.7 million, consisting of net sales of GIAPREZA®, XERAVA®, and XACDURO® for \$12.1 million \$13.1 million, \$4.8 million \$6.2 million and \$2.2 million \$2.4 million, respectively. Net product sales recognized for the six months ended June 30, 2024 was \$40.7 million, consisting of net sales of GIAPREZA®, XERAVA®, and XACDURO® for \$25.2 million, \$10.9 million and \$4.6 million, respectively.

For the comparative period in 2023, our net Net product sales amounted to \$11.5 million recognized for the three months ended June 30, 2023 was \$15.7 million, consisting of net sales of GIAPREZA® and XERAVA® for \$11.2 million and \$4.5 million, respectively. Net product sales recognized for the six months ended June 30, 2023 was \$27.2 million, consisting of net sales of GIAPREZA® and XERAVA® for \$9.0 million \$20.2 million and \$2.5 million \$7.0 million, respectively. XACDURO® XACDURO® was not commercially available until September 2023.

Our net product sales increased during the periods presented as a result of increased efforts in sales and marketing of our marketed products.

License Revenue

We recognized \$8.0 million in license revenue for the first second quarter of 2023 2024 as a result of achievement of a regulatory milestone under our license agreement with Everest. Zai Lab. We also recognized \$6.5 million in license revenue for the second quarter of 2024 under the Amended Zai Agreement with Zai Lab. We recognized license revenue of \$8.0 million for the first quarter of 2023 and \$3.0 million for the second quarter of 2023 as a result of achievement of regulatory milestones under our license agreements with Everest and Zai Lab, respectively.

Cost of Products Sold

Cost of products sold, as compared to the prior year periods, were as follows:

(In thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Cost of products sold	\$ 8,472	\$ 8,979	\$ (507)	(6)%	\$ 19,443	\$ 17,728	\$ 1,715	10%

Our inventory includes net fair value adjustments resulting from the acquisition of La Jolla, which are being amortized and recognized as cost of products sold when sales occur. The fair value adjustments recorded as part of cost of products sold amounted to \$3.5 million and \$10.3 million for the three and six months ended June 30, 2024, respectively, and \$7.0 million and \$13.8 million for the three and six months ended June 30, 2023, respectively.

Research and Development

Research and development expenses, as compared to the prior year period, periods, were as follows:

(In thousands)	Three Months Ended			
	March 31,		Change	
	2024	2023	\$	%
Research and development	\$ 3,878	\$ 12,588	\$ (8,710)	(69)%

(In thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Research and development	\$ 2,560	\$ 14,989	\$ (12,429)	(83)%	\$ 6,438	\$ 27,577	\$ (21,139)	(77)%

Research and development expenses consist of the following:

(in thousands)	Three Months Ended				Six Months Ended			
	March 31,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Compensation and related personnel costs	\$ 1,561	\$ 3,472	\$ (1,911)	(55)%	\$ 3,093	\$ 6,811	\$ (3,718)	(55)%
External services	1,649	8,147	(6,498)	(80)%	2,280	18,726	(16,446)	(88)%
Facilities related	438	616	(178)	(29)%	654	1,248	(594)	(48)%
Other	230	353	(123)	(35)%				
Total research and development expense	\$ 3,878	\$ 12,588	\$ (8,710)	(69)%				

(in thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Compensation and related personnel costs	\$ 1,533	\$ 3,339	\$ (1,806)	(54)%	\$ 3,093	\$ 6,811	\$ (3,718)	(55)%
External services	630	10,579	(9,949)	(94)%	2,280	18,726	(16,446)	(88)%
Facilities related	217	632	(415)	(66)%	654	1,248	(594)	(48)%

Other	180	439	(259)	(59)%	411	792	(381)	(48)%
Total research and development expense	\$ 2,560	\$ 14,989	\$ (12,429)	(83)%	\$ 6,438	\$ 27,577	\$ (21,139)	(77)%

Research and development expenses, which are mainly attributable to post-marketing commitments required by the FDA and ongoing product developments, were \$3.9 million, \$2.6 million and \$6.4 million for the three and six months ended March 31, 2024, June 30, 2024. Research and development expenses for the three and six months ended March 31, 2023, June 30, 2023, which were mainly attributable to the product development efforts for XACDURO®, were \$12.6 million, \$15.0 million and \$27.6 million, respectively. The decrease was primarily a result of the FDA approval of XACDURO® in May 2023 and personnel transfers from the research development function to general and administrative function after the FDA approval.

Selling, General & Administrative

Selling, general and administrative expenses, as compared to the prior year period, periods, were as follows:

(In thousands)	Three Months Ended				Three Months Ended				Six Months Ended			
	March 31,		Change		June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Selling, general and administrative	\$ 30,405	\$ 19,735	\$ 10,670	54%	\$ 27,740	\$ 23,542	\$ 4,198	18%	\$ 58,145	\$ 43,277	\$ 14,868	34%

Selling, general and administrative expenses increased for the three and six months ended March 31, 2024, June 30, 2024, compared to the same period in 2023, primarily due to the reallocation of resources from the research development function to general and administrative function after the FDA approval of XACDURO®, as well as increased efforts in sales and marketing of our marketed products.

Interest and dividend income and other expense, net

Interest and dividend income and other expense, net, as compared to the prior year period, periods, were as follows:

(In thousands)	Three Months Ended				Three Months Ended				Six Months Ended			
	March 31,		Change		June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Interest and dividend income	\$ (4,399)	\$ (3,365)	\$ (1,034)	31%	\$ (3,474)	\$ (3,553)	\$ 79	(2)%	\$ (7,873)	\$ (6,918)	\$ (955)	14%
Other expense, net	\$ 1,236	\$ 1,346	\$ (110)	(8)%	\$ 973	\$ 1,896	\$ (923)	(49)%	\$ 2,209	\$ 3,242	\$ (1,033)	(32)%

Interest and dividend income increased for the three and six months ended March 31, 2024, June 30, 2024, compared to the same period a year ago due to higher interest rates and higher average balances of our cash equivalents, money market funds and other interest-bearing investments.

Other expense, net, was primarily expenses incurred by ISP Fund LP.

Interest Expense

Interest expense, as compared to the prior year period, periods, was as follows:

(In thousands)	Three Months Ended			
	March 31,		Change	
	2024	2023	\$	%
Interest expense	\$ 5,851	\$ 4,427	\$ 1,424	32%

(In thousands)	Three Months Ended				Six Months Ended			
	June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Interest expense	\$ 5,802	\$ 4,382	\$ 1,420	32 %	\$ 11,653	\$ 8,809	\$ 2,844	32 %

Interest expense for the three and six months ended March 31, 2024 June 30, 2024 comprised mainly of the contractual interest expense and the amortization of debt issuance costs for our 2025 Notes and 2028 Notes, as well as effective interest expense on our deferred royalty obligation. Interest expense for the three six months ended March 31, 2023 June 30, 2023 included the amount on the 2023 Notes until the notes were fully paid off on January 15, 2023. The increase for the three and six months ended March 31, 2024 June 30, 2024, compared to the three and six months ended March 31, 2023 June 30, 2023, was mainly due to higher effective interest rate on our deferred royalty obligation as a result of higher sales performance of GIAPREZA®.

Changes in Fair Values of Equity Method Investments and Equity and Long-Term Investments

Changes in fair values of equity and long-term investments, as compared to the prior year period, periods, were as follows:

(In thousands)	Three Months Ended				Three Months Ended				Six Months Ended			
	March 31,		Change		June 30,		Change		June 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%	2024	2023	\$	%
Changes in fair values of equity method investments, net	\$ (35,342)	\$ (15,817)	\$ (19,525)	123 %	\$ 60,108	\$ 19,911	\$ 40,197	202 %	\$ 24,766	\$ 4,094	\$ 20,672	*
Changes in fair values of equity and long-term investments, net	\$ 13,335	\$ 2,164	\$ 11,171	*	\$ 30,556	\$ 83	\$ 30,473	*	\$ 43,891	\$ 2,247	\$ 41,644	*

*Not Meaningful

The changes in fair values of equity method investments for the three and six months ended March 31, 2024 June 30, 2024 were more favorable unfavorable mainly due to the decrease in Armata's higher stock prices price during this period. We recorded \$35.3 million \$60.1 million and \$15.8 million \$24.8 million in unrealized gain loss for the three and six months ended March 31, 2024 June 30, 2024, respectively, and 2023, \$19.9 million and \$4.1 million in unrealized loss for the three and six months ended June 30, 2023, respectively, related to our equity method investments in Armata.

The changes in fair values of other equity and long-term investments primarily reflected the realized gains and losses and net unrealized gains and losses in our strategic investments in Armata, InCarda, Gate, ImaginAb and those investments managed by ISP Fund LP. We recorded \$26.2 million \$15.8 million and \$42.0 million of net negative changes in fair values of equity and long-term investments related to the investments managed by ISP Fund LP, partially offset by \$13.2 million in unrealized gain for the three and six months ended March 31, 2024 June 30, 2024, respectively. We also recorded \$15.1 million and \$1.9 million in net negative changes in fair values of equity and long-term investments for the three and six months ended June 30, 2024, respectively, related to other long-term investments we made in Armata.

Provision for Income Taxes

We recorded a provision for income tax benefit of \$4.6 million and income tax expense of \$8.6 million \$4.0 million for the three and six months ended March 31, 2024 June 30, 2024, respectively, compared to a provision for income tax expense of \$6.3 million \$4.5 million and \$10.8 million for the three and six months ended March 31, 2023 June 30, 2023, respectively. The effective income tax rate for the three six months ended March 31, 2024 June 30, 2024 and 2023 was 19.0% 68.4% and 15.3% 25.7%, respectively.

Liquidity and Capital Resources

Liquidity

Since our inception, we have financed our operations primarily through private placements and public offerings of equity and debt securities and payments received under collaboration arrangement. For the ~~three~~ ~~six~~ months ended ~~March 31, 2024~~ ~~June 30, 2024~~, we generated gross royalty revenues from GSK of ~~\$61.9 million~~ ~~\$129.1 million~~ and net product sales of ~~\$19.1 million~~ ~~\$40.7 million~~. Net cash and cash equivalents totaled ~~\$178.4 million~~ ~~\$217.0 million~~, royalties receivables from GSK totaled ~~\$61.9 million~~ ~~\$67.2 million~~ and accounts receivable associated with our product sales and license revenue totaled ~~\$14.1 million~~ ~~\$26.8 million~~ as of ~~March 31, 2024~~ ~~June 30, 2024~~.

Adequacy of Cash Resources to Meet Future Needs

We believe that our cash and cash equivalents will be sufficient to meet our anticipated debt service and operating needs, as well our ongoing share repurchase program, for at least the next 12 months based upon current operating plans and financial forecasts. Our long-term capital requirements will depend on many factors including the amount of our royalty revenues, sales growth of our currently marketed products, timing of regulatory approval of our product candidates and outcome of our acquisitions and strategic investments. If our current operating plans and financial forecasts change, we may require additional funding sooner in the form of public or private equity offerings or debt financings. Furthermore, if in our view favorable financing opportunities arise, we may seek additional funding in the form of public or private equity offerings or debt financings at any time. However, future financing may not be available in amounts or on terms acceptable to us, if at all. This could leave us without adequate financial resources to fund our

operations as currently planned. In addition, from time to time we may restructure or reduce our debt, including through privately negotiated repurchases, tender offers, redemptions, amendments, or otherwise, all allowable with the terms of our debt agreements.

Cash Flows

Cash flows, as compared to the prior year period, were as follows:

(In thousands)	Three Months Ended March 31,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Net cash provided by operating activities	\$ 37,047	\$ 25,684	\$ 11,363	\$ 80,765	\$ 63,866	\$ 16,899
Net cash used in investing activities	\$ (43,038)	\$ (35,722)	\$ (7,316)	\$ (43,038)	\$ (35,722)	\$ (7,316)
Net cash used in financing activities	\$ (9,165)	\$ (136,962)	\$ 127,797	\$ (14,237)	\$ (146,168)	\$ 131,931

Cash Flows from Operating Activities

Net cash provided by operating activities for the ~~three~~ ~~six~~ months ended ~~March 31, 2024~~ ~~June 30, 2024~~ was ~~\$37.0 million~~ ~~\$80.8 million~~, consisting primarily of our net income of ~~\$36.5 million~~ ~~\$1.8 million~~, adjusted for net non-cash items, which included ~~\$6.8 million~~ ~~\$68.7 million~~ in changes in fair value of our investments, ~~\$12.9 million~~ of amortization of acquired intangible assets, ~~\$10.3 million~~ of amortization of inventory fair value step-up adjustment, ~~\$6.4 million~~ of amortization of acquired intangible assets, ~~\$3.5 million~~ ~~\$7.0 million~~ of amortization of capitalized fees and depreciation of property and equipment, ~~\$3.2 million~~ partially offset by ~~\$12.0 million~~ of deferred income taxes partially offset by ~~\$22.0 million~~ of net changes and ~~\$11.9 million~~ in fair value of our investments and ~~\$2.0 million~~ net changes in operating assets and liabilities.

Net cash provided by operating activities for the ~~three~~ ~~six~~ months ended ~~March 31, 2023~~ ~~June 30, 2023~~ was ~~\$25.7 million~~ ~~\$63.9 million~~, consisting primarily of our net income of ~~\$34.9 million~~ ~~\$36.1 million~~, adjusted for net non-cash items, which included ~~\$13.7 million~~ ~~\$13.8 million~~ of amortization of inventory fair value step-up adjustment, ~~\$8.8 million~~ of amortization of acquired intangible assets, ~~\$7.0 million~~ of amortization of capital fees and depreciation of property and equipment, ~~\$6.3 million~~ of net changes in fair value of our investments, ~~\$6.8 million~~ of amortization of inventory fair value step-up adjustment, ~~\$3.5 million~~ of amortization of capitalized fees and depreciation of

property and equipment and \$3.8 million of amortization of acquired intangible assets partially offset by increases decreases of \$6.1 million in accounts receivable, \$5.6 million \$11.0 million in receivables from collaboration arrangement and decreases of \$3.5 million \$4.7 million in accrued interest payable. inventory.

Cash Flows from Investing Activities

Net cash used in investing activities for the three six months ended March 31, 2024 June 30, 2024 of \$43.0 million primarily consisted of \$43.1 million in purchases of trading securities and \$8.8 million \$30.9 million in purchases of equity and long-term investments managed by ISP Fund LP. The use of cash for investing activities was partially offset by net proceeds of \$5.3 million \$24.9 million from net sales of other investments managed by ISP Fund LP and \$6.0 million from the sales of equity investments managed by ISP Fund LP and \$3.4 million from the sale of other investments managed by ISP Fund LP.

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Net cash used in investing activities for the three six months ended March 31, 2023 June 30, 2023 of \$35.7 million primarily consisted of \$35.7 million in purchases of equity and other long-term investments and \$3.9 million \$17.8 million in purchases of equity investments managed by ISP Fund LP. The use of cash for investing activities was partially offset by net proceeds of \$3.9 million \$15.3 million from the sale purchases and sales of equity and other investments managed by ISP Fund LP.

Cash Flows from Financing Activities

Net cash used in financing activities for the three six months ended March 31, 2024 June 30, 2024 of \$9.2 million \$14.2 million was primarily due to \$9.6 million \$14.8 million for the repurchase of common stock under our current stock repurchase program. program which concluded in April 2024.

Net cash used in financing activities for the three six months ended March 31, 2023 June 30, 2023 of \$137.0 million \$146.2 million was primarily due to the payments of \$96.2 million upon maturity of the 2023 Notes in January 2023 and \$40.7 million \$50.0 million for the repurchase of common stock under our current stock repurchase program.

Contractual Obligations

As of March 31, 2024 June 30, 2024, our notes payable obligation included \$192.5 million related to our 2025 Notes and \$261.0 million related to our 2028 Notes, which are due in 2025 and 2028, respectively. Under the terms of the 2025 Notes and 2028 Notes, we will make interest payments of 2.5% and 2.125%, respectively, of outstanding principal. Refer to Note 11, "Debt" to the Condensed Consolidated Financial Statements for more information.

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Our short-term and long-term obligations also include contractual payments related to our operating leases were \$2.8 million \$3.8 million, with approximately \$1.1 million \$0.8 million payable through December 31, 2024, approximately \$1.4 million payable in 2025, and approximately \$0.1 million \$3.0 million payable in 2026 and 2027. through 2029. Refer to Note 12, "Commitments and Contingencies" to the condensed consolidated financial statements for more information.

As part of our acquisition of La Jolla, we recognized its deferred royalty obligation in connection with La Jolla Royalty Agreement with HCR. Under the terms of the Agreement, HCR is entitled to receive quarterly royalties on worldwide net sales of GIAPREZA® until either January 1, 2031 or when the maximum aggregate royalty payments have been made, whichever occurs first. Quarterly payments to HCR under the Royalty Agreement start at a maximum royalty rate, with step-downs based on the achievement of annual net product sales thresholds. The maximum royalty rate through December 31, 2023 was 14%. Starting January 1, 2024, the maximum royalty rate was increased to 18% based on the terms of the agreement. The La Jolla Royalty Agreement is subject to maximum aggregate royalty payments to HCR of \$225.0 million.

Additionally, we have certain contingent payment obligations under various in-license agreements which we are required to make royalty payments or milestone payments upon successful completion and achievement of certain milestones. Refer to Note 4, "License and Collaboration Arrangements" to the Condensed Consolidated Financial Statements for more information.

We also entered into a Commercial Supply Agreement with Corden Pharma CHENÔVE SAS ("Corden"), under which we engaged Corden to manufacture and supply certain products related to XACDURO® and to perform certain services and studies. Under the agreement, we committed to minimum purchase commitments through December 31, 2027. As of June 30, 2024, we have approximately \$9.7 million, \$6.8 million, \$7.6 million and \$6.1 million in outstanding purchase commitments under the agreement for the remainder of 2024 and for the years 2025, 2026 and 2027, respectively.

We also enter into other agreements in the normal course of business with vendors for manufacturing, clinical trials and preclinical studies, and other services and products for operating purposes.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

As of March 31, 2024 June 30, 2024, our debt bears fixed interest rates and we had no outstanding debt with variable interest rate. Our cash flows on these debt obligations are not subject to variability as a result of changes in interest rates.

We are exposed to changes in the fair value of certain of our investments in equity and debt securities. Fluctuations in the underlying fair value of the investments could result in material gains or losses. Refer to Note 6 "Equity and Other Investments and Fair Value Measurements" to the Condensed Consolidated Financial Statements for more information.

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Inflation has increased in recent periods and could continue to increase for the near future. Inflationary factors, such as increases in the cost of our raw materials, supplies, interest rates 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 effect in the near future if inflation rates continue to rise. Significant adverse changes in inflation and prices in the future could result in material losses.

We may face foreign exchange risk as a result of entering into transactions denominated in currencies other than U.S. dollars, including contracts with international vendors related to raw material purchases. Our royalty revenue from RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA® is also indirectly exposed to foreign exchange risk as GSK also markets and sells the products outside the U.S. The majority of our cash and cash equivalents, investments, and the majority of our vendor relationships are denominated in U.S. dollars. Therefore, we do not believe that the risk of a significant impact on our operating income from foreign currency fluctuations is substantial.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation as of March 31, 2024 June 30, 2024, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures, which are defined under SEC rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and controls and procedures that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decision regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance levels.

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Limitations on the Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all frauds. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Innoviva have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There have been no material changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended **March 31, 2024** **June 30, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As previously disclosed in the Quarterly Report on Form 10-Q filed by La Jolla on August 15, 2022, on February 15, 2022, La Jolla received a paragraph IV notice of certification (the "First Notice Letter") from Gland Pharma Limited ("Gland") advising that Gland had submitted an Abbreviated New Drug Application ("ANDA") to the FDA seeking approval to manufacture, use or sell a generic version of GIAPREZA® in the U.S. prior to the expiration of U.S. Patent Nos.: 9,220,745; 9,572,856; 9,867,863; 10,028,995; 10,335,451; 10,493,124; 10,500,247; 10,548,943; 11,096,983; and 11,219,662 (the "GIAPREZA® Patents"), which are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book"). The First Notice Letter alleges that the GIAPREZA® Patents are invalid, unenforceable and/or will not be infringed by the commercial manufacture, use or sale of the generic product described in Gland's ANDA.

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On March 29, 2022, La Jolla filed a complaint for patent infringement of the GIAPREZA® Patents against Gland and certain related entities in the United States District Court for the District of New Jersey in response to Gland's ANDA filing. In accordance with the Hatch-Waxman Act, because GIAPREZA® is a new chemical entity and La Jolla filed a complaint for patent infringement within 45 days of receipt of the First Notice Letter, the FDA cannot approve Gland's ANDA any earlier than 7.5 years from the approval of the GIAPREZA® NDA unless the District Court finds that all of the asserted claims of the patents-in-suit are invalid, unenforceable and/or not infringed.

On February 22, 2023, La Jolla received a paragraph IV notice of certification (the "Second Notice Letter") from Gland advising that Gland had amended its ANDA filing to include a paragraph IV certification alleging that all claims of the newly-issued and Orange Book-listed U.S. Patent No. 11,559,559 ("the '559 Patent"), which covers GIAPREZA®, are invalid, unenforceable and/or not infringed.

On March 22, 2023, La Jolla filed a First Amended Complaint in this litigation adding Gland's marketing and distribution partners for its ANDA angiotensin II product, Fresenius Kabi USA LLC and Fresenius Kabi SwissBiosim GmbH (collectively, the "Fresenius Kabi Defendants"), as co-defendants. On April 7, 2023, La Jolla filed a Second Amended Complaint in response to the Second Notice Letter, adding claims that the manufacture, use, sale, offer for sale, or import of Gland's ANDA angiotensin II product will infringe the '559 Patent. On November 14, 2023, La Jolla filed a Third Amended Complaint adding additional infringement claims against the Fresenius Kabi Defendants. We intend to vigorously enforce our intellectual property rights relating to GIAPREZA®.

Fact discovery closed on March 31, 2024 and expert discovery **will is expected to** be complete by **August 2, 2024** **August 16, 2024**. A trial date has not yet been set in this matter.

Given the early stage of this matter, we cannot reasonably estimate a potential future loss or a range of potential future losses, if any, and have not recorded a contingent liability accrual as of **March 31, 2024** **June 30, 2024**.

Item 1A. Risk Factors

Our business is subject to a number of risks, including those identified in Item 1A of Part I of our 2023 Form 10-K. There have been no material changes to the risk factors described in our 2023 Form 10-K.

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

a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) Purchases of Equity Securities by the Issuer

The following table reflects share repurchases of our common stock for the three months ended **March 31, 2024** **June 30, 2024**.

Period	Total Number of Shares Purchases	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
			(1)	
January 1, 2024 to January 31, 2024	4,916	\$ 16.16	4,916	\$ 14,931,943
February 1, 2024 to February 29, 2024	126,910	15.92	126,910	12,911,998
March 1, 2024 to March 31, 2024	502,281	15.06	502,281	5,346,534
Total	634,107	\$ 15.24	634,107	

Period	Total Number of Shares Purchases	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
			(1)	
April 1, 2024 to April 30, 2024	352,821	\$ 14.91	352,821	\$ —

⁽¹⁾ On October 31, 2022, our board of directors authorized a new share repurchase program under which we may repurchase up to \$100.0 million of our outstanding shares of common stock. The repurchase program ~~authorizes~~ **authorized** the repurchase by the Company of its common stock in open market transactions, including pursuant to a trading plan in accordance with Rule 10b-18 promulgated under the Exchange Act, privately negotiated transactions, in block trades, accelerated share repurchase transactions, exchange transactions, or any combination thereof or by other means in accordance with federal securities laws. The authorization ~~permits~~ **permitted** management to repurchase shares of the Company's common stock from time to time at management's discretion. Repurchases may also be made pursuant to a trading plan under Rule 10b5-1 under the Exchange Act,

which would permit shares to be repurchased when the Company might otherwise be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The actual means and timing of any shares purchased under the share repurchase program will depend on a variety of factors, including ongoing assessments of the capital needs of the business, the market price of our common stock, prevailing stock prices, general market conditions and other considerations. This program has no termination date, may be suspended or discontinued at any time at our discretion, and does not obligate us to acquire any amount of common stock. was completed in April 2024.

Item 3: Defaults Upon Senior Securities

None.

Item 4: Mine Safety Disclosures

None.

Item 5: Other Information

None.

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Item 6. Exhibits

(a) Index to Exhibits

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
3.1	Amended and Restated Certificate of Incorporation	8-K	99.2	4/28/2016
3.2	Amended and Restated Bylaws, amended and restated as of January 1, 2023	8-K	3.1	1/4/2023
4.1	Specimen certificate representing the common stock of the registrant	10-K	4.1	12/31/2006
4.2	Indenture, dated as of January 4, 2013 by and between Theravance, Inc. and the Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.1	1/25/2013
4.3	Form of 2.125% Convertible Subordinated Note Due 2023 (included in Exhibit 4.2)	8-K	4.2	1/25/2013
4.4	Indenture (including form of Note) with respect to Innoviva's 2.5% Convertible Senior Notes due 2025, dated as of August 7, 2017, between Innoviva and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.1	8/7/2017

4.5	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	4.9	2/19/2020
4.6	Indenture (including form of Note) with respect to Innoviva's 2.125% Convertible Senior Notes due 2028, dated as of March 7, 2022, between Innoviva and The Bank of New York Mellon Trust Company, N.A., as trustee	8-K	4.1	3/8/2022
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 pursuant to the Securities Exchange Act of 1934			
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14 pursuant to the Securities Exchange Act of 1934			
32*	Certifications Pursuant to 18 U.S.C. Section 1350			
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			
+ Management contract or compensatory plan or arrangement.				
* Furnished herewith.				

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Innoviva, Inc.

Date: May 8, 2024 July 31, 2024

/s/ Pavel Raifeld

Pavel Raifeld

Chief Executive Officer

(Principal Executive Officer)

Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

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Exhibit 31.1

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Pavel Raifeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innoviva, 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 15(d)-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, July 31, 2024

/s/ Pavel Raifeld

Pavel Raifeld

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

**Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Stephen Basso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Innoviva, 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 15(d)-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, July 31, 2024

/s/ Stephen Basso

Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

I, Pavel Raifeld, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended March 31, 2024 June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: May 8, July 31, 2024

By: /s/ Pavel Raifeld

Pavel Raifeld
Chief Executive Officer
(Principal Executive Officer)

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

I, Stephen Basso, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Innoviva, Inc. on Form 10-Q for the period ended March 31, 2024 June 30, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Innoviva, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Innoviva, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

Date: May 8, July 31, 2024

By: /s/ Stephen Basso

Stephen Basso
Chief Financial Officer
(Principal Financial Officer)

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