

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

FORM 10-Q

- ☒ **Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2023
or
☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From _____ to _____.
Commission File Number: 001-40720

OMNIAB, INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

98-1584818

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

5980 Horton Street, Suite 600

Emeryville

CA

(Address of principal executive offices)

94608

(Zip Code)

(510) 250-7800

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, \$0.0001 par value per share	OABI	The Nasdaq Global Market
Warrants to purchase common stock	OABIW	The Nasdaq Capital Market

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

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

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input checked="" type="checkbox"/>		

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

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

As of August 3, 2023, the registrant had 116,168,228 shares of common stock outstanding.

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Part I – Financial Information

Item 1. Condensed Consolidated and Combined Financial Statements

OMNIAB, INC.

CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS

(in thousands, except share and per share data)

	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,988	\$ 33,390
Short-term investments	82,161	54,875
Accounts receivable, net	8,611	30,290
Prepaid expenses and other current assets	4,180	6,395
Total current assets	115,940	124,950
Intangible assets, net	161,921	167,242
Goodwill	83,979	83,979
Property and equipment, net	19,226	19,979
Operating lease right-of-use assets	20,827	21,483
Other long-term assets	3,346	3,579
Total assets	\$ 405,239	\$ 421,212
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,359	\$ 2,971
Accrued expenses and other current liabilities	4,929	5,557
Income tax payable	3,455	3,485
Current contingent liabilities	2,810	4,022
Current deferred revenue	7,271	8,207
Current operating lease liabilities	3,417	1,780
Total current liabilities	24,241	26,022
Long-term contingent liabilities	3,384	4,089
Deferred income taxes, net	17,189	21,341
Long-term operating lease liabilities	23,100	24,016
Long-term deferred revenue	3,479	4,325
Other long-term liabilities	40	46
Total liabilities	71,433	79,839
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at June 30, 2023 and December 31, 2022; no shares issued and outstanding at June 30, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value; 1,000,000,000 shares authorized at June 30, 2023 and December 31, 2022; 116,151,716 and 115,218,229 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	12	12
Additional paid-in capital	343,419	330,100
Accumulated other comprehensive (loss) income	(49)	9
(Accumulated deficit) Retained earnings	(9,576)	11,252
Total stockholders' equity	333,806	341,373
Total liabilities and stockholders' equity	\$ 405,239	\$ 421,212

See accompanying notes to unaudited condensed consolidated and combined financial statements.

OMNIAB, INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues:				
License and milestone revenue	\$ 4,330	\$ 2,325	\$ 16,976	\$ 6,426
Service revenue	2,451	4,735	6,409	9,994
Royalty revenue	165	139	480	402
Total revenues	6,946	7,199	23,865	16,822
Operating expenses:				
Research and development	14,133	11,484	27,892	22,256
General and administrative	8,738	5,003	16,933	9,115
Amortization of intangibles	3,380	3,113	6,749	6,518
Other operating expense (income), net	140	165	189	(278)
Total operating expenses	26,391	19,765	51,763	37,611
Loss from operations	(19,445)	(12,566)	(27,898)	(20,789)
Other income:				
Interest income	1,285	—	2,609	—
Other expense	(4)	—	(4)	—
Total other income, net	1,281	—	2,605	—
Loss before income taxes	(18,164)	(12,566)	(25,293)	(20,789)
Income tax benefit	3,436	2,290	4,465	4,231
Net loss	\$ (14,728)	\$ (10,276)	\$ (20,828)	\$ (16,558)
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.12)	\$ (0.21)	\$ (0.20)
Weighted-average shares outstanding, basic and diluted	99,493	82,612	99,326	82,612
Net loss	\$ (14,728)	\$ (10,276)	\$ (20,828)	\$ (16,558)
Unrealized net loss on available-for-sale securities	(56)	—	(58)	—
Comprehensive loss	\$ (14,784)	\$ (10,276)	\$ (20,886)	\$ (16,558)

See accompanying notes to unaudited condensed consolidated and combined financial statements.

OMNIAB, INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands, except share data)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Parent company net investment	Total stockholders' equity
	Shares	Amount					
Balance at January 1, 2023	115,218,229	\$ 12	\$ 330,100	\$ 9	\$ 11,252	\$ —	\$ 341,373
Net loss	—	—	—	—	(6,100)	—	(6,100)
Share-based compensation	—	—	6,055	—	—	—	6,055
Issuance of common stock under employee stock compensation plans, net of tax	366,291	—	(524)	—	—	—	(524)
Unrealized net loss on available-for- sale securities	—	—	—	(2)	—	—	(2)
Balance at March 31, 2023	115,584,520	12	335,631	7	5,152	—	340,802
Net loss	—	—	—	—	(14,728)	—	(14,728)
Share-based compensation	—	—	6,529	—	—	—	6,529
Issuance of common stock under employee stock compensation plans, net of tax	567,196	—	1,259	—	—	—	1,259
Unrealized net loss on available-for- sale securities	—	—	—	(56)	—	—	(56)
Balance at June 30, 2023	116,151,716	\$ 12	\$ 343,419	\$ (49)	\$ (9,576)	\$ —	\$ 333,806
Balance at January 1, 2022	—	\$ —	\$ —	\$ —	\$ —	\$ 234,307	\$ 234,307
Net loss	—	—	—	—	—	(6,282)	(6,282)
Parent allocation of share-based compensation	—	—	—	—	—	3,146	3,146
Net transfers to parent company	—	—	—	—	—	(6,250)	(6,250)
Balance at March 31, 2022	—	—	—	—	—	224,921	224,921
Net loss	—	—	—	—	—	(10,276)	(10,276)
Parent allocation of share-based compensation	—	—	—	—	—	3,848	3,848
Net transfers from parent company	—	—	—	—	—	8,450	8,450
Balance at June 30, 2022	—	\$ —	\$ —	\$ —	\$ —	\$ 226,943	\$ 226,943

See accompanying notes to unaudited condensed consolidated and combined financial statements.

OMNIAB, INC.
CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2023	2022
Operating activities:		
Net loss	\$ (20,828)	\$ (16,558)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,719	8,927
Share-based compensation	12,584	6,994
Amortization of discounts on short-term investments, net	(1,823)	—
Deferred income taxes, net	(4,152)	(4,477)
Change in estimated fair value of contingent liabilities	(233)	(277)
Other operating activities	63	37
Changes in operating assets and liabilities, net:		
Accounts receivable, net	23,007	17,256
Prepaid expenses and other current assets	2,219	(365)
Other long-term assets	(302)	1,755
Accounts payable, accrued expenses, and other liabilities	(162)	(1,747)
Operating lease liabilities	721	2,916
Deferred revenue	(3,147)	(6,673)
Net cash provided by operating activities	17,666	7,788
Investing activities:		
Purchases of short-term investments	(56,195)	—
Proceeds from the maturity of short-term investments	30,000	—
Purchases of property and equipment	(1,047)	(8,237)
Payments to contingent liabilities holders	(2,800)	—
Proceeds from sale of short-term investments	650	—
Net cash used in investing activities	(29,392)	(8,237)
Financing activities:		
Payments to contingent liabilities holders	—	(1,545)
Proceeds from issuance of common stock from stock plans	801	—
Taxes paid related to net share settlement of equity awards	(896)	—
Payment of transaction costs	(472)	(206)
Net transfer from parent	—	2,200
Net cash (used in) provided by financing activities	(567)	449
Net change in cash, cash equivalents and restricted cash	(12,293)	—
Cash, cash equivalents and restricted cash at beginning of period	33,839	—
Cash, cash equivalents and restricted cash at end of period	\$ 21,546	\$ —
Supplemental cash flow information:		
Deferred revenue recorded in accounts receivable	\$ 1,365	\$ 4,240
Supplemental non-cash investing and financing activities:		
Purchase of fixed assets recorded in accounts payable	\$ 211	\$ 3,601
Intangible additions recorded in contingent liabilities	\$ 1,116	\$ 960

See accompanying notes to unaudited condensed consolidated and combined financial statements.

OMNIAB, INC.
Notes to Condensed Consolidated and Combined Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

Separation and Business Combination

On November 1, 2022 (the "Closing Date"), OmniAb, Inc. ("OmniAb" or the "Company," formerly known as Avista Public Acquisition Corp. II ("APAC")), Ligand Pharmaceuticals Incorporated, a Delaware corporation ("Ligand" or the "Parent"), OmniAb Operations, Inc., a Delaware corporation and wholly-owned subsidiary of Ligand ("Legacy OmniAb", formerly known as OmniAb, Inc. and, together with Ligand, collectively, the "Companies"), and Orwell Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of APAC ("Merger Sub"), consummated the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 23, 2022.

In connection with, and as contemplated by, the Merger Agreement, on November 1, 2022, in accordance with the terms of the Separation and Distribution Agreement, dated as of March 23, 2022, by and among APAC, Ligand and Legacy OmniAb (the "Separation Agreement"), Ligand transferred the Legacy OmniAb business, including certain related subsidiaries of Ligand, to Legacy OmniAb and made a contribution to the capital of Legacy OmniAb of \$1.8 million, after deducting certain transaction and other expenses reimbursable by Legacy OmniAb (the "Separation"). Following the Separation, as contemplated by the Separation Agreement, Ligand distributed on a pro rata basis to its stockholders all of the shares of common stock, par value \$0.001 per share, of Legacy OmniAb ("Legacy OmniAb Common Stock") held by Ligand, such that each holder of shares of common stock, par value \$0.001 per share, of Ligand ("Ligand Common Stock") was entitled to receive one share of Legacy OmniAb Common Stock for each share of Ligand Common Stock held by such holder as of the record date for the distribution, October 26, 2022 (the "Distribution").

Following the Separation and Distribution, on November 1, 2022, Merger Sub merged with and into Legacy OmniAb, with Legacy OmniAb surviving as a direct, wholly owned subsidiary of OmniAb (the "Business Combination"). See Note 4 – Business Combination, for further details.

The Business Combination was accounted for as a reverse recapitalization in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under this method of accounting, APAC was treated as the acquired company and Legacy OmniAb was treated as the acquirer for financial reporting purposes. Accordingly, for accounting purposes, the reverse recapitalization was treated as the equivalent of Legacy OmniAb issuing stock for the net assets of APAC, accompanied by a recapitalization. The consolidated and combined assets, liabilities and results of operations prior to the Business Combination are those of Legacy OmniAb, and the assets, liabilities and results of operations of APAC were consolidated with Legacy OmniAb beginning on the Closing Date. The net assets of APAC are stated at historical cost, with no goodwill or other intangible assets recorded.

Legacy OmniAb was determined to be the accounting acquirer based on the following predominant factors:

- Legacy OmniAb's existing stockholders had the greatest voting interest in the Company with approximately 85% of the voting interest;
- Legacy OmniAb nominated a majority of the initial members of the Company's board of directors;
- Legacy OmniAb's senior management is the senior management of the Company;
- Legacy OmniAb is the larger entity based on historical operating activity and has the larger employee base; and
- The post-combination company assumed a Legacy OmniAb branded name: "OmniAb, Inc."

Basis of Presentation

The Company's accompanying condensed consolidated and combined financial statements have been prepared in accordance with U.S. GAAP. Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as included in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). The financial information for the three and six months ended June 30, 2023 and 2022, is unaudited but includes all normal and recurring adjustments unless indicated otherwise, which the Company considered necessary for fair presentation of its condensed consolidated and combined statements of operations and comprehensive loss. Certain prior period amounts in the condensed consolidated and combined financial statements have been reclassified to conform to the current period presentation.

Periods prior to Separation

The accompanying combined financial statements for periods prior to the Separation have been prepared on a stand-alone basis and are derived from Ligand's consolidated financial statement accounting records. The operations comprising Legacy OmniAb were in various legal entities wholly owned by Ligand. Accordingly, Ligand's net investment in these operations is shown in lieu of stockholder's equity in the combined financial statements.

Legacy OmniAb comprised certain stand-alone legal entities for which discrete financial information was available. As Ligand recorded transactions at the legal entity level, allocation methodologies were applied to certain accounts to allocate amounts to Legacy OmniAb, as discussed further below.

Legacy OmniAb entities were under the common control of Ligand as a result of, among other factors, Ligand's ownership. As the entities were under common control, the financial statements report the financial position, results of operations and cash flows of Legacy OmniAb as though the transfer of net assets and equity interests had occurred as of January 2016. Transactions between Ligand and Legacy OmniAb were accounted through Parent company net investment in Legacy OmniAb. The total net effect of the settlement of these intercompany transactions is reflected in Legacy OmniAb's combined balance sheets as Parent company net investment in Legacy OmniAb. All significant intercompany transactions with Ligand are deemed to have been paid in the period the costs were incurred. Expenses related to corporate allocations from Ligand to Legacy OmniAb were considered to be effectively settled for cash in the combined financial statements at the time the transaction was recorded.

The combined financial statements include all revenues, expenses, assets and liabilities directly associated with the business activity of Legacy OmniAb as well as an allocation of certain general and administrative expenses related to facilities, functions and services provided by Ligand. These corporate expenses have been allocated to Legacy OmniAb based on direct usage or benefit, where identifiable, with the remainder allocated based on headcount or a percentage of total operating expenses or other measures that management believes are consistent and reasonable. See Note 3 – Relationship with Parent and Related Entities for additional discussion of these matters.

Ligand maintains various share-based compensation plans at a corporate level. Legacy OmniAb employees participated in those programs, and a portion of the compensation cost associated with those plans are included in Legacy OmniAb's combined statements of operations and Parent company net investment. The amounts presented in the combined financial statements are not necessarily indicative of future awards and may not reflect the results that Legacy OmniAb would have experienced as a stand-alone entity. See Note 3 – Relationship with Parent and Related Entities for additional discussion of these matters.

All of the allocations and estimates in the combined financial statements are based on assumptions that management believes are reasonable. However, the combined financial statements included herein may not be indicative of the financial position, results of operations and cash flows of Legacy OmniAb in the future or if Legacy OmniAb had been a separate, stand-alone publicly traded entity during the periods presented.

Periods after the Separation

Following the Separation, the Company began accounting for its financial activities as an independent entity. The Company's financial statements as of December 31, 2022 and June 30, 2023 and for the three and six months ended June 30, 2023 are based on the reported results of OmniAb as a standalone company. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and accounts within the Company have been eliminated.

Separation-related adjustments

Pursuant to the Separation Agreement, certain accounts receivable, accounts payable, and accrued liabilities included in Legacy OmniAb's combined balance sheets immediately prior to the Separation were retained by Ligand, and therefore, were adjusted through net parent investment in Legacy OmniAb's combined financial statements. In addition, in connection with the Separation, certain equity awards were converted in accordance with the Employee Matters Agreement, as further described in Note 11 – Share-Based Compensation.

As a standalone entity, the Company will file tax returns on its own behalf, and tax balances and the effective income tax rate may differ from the amounts reported in the historical periods. The difference between the tax attributes the Company

historically calculated on a carve-out basis and the actual tax attributes that the Company received as a standalone entity on November 1, 2022 was adjusted through additional paid-in-capital. As of November 1, 2022 and in connection with the Separation, the Company adjusted its deferred tax balances and computed its related tax provision to reflect operations as a standalone entity.

Liquidity and Capital Resources

Prior to the Separation, Legacy OmniAb was dependent upon Ligand for all of its working capital and financing requirements, as Ligand used a centralized approach to cash management and financing its operations. There were no cash amounts specifically attributable to Legacy OmniAb for the historical periods presented; therefore, there was no cash reflected in the combined financial statements. Accordingly, cash and cash equivalents, debt or related interest expense were not allocated to Legacy OmniAb in the combined financial statements. Financing transactions related to OmniAb were accounted for as a component of the Parent company net investment in the combined balance sheets and as a financing activity including an interest expense component allocation on the accompanying combined statements of cash flows.

In connection with the Separation, Ligand funded the Company with approximately \$ 1.8 million of cash. Additionally, the Company's proceeds, net of transactions costs from the Business Combination were \$95.8 million. See Note 4 – Business Combination, for further details.

The Company expects to continue to incur losses as it invests in research and development activities to improve its technology and platform, market and sell its technologies to existing and new partners, add operational, financial and management information systems and personnel to support its operations and incur ongoing costs associated with operating as a public company. The Company's ability to continue its operations is dependent upon its ability to generate cash flows from operations and potentially obtain additional capital in the future. The Company believes its existing cash, cash equivalents and marketable securities and the cash it expects to generate from operations will provide it the flexibility needed to meet operating, investing, and financing needs and support operations through at least the next 12 months.

The accompanying condensed consolidated and combined financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

Emerging Growth Company

OmniAb qualifies as an emerging growth company as defined in Section 2(a) of the Securities Act of 1933, as amended, ("Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012 ("JOBS Act").

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. OmniAb has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, OmniAb, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of OmniAb's financial statements with another public company, which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period, difficult because of the potential differences in accounting standards used.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of these condensed consolidated and combined financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the amounts reported in the condensed consolidated and combined financial statements and the accompanying notes. Actual results may differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents consist of cash and highly liquid investments with maturities of three months or less when purchased. Cash and cash equivalents primarily consist of bank deposits, money market funds as well as U.S. government and agency securities. The following table provides a reconciliation of the components of cash, cash equivalents and restricted cash reported in the condensed consolidated and combined balance sheets to the total of the amount presented in the condensed consolidated and combined statements of cash flows:

(in thousands)	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 20,988	\$ 33,390
Restricted cash included in other long-term assets	558	449
Total cash, cash equivalents and restricted cash presented in the condensed consolidated and combined statements of cash flows	<u>\$ 21,546</u>	<u>\$ 33,839</u>

Restricted cash relates to deposits for the Company's property leases and is included in "Other long-term assets" in the condensed consolidated and combined balance sheets. The restriction will lapse when the related leases expire.

Short-term Investments

Short-term investments primarily consist of commercial paper, corporate debt securities, asset-backed securities and government and agency securities. The Company classifies short-term investments as "available-for-sale" as the sale of such investments may be required prior to maturity to implement management strategies. Therefore, the Company has classified all investments with maturity dates beyond three months at the date of purchase as current assets in the accompanying condensed consolidated and combined balance sheets based upon its ability and intent to use the investments to satisfy the liquidity needs of current operations. Any premium or discount arising at purchase is amortized and/or accreted to interest income as an adjustment to yield using the straight-line method over the life of the instrument. Investments are reported at their estimated fair value. Unrealized gains and losses are included in accumulated other comprehensive income as a component of stockholders' equity until realized.

Accounts Receivable

Accounts receivable represents the amounts billed to the Company's partners that are due unconditionally for services it has performed. The Company establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance requires an estimation based upon historical loss experienced and adjusted for factors that are relevant to determining the expected collectability of accounts receivable. Some of these factors include historical loss experience, delinquency trends, aging behavior of receivables, credit and liquidity quality indicators for industry groups, customer classes or individual customers and the current and expected future economic and market conditions.

Property and Equipment

Property and equipment are stated at cost, subject to review for impairment, and depreciated over the estimated useful lives of the assets using the straight-line method. Amortization of leasehold improvements is recorded over the shorter of the lease term or estimated useful life of the related asset. Maintenance and repairs are charged to operations as incurred. When assets are sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income or expense.

Asset	Estimated Useful Life
Lab and office equipment	4 - 7 years
Computer hardware	3 - 5 years
Leasehold improvements	Shorter of the useful life or remaining lease term
Computer software	Shorter of 3 years or useful life of asset

Acquisitions

The Company first determines whether a set of assets acquired constitutes a business and should be accounted for as a business combination. If the assets acquired are not a business, the Company accounts for the transaction as an asset acquisition. Business combinations are accounted for by using the acquisition method of accounting which requires the Company to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which the Company may adjust the provisional amounts recognized).

Under the acquisition method of accounting, the Company recognizes separately from goodwill the identifiable assets acquired, the liabilities assumed, including contingent consideration and all contractual contingencies, generally at the acquisition date fair value. Contingent purchase consideration to be settled in cash is remeasured to estimated fair value at each reporting period with the change in fair value recorded in the statement of operations. Costs that the Company incurs to complete the business combination such as investment banking, legal and other professional fees are not considered part of consideration and the Company charges them to general and administrative expense as they are incurred.

The Company measures goodwill as of the acquisition date as the excess of consideration transferred, which is also measured at fair value, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Should the initial accounting for a business combination be incomplete by the end of a reporting period that falls within the measurement period, the Company reports provisional amounts in its financial statements. During the measurement period, the Company adjusts the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and the Company records those adjustments to its financial statements in the period of change, if any.

Under the acquisition method of accounting for business combinations, if the Company identifies changes to acquired deferred tax asset valuation allowances or liabilities related to uncertain tax positions during the measurement period and they relate to new information obtained about facts and circumstances that existed as of the acquisition date, those changes are considered a measurement period adjustment and the Company records the offset to goodwill. The Company records all other changes to deferred tax asset valuation allowances and liabilities related to uncertain tax positions in current period income tax expense.

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill, which has an indefinite useful life, represents the excess of cost over fair value of net assets acquired. Goodwill is reviewed for impairment at least annually during the fourth quarter, or more frequently if an event occurs indicating the potential for impairment. During the goodwill impairment review, the Company assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of its reporting unit is less than the carrying amount, including goodwill. The Company operates in one reporting unit. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, the overall financial performance, and events affecting the reporting unit. If, after assessing the totality of these qualitative factors, the Company determines that it is not more-likely-than-not that the fair value of its reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, the Company proceeds to perform the quantitative assessment. The Company will then evaluate goodwill for impairment by comparing the estimated fair value of the reporting unit to its carrying value, including the associated goodwill. To determine the fair value, the Company generally uses a combination of market approach based on OmniAb and comparable publicly traded companies in similar lines of businesses and the income approach based on estimated discounted future cash flows. The Company's cash flow assumptions consider historical and forecasted revenue, operating costs and other relevant factors. The Company may also elect to bypass the qualitative assessment in a period and elect to proceed to perform the quantitative assessment for the goodwill impairment test. The Company performed the annual assessment for goodwill impairment during the fourth quarter of 2022, noting no impairment indicators under the qualitative assessment.

The Company's identifiable intangible assets are composed of acquired core technologies, licensed technologies, contractual relationships, customer relationships and trade names. Identifiable intangible assets with finite lives are generally amortized on a straight-line basis over the assets' respective estimated useful lives. The Company regularly performs reviews to determine if any event has occurred that may indicate that intangible assets with finite useful lives and other long-lived assets are potentially impaired. If indicators of impairment exist, an impairment test is performed to assess the recoverability of the affected assets by determining whether the carrying amount of such assets exceeds the undiscounted expected future cash flows. If the affected assets are not recoverable, the Company estimates the fair value of the assets and records an impairment loss if

the carrying value of the assets exceeds the fair value. Factors that may indicate potential impairment include market conditions, industry and economic trends, changes in regulations, clinical success, historical and forecasted financial results, significant changes in the ability of a particular asset to generate positive cash flows, and the pattern of utilization of a particular asset. The Company did not identify indicators of impairment for the finite-lived intangibles and other long-lived assets at June 30, 2023 and December 31, 2022.

Public, Private Placement, Forward Purchase and Backstop Common Stock Warrants

The Company assumed 7,666,667 warrants originally issued in APAC's initial public offering (the "Public Warrants") and 8,233,333 warrants issued in a private placement that closed concurrently with APAC's initial public offering, (the "Private Placement Warrants") in the Business Combination. Additionally, as further discussed in Note 4 – Business Combination, pursuant to the Amended and Restated Forward Purchase Agreement, dated as of March 23, 2022 (the "A&R FPA"), on the Closing Date, the Company issued 1,666,667 warrants in the Forward Purchase (the "Forward Purchase Warrants") and 1,445,489 warrants in the Redemption Backstop (the "Backstop Warrants"). The Public, Private Placement, Forward Purchase and Backstop Warrants entitle the holder to purchase one share of the Company's common stock at an exercise price of \$11.50 per share.

The Public Warrants are publicly traded and are exercisable for cash unless certain conditions occur, such as the failure to have an effective registration statement related to the shares issuable upon exercise or redemption by the Company under certain conditions, at which time the warrants may be cashless exercised at the option of the Company. The Private Placement Warrants have terms and provisions that are identical to the Public Warrants except that the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination. The Private Placement Warrants will be redeemable by the Company in all redemption scenarios and exercisable by the holders on the same basis as the Public Warrants. The Forward Purchase Warrants and the Backstop Warrants have the same terms as the Private Placement Warrants.

The Company evaluated the Public, Private Placement, Forward Purchase and Backstop Warrants under ASC 815-40, *Derivatives and Hedging-Contracts in Entity's Own Equity* ("ASC 815-40"), and concluded they meet the criteria for equity classification as they are considered to be indexed to the Company's own stock. Since the Public, Private Placement, Forward Purchase and Backstop Warrants met the criteria for equity classification upon the consummation of the Business Combination, the Company recorded these warrants in additional paid-in capital as part of the Business Combination.

Revenue Recognition

The Company applies the following five-step model in accordance with ASC 606, Revenue from Contracts with Customers, in order to determine revenue: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's revenue is typically derived from license agreements with its partners and consists of: (i) upfront or annual payments for technology access (license revenue), (ii) payments for the performance of research services (service revenue), (iii) downstream payments in the form of preclinical, intellectual property, clinical, regulatory, and commercial milestones (milestone revenue) and (iv) royalties on net sales from partners' product sales.

License fees are generally recognized at a point in time once the Company grants partners access to intellectual property rights. The Company generally satisfies its obligation to grant intellectual property rights on the effective date of the contract.

The Company recognizes service revenue for contracted R&D services performed for partners over time. The Company measures its progress using an input method based on the effort it expends or costs it incurs toward the satisfaction of its performance obligation. The Company estimates the amount of effort it expends, including the time it will take to complete the activities, or the costs it may incur in a given period, relative to the estimated total effort or costs to satisfy the performance obligation. This results in a percentage that it multiplies by the transaction price to determine the amount of revenue recognized each period. This approach requires the Company to make estimates and use judgment. If estimates or judgments change over the course of the collaboration, they may affect the timing and amount of revenue recognized either positively or negatively in current and future periods.

The Company includes contingent milestone based payments in the estimated transaction price when there is a basis to reasonably estimate the amount of the payment and it is probable of being achieved. These estimates are based on historical experience, anticipated results and its best judgment at the time. If the contingent milestone based payment is sales-based, we apply the royalty recognition constraint and record revenue when the underlying sale has taken place. Significant judgments must be made in determining the transaction price for licenses of intellectual property. Because of the risk that products in development with partners will not reach development based milestones or receive regulatory approval, the Company generally recognizes any contingent payments that would be due to it upon or after achievement of the development milestone or regulatory approval.

Deferred Revenue

Depending on the terms of the arrangement, the Company may also defer a portion of the consideration received if it had to satisfy a future obligation.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the condensed consolidated and combined balance sheets. The Company generally receives payment at the point it satisfies its obligation or soon after. Any fees billed in advance of being earned are recorded as deferred revenue. During the three and six months ended June 30, 2023, the amount recognized as revenue that was previously deferred at March 31, 2023 and December 31, 2022, was \$0.5 million and \$3.2 million, respectively. During the three and six months ended June 30, 2022, the amount recognized as revenue that was previously deferred at March 31, 2022 and December 31, 2021 was \$4.1 million and \$6.2 million, respectively.

Disaggregation of Revenue

The disaggregated revenue categories are presented on the face of the condensed consolidated and combined statements of operations and comprehensive loss.

Research and Development Expenses

Research and development expenses consist of material, equipment, facilities and labor costs of scientific staff who are working pursuant to collaborative agreements and other research and development projects. Also included in research and development expenses are third-party costs incurred for research programs including in-licensing costs, and costs incurred by other research and development service vendors. The Company expenses these costs as they are incurred. When the Company makes payments for research and development services prior to the services being rendered, it records those amounts as prepaid expenses on its condensed consolidated and combined balance sheets and it expenses them as the services are provided.

Share-Based Compensation

Prior to the Separation, certain Company employees, directors, managers and advisors participated in share-based compensation plans sponsored by Ligand. Ligand share-based compensation awards consisted of stock options, restricted stock units ("RSUs"), performance restricted stock units ("PRSUs") and other cash-based or share-based awards. As such, prior to the Separation the awards granted to Company employees, directors, managers and advisors are reflected in Parent company net investment within the combined statements of stockholders' equity at the time they were expensed. Prior to the Separation, the condensed consolidated and combined statements of operations and comprehensive loss also include an allocation of Ligand's corporate and shared employee share-based compensation expenses.

The Company recognizes share-based compensation expense based on the estimated fair value on a straight-line basis over the requisite service periods of the awards, taking into consideration forfeitures as they occur. The fair value of RSUs is determined by the closing market price of the Company's common stock on the date of grant. PRSUs generally represent the right to receive a certain number of shares of common stock based on the achievement of the Company's corporate performance goals and continued employment during the vesting period. Share-based compensation expense for these PRSUs is measured using the Monte-Carlo valuation model and is not adjusted for the achievement, or lack thereof, of the market conditions.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted and stock purchases under the ESPP. The model assumptions include expected volatility, term, dividends, and the risk-free interest rate.

The Company measures and recognizes compensation expense for shares to be issued under its employee stock purchase plan based on an estimated grant date fair value recognized on a straight-line basis over the offering period.

Income Taxes

The Company provides for income taxes under the asset and liability method prescribed by the ASC Topic 740, Income Taxes ("Topic 740"). Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates in effect when the differences are expected to reverse. If necessary, deferred tax assets are reduced by a valuation allowance to reflect the uncertainty associated with their ultimate realization.

The Company accounts for uncertain tax positions recognized in the condensed consolidated and combined financial statements in accordance with the provisions of Topic 740 by prescribing a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. When uncertain tax positions exist, we recognize the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company evaluates uncertain tax positions on a quarterly basis and adjusts the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. Any changes to these estimates, based on the actual results obtained and/or a change in assumptions, could affect its income tax provision in future periods. Interest and penalty charges, if any, related to unrecognized tax benefits would be classified as a provision for income tax in its condensed consolidated and combined statements of operations.

Prior to the Separation, Legacy OmniAb's income taxes include current and deferred income taxes of Ligand allocated to its combined financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed in Topic 740. Accordingly, the Company's income tax provision was prepared following the "Separate Return Method." The Separate Return Method applies Topic 740 to the combined financial statements of the OmniAb members of the consolidated group as if the group member were a separate taxpayer which joined in filing a consolidated federal income tax return and combined state income tax returns separate from Ligand.

In general, the taxable income or loss of Legacy OmniAb for the tax periods prior to November 1, 2022 were included in Ligand's U.S. consolidated federal and combined state income tax returns, where applicable. As such, separate income tax returns were not prepared for OmniAb. Consequently, income taxes currently payable are deemed to have been remitted by Ligand in the period the liability arose and income taxes currently receivable were deemed to have been received from Ligand in the period that a refund could have been recognized by OmniAb had the Company been a separate taxpayer, if applicable. For the tax periods after October 31, 2022, the Company will file its own consolidated federal income tax return and combined state income tax returns separate from Ligand. Any income taxes due for the tax periods after October 31, 2022 will be directly payable by the Company.

Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted income (loss) per share is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period.

For periods prior to the Separation, basic and diluted income (loss) per share was calculated based on the 82.6 million shares issued to Ligand shareholders at the Closing Date.

Comprehensive Income (Loss)

Comprehensive income (loss) represents net income (loss) adjusted for the change during the periods presented in unrealized gains and losses on available-for-sale debt securities and reclassification adjustments for realized gains or losses included in net income (loss). The unrealized gains or losses are reported in the condensed consolidated and combined statements of operations and comprehensive income (loss).

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. The Company has evaluated recently issued accounting pronouncements and concluded that they are either not applicable to the business, or that no material effect is expected on the condensed consolidated and combined financial statements as a result of future adoption.

Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision-maker in deciding how to allocate resources and assess performance. The Company currently operates in one reportable business segment.

3. Relationship with Parent and Related Entities

Prior to the Separation, the OmniAb business was managed and operated in the normal course of business consistent with other affiliates of the Parent. Accordingly, certain shared costs were allocated to the Company and reflected as expenses in the combined financial statements. Management considered the allocation methodologies used to be reasonable and appropriate reflections of the historical Parent expenses attributable to OmniAb for purposes of the stand-alone financial statements. However, the expenses reflected in the combined financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if OmniAb historically operated as a separate, stand-alone entity. In addition, the expenses reflected in the combined financial statements may not be indicative of related expenses that will be incurred in the future by OmniAb.

General Corporate Overhead

The combined statements of operations include expenses for certain centralized functions (such as information systems, accounting, treasury, audit, purchasing, human resources, legal and facilities), executive compensation and other programs provided and/or administered by Parent that were charged directly to the Company. A portion of these costs benefited the Company and were allocated using a pro-rata method based on project-related costs or other measures that management believed were consistent and reasonable.

Costs of \$1.5 million and \$3.3 million for the three and six months ended June 30, 2022, respectively, have been reflected in the general and administrative expenses in our combined statements of operations for our allocated share of Parent's corporate overhead.

Cash Management and Financing

The Company participated in Ligand's centralized cash management and financing programs prior to the Separation.

Disbursements were made through centralized accounts payable systems which were operated by Ligand. Cash receipts were transferred to centralized accounts, also maintained by Ligand. As cash was disbursed and received by Ligand, it was accounted for through the Parent company net investment. All obligations were financed by Ligand and financing decisions were determined by central Ligand treasury operations.

Equity-Based Incentive Plans

Certain of our employees participated in the former Parent's equity-based incentive plans. Under the Ligand 2002 Stock Incentive Plan (the "2002 Plan"), employees, directors, managers and advisors were awarded share-based incentive awards in a number of forms, including nonqualified stock options. Under the 2002 Plan, employees could be awarded share-based incentive awards which included non-statutory stock options or incentive stock options, restricted stock units, performance stock units and other cash-based or share-based awards. Awards granted to employees under the incentive plans typically vested 1/8 on the six-month anniversary of the grant date, and 1/48 each month thereafter for 42 months. The Company measured share-based compensation for all share-based incentive awards at fair value on the grant date. Share-based compensation expense was generally recognized on a straight-line basis over the requisite service periods of the awards.

Compensation costs associated with the Company's employees' participation in the incentive plans were specifically identified for employees who exclusively supported the Company's operations and were allocated to the Company as part of the cost allocations from the Company's former Parent. Total costs charged to the Company related to its employees' participation

in the former Parent's incentive plans, depending on the nature of the employee's role in our operations, were \$ 3.9 million (\$2.3 million in research and development expenses and \$1.6 million in general and administrative expenses) and \$7.0 million (\$4.2 million in research and development expenses and \$2.8 million in general and administrative expenses) during the three and six months ended June 30, 2022, respectively.

Employee Stock Purchase Plan

The Company's eligible employees participated in its former Parent's ESPP. The ESPP permitted eligible participants to purchase Ligand's shares at a discount through regular payroll deductions of up to 10% of their eligible compensation during the offering period. The ESPP was typically implemented through consecutive six-month offering periods. The purchase price of the shares was 85% of the lesser of the fair market value of the closing price per share on the first day of the offering period and the fair market value of the closing price per share on the last day of the offering period.

4. Business Combination

As discussed in Note 1 – Organization and Basis of Presentation, on November 1, 2022, the Company consummated the transactions contemplated by the Merger Agreement. At the Closing Date, and subject to the terms and conditions of the Merger Agreement, each outstanding share of Legacy OmniAb Common Stock was cancelled in exchange for 4.90007 shares of common stock of OmniAb, par value \$ 0.0001 per share ("OmniAb Common Stock") and 0.75842 shares of OmniAb Common Stock subject to certain price-based earnout triggers (the "Earnout Shares"). Holders of shares of Legacy OmniAb Common Stock received an aggregate 82,611,789 shares of the OmniAb Common Stock, excluding Earnout Shares, as consideration in the Business Combination.

In addition, all outstanding Legacy OmniAb equity awards were converted into OmniAb equity awards to purchase, in the case of options, or receive, in the case of restricted stock units and performance-vesting restricted stock units, shares of OmniAb Common Stock, in each case, equal to the number of shares underlying such Legacy OmniAb equity awards multiplied by the Exchange Ratio. Each holder of an outstanding Legacy OmniAb equity award also received Earnout Shares equal to the number of shares of Legacy OmniAb Common Stock underlying such equity award multiplied by 0.75842.

Holders of shares of Legacy OmniAb Common Stock and holders of Legacy OmniAb equity awards received an aggregate 14,999,243 Earnout Shares as consideration in the Business Combination. Fifty percent of the Earnout Shares will vest on the date on which the volume-weighted average price ("VWAP") equals or exceeds \$12.50 on any 20 trading days in any 30 consecutive trading-day period, and all remaining Earnout Shares will vest on the date on which the VWAP equals or exceeds \$15.00 on any 20 trading days in any 30 consecutive trading-day period, in each case provided such vesting occurs during the five year period following the Closing Date (the "Earnout Period"); provided, that in the event of a Change of Control (as defined in the Merger Agreement) during the Earnout Period pursuant to which OmniAb or any of its stockholders have the right to receive, directly or indirectly, cash, securities or other property attributing a value of at least \$12.50 (with respect to 50% of the Earnout Shares) or \$15.00 (with respect to all Earnout Shares) per share of OmniAb Common Stock, and such Change of Control has been approved by a majority of the independent directors of the OmniAb board of directors, then such Earnout Shares shall be deemed to have vested immediately prior to such Change of Control. The Earnout Shares are accounted for as equity-classified equity instruments and recorded in additional paid-in capital as part of the Business Combination.

Pursuant to the Sponsor Insider Letter Agreement executed concurrently with the Merger Agreement, by and among APAC, Avista Acquisition LP II (the "Sponsor"), Legacy OmniAb and certain insiders of APAC, 1,293,299 shares of OmniAb Common Stock held by the Sponsor became subject to the same price-based vesting conditions as the Earnout Shares (the "Earnout Founder Shares"). The Earnout Founder Shares are accounted for as equity-classified equity instruments and recorded in additional paid-in capital as part of the Business Combination.

On the Closing Date, the Company completed the issuance and sale of 1,500,000 shares of the Company's common stock and 1,666,667 Forward Purchase Warrants to the Sponsor for an aggregate purchase price of \$15.0 million (the "Forward Purchase"), pursuant to the amended and restated forward purchase agreement (the "A&R FPA"). Additionally, and also pursuant to the A&R FPA, on the Closing Date, the Company completed the sale of 8,672,934 shares of the Company's common stock and 1,445,489 Backstop Warrants to the Sponsor for a purchase price of \$10.00 per share and aggregate purchase price of \$86.7 million in order to backstop shareholder redemptions which would have otherwise resulted in the cash proceeds available to OmniAb following the Business Combination from OmniAb's trust account to be less than \$100,000,000. Refer to Note 10 – Stockholders' Equity, for additional information on the accounting for the Forward Purchase Warrants and Backstop Warrants.

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, APAC was treated as the “acquired” company and OmniAb was treated as the acquirer for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of OmniAb issuing stock for the net assets of APAC, accompanied by a recapitalization. The net assets of APAC are stated at historical cost, with no goodwill or other intangible assets recorded.

Upon the closing of the Business Combination, the Company’s certificate of incorporation was amended and restated to, among other things, increase the total number of authorized shares of all classes of capital stock to 1,100,000,000 shares, \$0.0001 par value per share, of which, 1,000,000,000 shares are designated as OmniAb Common Stock and 100,000,000 shares are designated as preferred stock.

5. Fair Value Measurement

The Company measures its financial assets and liabilities at fair value, which is defined as the exit price, or the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses the following three-level valuation hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs to value its financial assets and liabilities:

- Level 1 — Observable inputs such as unadjusted quoted prices in active markets for identical instruments.
- Level 2 — Quoted prices for similar instruments in active markets or inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Significant unobservable inputs based on the Company’s assumptions.

Financial Instruments Measured on a Recurring Basis

The following tables provide a summary of the assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

(in thousands)	Fair Value Measurements as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 19,285	\$ —	\$ —	\$ 19,285
Total cash equivalents	\$ 19,285	\$ —	\$ —	\$ 19,285
Short-term investments:				
Government and agency securities	\$ 36,955	\$ 12,684	\$ —	\$ 49,639
Corporate debt securities	—	1,989	—	1,989
Commercial paper	—	25,276	—	25,276
Asset-backed securities	—	5,257	—	5,257
Total short-term investments	\$ 36,955	\$ 45,206	\$ —	\$ 82,161
Liabilities:				
Current contingent liabilities	\$ —	\$ —	\$ 2,810	\$ 2,810
Long-term contingent liabilities	—	—	3,384	3,384
Total contingent liabilities	\$ —	\$ —	\$ 6,194	\$ 6,194

**Fair Value Measurements as of
December 31, 2022**

(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 26,056	\$ —	\$ —	\$ 26,056
Government and agency securities	—	2,987	—	2,987
Corporate debt securities	—	1,510	—	1,510
Total cash equivalents	\$ 26,056	\$ 4,497	\$ —	\$ 30,553
Short-term investments:				
Government and agency securities	\$ 29,951	\$ 4,838	\$ —	\$ 34,789
Corporate debt securities	—	1,983	—	1,983
Commercial paper	—	17,491	—	17,491
Asset-backed securities	—	612	—	612
Total short-term investments	\$ 29,951	\$ 24,924	\$ —	\$ 54,875
Liabilities:				
Current contingent liabilities	\$ —	\$ —	\$ 4,022	\$ 4,022
Long-term contingent liabilities	—	—	4,089	4,089
Total contingent liabilities	\$ —	\$ —	\$ 8,111	\$ 8,111

The carrying amounts reported in the Company's condensed consolidated and combined balance sheets for accounts receivable, other assets, accounts payable and other accrued expenses and other current liabilities approximate fair value due to their relatively short periods to maturity.

Available-for-Sale Securities

The Company obtains the fair value of its Level 2 available-for-sale securities from third-party pricing services. The pricing services utilize industry standard valuation models whereby all significant inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, or other market-related data, are observable. The Company validates the prices provided by the third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. The Company did not adjust or override any fair value measurements provided by these pricing services as of June 30, 2023 or December 31, 2022. The Company has not transferred any investment securities between classification levels.

Contingent Liabilities

Contingent liabilities are measured at fair value each reporting period by using a probability weighted income approach.

A reconciliation of the Level 3 financial instruments as of June 30, 2023 and December 31, 2022 is as follows:

(in thousands)	Icagen ⁽¹⁾	Taurus ⁽²⁾	xCella ⁽²⁾	Total
Balance as of January 1, 2022	\$ 7,364	\$ —	\$ —	\$ 7,364
Payments to CVR holders	(2,025)	—	(1,440)	(3,465)
Fair value adjustments to contingent liabilities	(592)	1,600	3,204	4,212
Balance as of December 31, 2022	4,747	1,600	1,764	8,111
Payments to CVR holders	—	(1,600)	(1,200)	(2,800)
Fair value adjustments to contingent liabilities	(233)	—	1,116	883
Balance as of June 30, 2023	\$ 4,514	\$ —	\$ 1,680	\$ 6,194

- (1) Changes in the fair values of contingent liabilities in connection with the acquisition of Icagen are recognized in "Other operating expense (income), net" in the condensed consolidated and combined statements of operations and comprehensive loss and in the operating section of the statements of cash flows. Payments to CVR holders are disclosed in the financing section of the statements of cash flows.
- (2) Changes in the fair values of contingent liabilities in connection with the acquisitions of Taurus and xCella are recognized in "Intangible assets, net" in the condensed consolidated and combined balance sheets. Payments to CVR holders are disclosed in the investing section of the statement of cash flows.

Contingent liabilities are classified as Level 3 liabilities as their valuation requires substantial judgment and estimation of factors that are not currently observable in the market. These subjective estimates include but are not limited to assumptions involving the achievement probability of certain developmental and commercialization milestones, discount rates, and projected years of payments. If different assumptions were used for the various inputs to the valuation approaches, the estimated fair value could be materially higher or lower than the fair value determined.

Assets Measured on a Non-Recurring Basis

The Company applies fair value techniques on a non-recurring basis associated with valuing potential impairment losses related to goodwill, finite-lived intangible assets, and long-lived assets.

6. Short-Term Investments

The Company classifies short-term investments as available-for-sale securities, as the sale of such investments may be required prior to maturity to implement management strategies. The following tables summarize short-term investments as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023				
	Unrealized				
(in thousands)	Amortized Cost	Gains	Losses		Estimated Fair Value
Government and agency securities	\$ 49,680	\$ 2	\$ (43)	\$	49,639
Commercial paper	25,276	—	—		25,276
Asset backed securities	5,259	13	(15)		5,257
Corporate debt securities	1,995	—	(6)		1,989
Total short-term investments	\$ 82,210	\$ 15	\$ (64)	\$	82,161

As of December 31, 2022				
(in thousands)	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
Government and agency securities	\$ 34,781	\$ 15	\$ (7)	\$ 34,789
Commercial paper	17,491	—	—	17,491
Corporate debt securities	1,983	—	—	1,983
Asset-backed securities	611	1	—	612
Total short-term investments	\$ 54,866	\$ 16	\$ (7)	\$ 54,875

The Company has classified all investments with maturity dates beyond three months at the date of purchase as short-term investments in the condensed consolidated and combined balance sheets based upon its ability and intent to use the investments to satisfy the liquidity needs of current operations. The following table summarizes available-for-sale investments by maturity as of June 30, 2023:

(in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 74,723	\$ 74,680
Due after one year	7,487	7,481
Total short-term investments	\$ 82,210	\$ 82,161

The following table summarizes the Company's available-for-sale investments' gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous loss position, as of June 30, 2023 and December 31, 2022:

As of June 30, 2023									
(in thousands)	Less than 12 months			More than 12 months			Total		
	Count	Fair Value	Unrealized Losses	Count	Fair Value	Unrealized Losses	Count	Fair Value	Unrealized Losses
Government and agency securities	18	\$ 33,022	\$ (43)	—	\$ —	\$ —	18	\$ 33,022	\$ (43)
Asset backed securities	3	3,536	(15)	—	—	—	3	3,536	(15)
Corporate debt securities	2	1,984	(6)	—	—	—	2	1,984	(6)
	23	\$ 38,542	\$ (64)	—	\$ —	\$ —	23	\$ 38,542	\$ (64)

As of December 31, 2022									
(in thousands)	Less than 12 months			More than 12 months			Total		
	Count	Fair Value	Unrealized Losses	Count	Fair Value	Unrealized Losses	Count	Fair Value	Unrealized Losses
Government and agency securities	7	\$ 13,667	\$ (7)	—	\$ —	\$ —	7	\$ 13,667	\$ (7)
	7	\$ 13,667	\$ (7)	—	\$ —	\$ —	7	\$ 13,667	\$ (7)

The Company had certain available-for-sale debt securities in an unrealized loss position without an allowance for credit loss as of June 30, 2023. Unrealized losses on these debt securities have not been recognized into income for the following reasons: (1) risk of default is low due to the high credit quality of the issuers, (2) management does not intend to sell and it is likely that management will not be required to sell these securities prior to their anticipated recovery and (3) the decline in fair value is largely due to market conditions and/or changes in interest rates. The issuers continue to make timely interest payments on the securities, and the fair value is expected to recover as the investments approach maturity.

7. Balance Sheet Account Details

Property and Equipment, Net

Property and equipment, net, consisted of the following as of June 30, 2023 and December 31, 2022:

(in thousands)	June 30, 2023	December 31, 2022
Leasehold improvements	\$ 16,085	\$ 16,085
Lab and office equipment	9,191	8,126
Computer equipment and software	641	641
Construction in progress	412	315
Property and equipment, at cost	26,329	25,167
Less accumulated depreciation	(7,103)	(5,188)
Total property and equipment, net	<u>\$ 19,226</u>	<u>\$ 19,979</u>

Depreciation expense, which is included in operating expense, was \$ 1.0 million and \$ 2.0 million during the three and six months ended June 30, 2023, respectively, and \$0.6 million and \$1.2 million during the three and six months ended June 30, 2022, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of June 30, 2023 and December 31, 2022:

(in thousands)	June 30, 2023	December 31, 2022
Compensation	\$ 3,200	\$ 4,101
Due to former parent	1,280	—
Royalties owed to third parties	119	739
Professional service fees	275	664
Other	55	53
Total accrued expenses and other current liabilities	<u>\$ 4,929</u>	<u>\$ 5,557</u>

8. Goodwill and Intangible Assets

The following is a summary of goodwill and intangible assets:

(in thousands)	June 30, 2023	December 31, 2022
Goodwill	\$ 83,979	\$ 83,979
Definite-lived intangible assets		
Completed technology	232,807	231,379
Less: Accumulated amortization	(78,118)	(71,964)
Customer relationships	11,100	11,100
Less: Accumulated amortization	(3,868)	(3,273)
Intangible assets, net	<u>\$ 161,921</u>	<u>\$ 167,242</u>
Total goodwill and other identifiable intangible assets, net	<u>\$ 245,900</u>	<u>\$ 251,221</u>

Goodwill

There were no changes in the carrying amount of goodwill during the three and six months ended June 30, 2023 and 2022.

Intangible Assets

Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated useful life of the asset of up to 20 years and is reflected within depreciation and amortization expense on the condensed consolidated and combined statements of operations and comprehensive loss. Amortization expense was \$3.4 million and \$6.7 million during the three and six months ended June 30, 2023, respectively. Amortization expense was \$ 3.1 million and \$6.5 million for the three

and six months ended June 30, 2022, respectively. For each of the three and six months ended June 30, 2023 and 2022, there was no impairment of intangible assets with finite lives.

The remaining weighted-average useful life of definite lived intangible assets is 12.4 years. At June 30, 2023, future amortization expense on intangible assets is estimated to be as follows (in thousands):

Maturity Dates	Amount
Remaining six months ended December 31, 2023	\$ 6,797
2024	13,594
2025	13,474
2026	13,434
2027	13,434
Thereafter	101,188
Total future amortization expense	<u>\$ 161,921</u>

9. Commitments and Contingencies

Lease Commitments

The Company's corporate headquarters and research and development facilities are located in Emeryville and Dixon, California, where it leases approximately 39,000 square feet of space under leases expiring in 2032. The Company's ion channel business leases approximately 31,000 square feet of research and development space in Durham, North Carolina and Tucson, Arizona, under leases that expire between 2026 and 2029.

The below tables provide supplemental cash flow and other information related to operating leases (in thousands, except for lease term and discount rate):

	Six Months Ended June 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:	\$ 1,726	\$ 1,197
Right-of-use assets obtained in exchange for lease obligations:	\$ 328	\$ 9,872

	As of June 30,	
	2023	2022
Weighted average remaining lease term (in years)	8.2	9.0
Weighted average discount rate	4.3 %	4.2 %

In addition to base rent, certain of the Company's operating leases require variable payments. These variable lease costs include amounts relating to common area maintenance and are expensed when the obligation for those payments is incurred and are recognized as operating expenses in the condensed consolidated and combined statements of operations. The following table summarizes the components of operating lease expense for the three and six months ended June 30, 2023 and 2022:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	795	1,189	1,576	2,038
Variable lease cost	345	352	680	548
Total lease costs	<u>1,140</u>	<u>1,541</u>	<u>2,256</u>	<u>2,586</u>

Future minimum lease commitments are as follows as of June 30, 2023 (in thousands):

Maturity Dates	Operating Leases	
Remaining six months ended December 31, 2023	\$	1,611
2024		3,486
2025		3,772
2026		3,869
2027		3,970
Thereafter		15,271
Total lease payments		31,979
Less imputed interest		(5,462)
Present value of lease liabilities	\$	26,517

Legal Proceedings

From time to time, the Company has been and may be involved in various legal proceedings arising in its ordinary course of business. In the opinion of management, resolution of any pending claims (either individually or in the aggregate) is not expected to have a material adverse impact on the condensed consolidated and combined financial statements, cash flows or financial position and it is not possible to provide an estimated amount of any such loss. However, the outcome of disputes is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, an unfavorable resolution of one or more matters could materially affect future results of operations or cash flows, or both, in a particular period.

10. Stockholders' Equity

Authorized and Outstanding Capital Stock

The total number of shares of the Company's authorized capital stock is 1,100,000,000. The total amount of authorized capital stock consists of 1,000,000,000 shares of common stock and 100,000,000 shares of preferred stock. As of June 30, 2023, no shares of preferred stock are issued or outstanding.

Common Stock

Holders of OmniAb Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, including the election of directors, and do not have cumulative voting rights. Subject to preferences that may be applicable to any then outstanding preferred stock, holders of OmniAb Common Stock are entitled to receive ratably those dividends, if any, as may be declared by the Company's board of directors out of legally available funds. In the event of liquidation, dissolution or winding up, the holders of OmniAb Common Stock will be entitled to share ratably in the assets legally available for distribution to stockholders after the payment of or provision for all of the Company's debts and other liabilities, subject to the prior rights of any preferred stock then outstanding. Holders of OmniAb Common Stock have no preemptive or conversion rights or other subscription rights and there are no redemption or sinking fund provisions applicable to the OmniAb Common Stock. All outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of OmniAb Common Stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

Preferred stock

Under the terms of the Company's certificate of incorporation, its board of directors has the authority, without further action by the Company's stockholders, to issue up to 100,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to fix the dividend, voting and other rights, preferences and privileges of the shares of each wholly unissued series and any qualifications, limitations or restrictions thereon, and to increase or decrease the number of shares of any such series, but not below the number of shares of such series then outstanding.

The Company's board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of OmniAb Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deterring or preventing a change in the Company's control and may adversely affect the market

price of OmniAb Common Stock and the voting and other rights of the holders of OmniAb Common Stock. The Company has no current plans to issue any shares of preferred stock.

Earnout Shares

As of June 30, 2023, OmniAb Earnout Shares of 14,999,243 and Sponsor Earnout Shares of 1,293,299 are issued and outstanding. Earnout Shares vest based upon the achievement of certain volume-weighted average trading prices ("VWAP") for shares of the Company for any 20 trading days over a consecutive 30 trading-day period during the five-year period following the Closing Date, with (i) 50% of such Earnout Shares vesting upon achievement of a VWAP of \$12.50 per share of OmniAb Common Stock or upon the occurrence of a change of control transaction that will result in the holders of OmniAb Common Stock receiving a price per share in excess of \$12.50, and (ii) the remaining 50% of the Earnout Shares vesting upon achievement of a VWAP of \$15.00 per share of New OmniAb common stock or upon the occurrence of a change of control transaction that will result in the holders of New OmniAb Common Stock receiving a price per share in excess of \$15.00. The Earnout Shares are not transferable until the vesting condition for the applicable tranche of Earnout Shares has been achieved. Prior to vesting, holders of Earnout Shares are entitled to exercise the voting rights carried by such shares and receive any dividends or other distributions in respect of such shares.

The Earnout Shares will be automatically forfeited for no consideration if an applicable OmniAb Triggering Event or Sponsor Triggering Event has not occurred from the Closing Date to and including the fifth anniversary of the Closing Date.

Warrants

As part of APAC's initial public offering, 7,666,667 Public Warrants were sold. The Public Warrants entitle the holder thereof to purchase one share of common stock at a price of \$11.50 per share, subject to adjustments. The Public Warrants are only exercisable for a whole number of shares of common stock. No fractional shares are to be issued upon exercise of the warrants. The Public Warrants will expire on November 1, 2027 (which is five years after the completion of the Business Combination), at 5:00 p.m., New York City time, or earlier upon redemption or liquidation. The Public Warrants are listed on the Nasdaq Capital Market under the symbol "OABIW".

Additionally, once the Public Warrants become exercisable, the Company can redeem the outstanding Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the ordinary shares equals or exceeds \$ 18.00 per share (as adjusted for share subdivisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders provided there was an effective registration statement covering the shares of common stock issuable upon exercise of the warrants.

If the Company calls the Public Warrants for redemption as previously described, the Company has the option to require all holders that wish to exercise the Public Warrants to do so on a cashless basis.

Simultaneously with APAC's initial public offering, APAC consummated a private placement of 8,233,333 Private Placement Warrants with APAC's sponsor. Each Private Placement Warrant is exercisable for one share of common stock at a price of \$ 11.50 per share, subject to adjustment. The Private Placement Warrants have terms and provisions that are identical to those of the Public Warrants except that the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination. The Private Placement Warrants will be redeemable by the Company in all redemption scenarios and exercisable by the holders on the same basis as the Public Warrants.

Additionally, on the Closing Date, the Company issued 1,666,667 Forward Purchase Warrants and 1,445,489 Backstop Warrants pursuant to the A&R FPA. The Forward Purchase Warrants and Backstop Warrants have the same terms as the Private Placement Warrants.

The Company concluded the Public, Private Placement, Forward Purchase and Backstop Warrants meet the criteria to be classified as equity. Upon consummation of the Business Combination, the Public, Private Placement, Forward Purchase and Backstop Warrants were recorded in additional paid-in capital.

Equity Compensation Plans

2022 Incentive Award Plan

The Company's board of directors and stockholders adopted the 2022 Incentive Award Plan, or the 2022 Plan, which became effective upon the Closing of the Business Combination. Under the 2022 Plan, the Company may grant cash and equity incentive awards to eligible employees, directors and consultants.

As of June 30, 2023, the aggregate number of shares of our common stock that may be issued under the 2022 Plan is 22,944,791 shares. In addition, the number of shares of our common stock available for issuance under the 2022 Plan will be annually increased on January 1 of each calendar year beginning in 2023 and ending in 2032 by an amount equal to the lesser of (i) a number equal to 5% of the fully-diluted shares on the final day of the immediately preceding calendar year or (ii) such smaller number of shares as is determined by the Company's board of directors.

The 2022 Plan provides for the grant of stock options, including incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, dividend equivalents, RSUs and other stock or cash-based awards.

OmniAb Prior Plans

In connection with the Business Combination, Legacy OmniAb adopted the OmniAb, Inc. 2022 Ligand Service Provider Assumed Award Plan and the OmniAb, Inc. 2022 OmniAb Service Provider Assumed Award Plan, collectively referred to as the OmniAb Prior Plans, which govern the OmniAb Equity Awards issued upon adjustment of outstanding Ligand equity awards in connection with the Distribution. All awards under the OmniAb Prior Plans that were outstanding as of the closing of the Business Combination continued to be governed by the terms, conditions and procedures set forth in the OmniAb Prior Plans and any applicable award agreements, as those terms may be equitably adjusted in connection with the Business Combination. The Company assumed the OmniAb Prior Plans in connection with the closing of the Business Combination, and each of the awards thereunder.

At the time of the Distribution, and after giving effect to the adjustment of the OmniAb Equity Awards to reflect the Business Combination, awards representing the right to receive an aggregate of 5,997,765 and 8,302,710 shares of the Company's common stock were outstanding under the OmniAb, Inc. 2022 Ligand Service Provider Assumed Award Plan and the OmniAb, Inc. 2022 OmniAb Service Provider Assumed Award Plan, respectively. No future awards will be granted under the OmniAb Prior Plans. Shares subject to outstanding awards under the OmniAb Prior Plans as of the effective date of the 2022 Plan may, on or following the effective date of the 2022 Plan, become available for issuance pursuant to the 2022 Plan recycling provisions.

11. Share-Based Compensation

Conversion and Modification of Equity Awards Outstanding at Separation Date

In connection with the Separation on November 1, 2022, under the provisions of the existing plans, the Company adjusted its outstanding equity awards in accordance with the Merger Agreement to preserve the intrinsic value of the awards immediately before and after the Distribution. Upon the Distribution, employees holding stock options, restricted stock units and performance restricted stock units denominated in pre-Distribution Ligand stock received a number of otherwise-similar awards either in post-Distribution Ligand stock or in a combination of post-Distribution Ligand stock and OmniAb stock based on conversion ratios outlined for each group of employees in the Merger Agreement that the Company entered into in connection with the Distribution. The equity awards that were granted prior to March 2, 2022 were converted under the shareholder method, wherein employees holding outstanding equity awards received equity awards in both Ligand and OmniAb. For equity awards granted after March 2, 2022, for Ligand employees, the number of awards that were outstanding at the Separation were proportionately adjusted into post-Distribution Ligand stock to maintain the aggregate intrinsic value of the awards at the date of the Separation; for OmniAb employees, the number of awards that were outstanding at the Separation were proportionately adjusted into post-Distribution OmniAb stock to maintain the aggregate intrinsic value of the awards at the date of the Separation. The conversion ratio was determined based on the relative values of Ligand common stock in the "regular way" and "ex-distribution" markets during the five-trading day period prior to the closing of the Business Combination.

These modified awards otherwise retained substantially the same terms and conditions, including term and vesting provisions. Due to the modification of the equity awards as a result of the Distribution, the Company compared the fair value of

the outstanding equity awards immediately before and after the Distribution. Due to the immaterial amount of incremental expense, the Company did not recognize any incremental fair value as a result of the modification.

The Company will not incur any future compensation cost related to equity awards held by Ligand employees and directors. The Company will incur future compensation cost related to Ligand equity awards held by OmniAb employees.

Share-Based Compensation Expense

The Company recognized share-based compensation expense by function as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Research and development	\$ 3,313	\$ 2,254	\$ 6,591	\$ 4,164
General and administrative	3,216	1,594	5,993	2,830
Total share-based compensation expense	\$ 6,529	\$ 3,848	\$ 12,584	\$ 6,994

The Company recognized share-based compensation expense by award type as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	\$ 4,026	\$ 2,351	\$ 7,595	\$ 4,180
Restricted stock units	1,955	1,095	3,881	1,936
Employee share purchase plan	395	24	804	44
Performance restricted stock units	153	378	304	834
Total share-based compensation expense	\$ 6,529	\$ 3,848	\$ 12,584	\$ 6,994

Stock Options

Stock options granted under the 2022 Plan typically vest 1/8 on the six-month anniversary of the date of grant, and 1/48 each month thereafter for 42 months. All option awards generally expire 10 years from the date of grant.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted. The model assumptions include expected volatility, expected term, dividend yield, and the risk-free interest rate.

- **Expected volatility:** Since the Company is a newly public company and does not have a trading history for its common stock, the expected volatility assumption is based on volatilities of a peer group of similar companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology industry. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available.
- **Expected term:** The expected term represents the period of time that options are expected to be outstanding. Because the Company has limited historical exercise behavior, it determines the expected life assumption using the simplified method which is an average of the contractual term of the option and its vesting period.
- **Dividend yield:** The Company bases the expected dividend yield assumption on the fact that it has never paid cash dividends and has no present intention to pay cash dividends and, therefore, used an expected dividend yield of zero.
- **Risk-free interest rate:** The risk-free interest rate is based upon U.S. Treasury securities with remaining terms similar to the expected term of the share-based awards.

Prior to the Separation on November 1, 2022, valuation assumptions were determined by the Company's former parent, Ligand, using historical and implied volatility of Ligand stock to determine the expected volatility. The expected term of an award was based on historical forfeiture experience, exercise activity, and on the terms and conditions of the stock awards. The expected dividend yield was determined to be 0% given that it had not paid any dividends on common stock in the past except for 2007, during which Ligand declared a cash dividend on its common stock of \$2.50 per share, and did not expect to pay cash dividends or make any other distributions on common stock in the future. The risk-free interest rate was based upon U.S. Treasury securities with remaining terms similar to the expected term of the share-based awards.

Following the Separation on November 1, 2022, the fair value of each option issued to employees was estimated on the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Risk-free interest rate	3.5 %	—	3.6 %	—
Expected volatility	50.1 %	—	50.0 %	—
Expected term (years)	6.1	0	6.1	0
Dividend yield	— %	— %	— %	— %

The following table summarizes stock option activity awarded to OmniAb employees and directors under the Company's equity award plans:

	Shares	Weighted-average exercise price per share	Weighted-average remaining contractual life (in years)	Aggregate intrinsic value (in thousands) ⁽¹⁾
Outstanding at January 1, 2023	11,014,979	\$ 7.51		
Granted	4,150,130	\$ 3.93		
Exercised	(50,746)	\$ 3.63		
Cancelled/Expired	(274,047)	\$ 6.33		
Outstanding at June 30, 2023	14,840,316	\$ 6.54	9.0	\$ 12,436
Exercisable at June 30, 2023	3,030,208	\$ 10.21	7.9	\$ 959

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the estimated fair value of the common stock for in the money options at June 30, 2023.

As of June 30, 2023, unrecognized share-based compensation expense related to OmniAb options was \$ 31.1 million, which is expected to be recognized over a remaining weighted-average period of approximately 1.54 years. As of June 30, 2023, unrecognized share-based compensation expense related to Ligand options was \$3.9 million, which is expected to be recognized over a remaining weighted-average period of approximately 0.81 years.

The aggregate intrinsic value of OmniAb options exercised by OmniAb employees during the six months ended June 30, 2023 was immaterial. Cash received from OmniAb options exercised by OmniAb employees during the six months ended June 30, 2023 was \$0.2 million.

The aggregate intrinsic value of OmniAb options exercised by Ligand employees during the six months ended June 30, 2023 was \$ 0.1 million. Cash received from OmniAb options exercised by Ligand employees during the six months ended June 30, 2023 was \$0.6 million.

Restricted Stock Units

Restricted stock units ("RSUs") are awards of nontransferable shares of common stock subject to certain vesting conditions and other restrictions. RSUs generally vest over three years. The fair value of restricted stock is determined by the closing market price on the grant date.

The following table summarizes RSU activity during the six months ended June 30, 2023 under the Company's equity awards plans:

	Shares	Weighted-Average Grant Date	
		Fair Value	
Unvested balance at January 1, 2023	859,229	\$	10.31
Granted	1,663,804	\$	3.70
Vested	(363,613)	\$	9.40
Forfeited	—	\$	—
Unvested balance at June 30, 2023	2,159,420	\$	5.37

As of June 30, 2023, unrecognized stock-based compensation expense related to OmniAb RSUs was \$ 9.2 million, which is expected to be recognized over a remaining weighted-average period of approximately 1.45 years. As of June 30, 2023, unrecognized stock-based compensation expense related to Ligand RSUs was \$1.4 million, which is expected to be recognized over a remaining weighted-average period of approximately 2.19 years.

The aggregate intrinsic value of OmniAb RSUs vested for OmniAb employees during the six months ended June 30, 2023 was \$ 1.4 million. The aggregate intrinsic value of OmniAb RSUs vested for Ligand employees during the six months ended June 30, 2023 was \$0.7 million.

Performance Restricted Stock Units

PRSUs are share awards that, upon vesting, will deliver to the holder shares of the Company's common stock. PRSUs vest over a continued employment period and are based on the achievement of certain corporate performance or market goals.

The Company's PRSUs contain a market condition dependent upon the Company's relative and absolute total stockholder return over a three-year period, with a payout range of 0% to 200% of the target shares granted. Share-based compensation expense for these PRSUs is measured using the Monte-Carlo valuation model and is not adjusted for the achievement, or lack thereof, of the market conditions.

The following table summarizes the PRSU activity during the six months ended June 30, 2023, under the Company's equity awards plans:

	Shares	Weighted-Average Grant Date	
		Fair Value	
Unvested balance at January 1, 2023	94,749	\$	16.11
Granted	—	\$	—
Vested	—	\$	—
Forfeited	—	\$	—
Unvested balance at June 30, 2023	94,749	\$	16.11

As of June 30, 2023, unrecognized share-based compensation expense related to OmniAb PRSUs was \$ 0.9 million, which is expected to be recognized over a remaining weighted-average period of approximately 1.51 years.

Employee Stock Purchase Plan

Under the Company's 2022 Employee Stock Purchase Plan (the "ESPP"), eligible employees are entitled to purchase shares of common stock at a discount with accumulated payroll deductions. The ESPP provides for a series of overlapping 24-month offering periods comprising four six-month purchase periods. The initial offering period under the 2022 ESPP is longer than 24 months, commencing November 1, 2022 and ending on November 29, 2024. The purchase price for shares of common stock purchased under the ESPP is equal to 85% of the lesser of the fair market value of the Company's common stock on (i) the first trading day of the applicable offering period or (ii) the last trading day of each six month purchase period in the applicable offering period.

As of January 1, 2023, the aggregate number of shares of our common stock that may be issued pursuant to rights granted under the ESPP equals 2,910,291 shares of our common stock. In addition, on the first day of each calendar year beginning on January 1, 2023 and ending on (and including) January 1, 2032, the number of shares available for issuance under the ESPP

will be increased by a number of shares equal to the lesser of (i) 1% of the fully diluted shares outstanding on the final day of the immediately preceding calendar year, and (ii) such smaller number of shares as determined by our board of directors.

As of June 30, 2023, there was \$1.0 million of unrecognized share-based compensation expense associated with the ESPP, which is expected to be recognized over a remaining weighted-average period of 1.03 years.

During the six months ended June 30, 2023, there were 317,167 shares issued pursuant to the ESPP.

12. Income Taxes

Prior to the Separation on November 1, 2022, OmniAb operated as part of Ligand and not as a stand-alone company. The Company determined the OmniAb income tax provision as if Legacy OmniAb had filed consolidated federal income tax returns and combined state income tax returns separate from Ligand since its inception on January 8, 2016 when Ligand acquired Legacy OmniAb. Since November 1, 2022 the Company reports its income tax provision, deferred tax assets and liabilities, and other income tax related items to reflect actual tax attributes received when it departed Ligand's consolidated group and its activity as a stand-alone company.

The Company's effective tax rate may vary from the U.S. federal statutory tax rate due to the change in the mix of earnings in various state jurisdictions with different statutory rates, benefits related to tax credits, and the tax impact of non-deductible expenses, stock award activities and other permanent differences between income before income taxes and taxable income. The Company's effective tax rate for the three and six months ended June 30, 2023 was 18.9% and 17.7%, respectively. The variance from the U.S. federal statutory tax rate of 21.0% for the three and six months ended June 30, 2023 was primarily due to the benefit related to tax credits, the tax impact of stock award activities, and the valuation allowance established on state attributes in the current period. The Company's effective tax rate for the three and six months ended June 30, 2022 was 18.2% and 20.4%, respectively. The variance from the U.S. federal statutory tax rate of 21.0% for the three and six months ended June 30, 2022 was primarily due to the benefit related to tax credits, repricing of state tax deferrals, the tax impact of stock award activities and the valuation allowance established on state attributes in the current period.

The Company has considered the realizability of the deferred tax assets and recorded a valuation allowance as necessary for the amount of deferred tax assets which are not more likely than not to be realized as of June 30, 2023.

13. Net Loss Per Share

Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed based on the sum of the weighted average number of common shares and dilutive common shares outstanding during the period. As described in Note 2 – Summary of Significant Accounting Policies, earnout shares issued in connection with the Business Combination, as further described in Note 4 – Business Combination, are subject to vesting based on the VWAP of common shares during the earnout period. The earnout shares are excluded from the calculation of basic and diluted weighted-average number of common shares outstanding until vested. For periods prior to the Business Combination, basic and diluted loss per share was calculated based on 82.6 million shares issued to Ligand shareholders at the Closing Date.

The following table outlines the basic and diluted net loss per share for the three and six months ended June 30, 2023 and 2022:

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (14,728)	\$ (10,276)	\$ (20,828)	\$ (16,558)
Weighted-average shares outstanding, basic and diluted	99,493	82,612	99,326	82,612
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.12)	\$ (0.21)	\$ (0.20)

The following table outlines dilutive common share equivalents outstanding, which are excluded in the above diluted net loss per share calculation, as the effect of their inclusion would be anti-dilutive, or the share equivalents were contingently issuable as of each period presented:

	June 30,	
	2023	2022
Options to purchase common stock issued and outstanding ⁽¹⁾	21,389,612	—
Earnout shares	16,292,542	—
Avista private placement warrants	8,233,333	—
Avista public warrants	7,666,667	—
Restricted stock units issued and outstanding ⁽¹⁾	2,389,043	—
Shares expected to be purchased under employee stock purchase plan	1,836,123	—
Forward purchase warrants	1,666,667	—
Backstop warrants	1,445,489	—
Total anti-dilutive shares	60,919,476	—

(1) Outstanding stock options and restricted stock units include awards outstanding to employees of Ligand.

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

The following discussion and analysis and the unaudited interim financial statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2022 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in the Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report").

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations and financial position, our business strategy, the effects of the separation or the distribution, our expectations regarding the application of, and the rate and degree of market acceptance of, our OmniAb® technology platform and other technologies, our expectations regarding the addressable markets for our technologies, including the growth rate of the markets in which we operate, the potential for and timing of receipt of milestones and royalties under our license agreements with partners, our research and development plans, the potential for our partnered or internal programs to progress in their development, the anticipated timing of the initiation and completion of preclinical studies and clinical trials by our partners or us, the timing and likelihood of regulatory filings and product approvals by our partners or us, the potential for and timing and geographic markets of any commercial product launches by our partners and potential for commercial success, our ability to enter into any new, or maintain existing, strategic partnerships or collaborative relationships, our ability to obtain and maintain intellectual property protection for our platform, products and technologies, the timing and likelihood of success, plans and objectives of management for future operations, and future results of anticipated business development and product development efforts, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks, uncertainties and assumptions, including, without limitation, the risk factors described in Part II, Item 1A, "Risk Factors" of this Quarterly Report. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. All forward-looking statements are qualified in their entirety by this cautionary statement, which is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Overview

Our mission is to enable the rapid development of innovative therapeutics by pushing the frontiers of drug discovery technologies. We intend to achieve this mission by enabling the discovery of high-quality therapeutic candidates and by being the partner of choice for pharmaceutical and biotechnology companies. We believe that pairing the large and diverse antibody repertoires generated from our proprietary transgenic animals with our cutting-edge and high-throughput validated screening tools will deliver high-quality therapeutic candidates for a wide range of diseases.

Our OmniAb technology platform creates and screens diverse antibody repertoires and is designed to quickly identify optimal antibodies for our partners' drug development efforts. We harness the power of Biological Intelligence™, which we built into our proprietary transgenic animals and paired with our high-throughput screening technologies to enable the discovery of high-quality, fully-human antibody therapeutic candidates. We believe these antibodies are high quality because they are naturally optimized in our proprietary host systems for affinity, specificity, developability and functional performance. Our partners have access to these antibody candidates that are based on unmatched biological diversity and optimized through integration across a full range of technologies, including antigen design, transgenic animals, deep screening and characterization. We provide our partners both integrated end-to-end capabilities and highly customizable offerings, which address critical industry challenges and provide optimized antibody discovery solutions. As of June 30, 2023, we had 74 active partners with 305 active programs using the OmniAb technology, including 25 OmniAb-derived antibodies in clinical development by our partners, one under regulatory review, and three approved products of our partners: (i) teclistamab, which received accelerated approval in the U.S. for adult patients with relapsed or refractory multiple myeloma who have received at least four prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent, and an anti-CD38 monoclonal

antibody, and conditional marketing authorization in Europe as monotherapy for the treatment of adult patients with relapsed and refractory multiple myeloma, (ii) zimberelimab, which was approved in China for the treatment of recurrent or refractory classical Hodgkin's lymphoma, and (iii) sugemalimab, which was approved in China for the first-line treatment of metastatic (stage IV) non-small cell lung cancer in combination with chemotherapy, as well as for patients with unresectable stage III non-small cell lung cancer whose disease has not progressed following concurrent or sequential platinum-based chemoradiotherapy, .

At the heart of the OmniAb platform is the Biological Intelligence of our proprietary transgenic animals, including OmniRat[®], OmniChicken[®] and OmniMouse[®] that have been genetically modified to generate antibodies with human sequences to facilitate development of human therapeutic candidates. OmniFlic[®] and OmniClic[®] are common light-chain rats and chickens, respectively, designed to facilitate the production of bispecific antibodies. OmniTaur[™] provides cow-inspired antibodies with unique structural characteristics for challenging targets. In May 2023, we announced the launch of OmniDeep[™], a suite of *in silico* tools for therapeutic discovery and optimization that are woven throughout our various technologies and capabilities. OmniDeep is designed to facilitate rapid identification of candidates with the right affinity, specificity and developability profiles intended to make drug development more effective and efficiency.

We partner with numerous pharmaceutical and biotechnology companies, varying in size, clinical stage, geography and therapeutic focus. Our license agreements are negotiated separately for each discovery partner, and as a result, the financial terms and contractual provisions vary from agreement to agreement. We structure our license agreements with partners to typically include: (i) upfront or annual payments for technology access (license revenue); and (ii) payments for the performance of research services (service revenue); (iii) downstream payments in the form of preclinical, intellectual property, clinical, regulatory, and commercial milestones (milestone revenue); and (iv) royalties on net sales of our partners' products. We succeed when our partners are successful and our agreements are structured to align economic and scientific interests. Our typical royalty rates for antibody discovery contracts are currently in the low- to mid-single digits, and can vary depending on the other economic terms in the agreement. Our future success and the potential to receive these payments are entirely dependent on our partners' efforts over which we have no control. If our partners determine not to proceed with the future development of a drug candidate, we will not receive any future payments related to that program. Additionally, unless publicly disclosed by our partners, we do not have access to information related to our partners' clinical trial results, including serious adverse events, or ongoing communications with regulatory agencies regarding our partners' current clinical programs, which limits our visibility into how such programs may be progressing.

Historically, our revenue has been derived from payments for technology access, collaborative research services and milestones. We believe the long-term value of our business will be driven by partner royalties as such payments are based on global sales of potential future partner antibodies, which generally provide for larger and recurring payments as compared to technology access, research and milestone payments. We believe our revenue will be materially driven by milestones in the shorter term, and by royalties in the longer term, from our partnered programs in the United States and Europe. However, drug discovery and development has significant uncertainty in timing and likelihood of reaching marketing authorization, and we cannot be certain when, if at all, royalty payments will be a material portion of our revenue. Furthermore, we do not control the progression, clinical development, regulatory strategy or eventual commercialization of antibodies discovered using our platform, and as a result, we are entirely dependent on our partners' efforts and decisions with respect to such antibodies.

Closing of the Business Combination and Separation from Ligand

On November 1, 2022 (the "Closing Date"), we, Ligand Pharmaceuticals Incorporated, a Delaware corporation ("Ligand" or the "Parent"), OmniAb Operations, Inc., a Delaware corporation and wholly-owned subsidiary of Ligand ("Legacy OmniAb", formerly known as OmniAb, Inc. and, together with Ligand, collectively, the "Companies"), and Orwell Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of APAC ("Merger Sub"), consummated the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 23, 2022.

In connection with, and as contemplated by, the Merger Agreement, on November 1, 2022, in accordance with the terms of the Separation and Distribution Agreement, dated as of March 23, 2022, by and among APAC, Ligand and Legacy OmniAb (the "Separation Agreement"), Ligand transferred the Legacy OmniAb business, including certain related subsidiaries of Ligand, to Legacy OmniAb and made a contribution to the capital of Legacy OmniAb of \$1.8 million, after deducting certain transaction and other expenses reimbursable by Legacy OmniAb (the "Separation"). Following the Separation, as contemplated by the Separation Agreement, Ligand distributed on a pro rata basis to its stockholders all of the shares of common stock, par value \$0.001 per share, of Legacy OmniAb ("Legacy OmniAb Common Stock") held by Ligand, such that each holder of shares of common stock, par value \$0.001 per share, of Ligand ("Ligand Common Stock") was entitled to receive one share of

Legacy OmniAb Common Stock for each share of Ligand Common Stock held by such holder as of the record date for the distribution, October 26, 2022 (the "Distribution").

Following the Separation and Distribution, on November 1, 2022, we consummated the Business Combination, by and among us (formerly known as APAC), Ligand, Legacy OmniAb and Merger Sub, pursuant to which Merger Sub merged with and into Legacy OmniAb, with Legacy OmniAb becoming a wholly owned subsidiary of OmniAb.

Prior to completion of the Separation, on November 1, 2022, Legacy OmniAb operated as part of Ligand and not as a separate, publicly-traded company. Legacy OmniAb's combined financial statements were derived from Ligand's historical accounting records and were presented on a carve-out basis. All revenues and expenses as well as assets and liabilities directly associated with Legacy OmniAb's business activity were included as a component of the combined financial statements. The combined financial statements also included allocations of certain general, administrative, sales and marketing expenses from Ligand's corporate office and from other Ligand businesses to Legacy OmniAb and allocations of related assets, liabilities, and Ligand's investment, as applicable. We believe the allocations have been determined on a reasonable basis; however, the amounts were not necessarily representative of the amounts that would have been reflected in the combined financial statements had Legacy OmniAb been an entity that operated separately from Ligand during the periods presented.

Following the Separation, we began accounting for our financial activities as an independent entity. Our financial statements as of December 31, 2022 and June 30, 2023 and for the three and six months ended June 30, 2023 are based on the reported results of OmniAb as a standalone company. The accompanying condensed consolidated and combined financial statements include the accounts of OmniAb and its wholly owned subsidiaries. All intercompany transactions and accounts within OmniAb have been eliminated.

Key Business Metrics

We regularly review the following key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We believe that the following metrics are important to understanding our current business. These metrics may change or may be substituted for additional or different metrics as our business continues to grow.

Metric	June 30, 2023	December 31, 2022	% Change
Active partners	74	69	7%
Active programs	305	291	5%
Active clinical programs	29	26	12%
Approved products	3	3	—%

Active partners represents the number of partners that have an active program or have executed a license agreement in advance of initiating an active program. We view this metric as an indication of the competitiveness of our platform and our current level of market penetration. The metric also relates to our opportunities to secure additional active programs.

Active programs represents a program for which research work has commenced or where an antigen is introduced into our animals and remains so as long as the program is actively being developed or commercialized. This number includes active clinical programs and approved products separately disclosed above. We view this metric as an indication of the usage of our technology and the potential for mid- and long-term milestone and royalty payments.

Active clinical programs represents the number of unique programs for which an Investigational New Drug Application or equivalent under other regulatory regimes has been filed based on an OmniAb-derived antibody and which are in clinical development by our partners and we continue to count programs as active as long as they are actively being developed, under regulatory review or commercialized. Where the date of such application is not known to us, we use the official start date from clinical trial registries for the purpose of calculating this metric. This number includes approved products separately disclosed below. We view this metric as an indication of our near- and mid-term potential revenue from milestone fees and potential royalty payments in the long term.

Approved products represents an OmniAb-derived antibody for which our partner has received marketing approval. We view this metric as an indication of our near- and mid-term potential revenue from royalty payments.

Results of Operations

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

Revenue

(dollars in thousands)	Three Months Ended June 30,		Change	% Change
	2023	2022		
License and milestone revenue	\$ 4,330	\$ 2,325	\$ 2,005	86 %
Service revenue	2,451	4,735	(2,284)	(48) %
Royalty revenue	165	139	26	19 %
Total revenues	<u>\$ 6,946</u>	<u>\$ 7,199</u>	<u>\$ (253)</u>	<u>(4) %</u>

- License and milestone revenue increased primarily due to the recognition of milestones related to the start of pivotal studies in two additional indications for batoclimab.
- Service revenue declined as a result of the completion of work on certain ion channel programs and a one-time adjustment related to the extension of one of our programs with GSK, partially offset by the recognition of a portion of a research progression milestone achieved in the three months ended June 30, 2023.

(dollars in thousands)	Six Months Ended June 30,		Change	% Change
	2023	2022		
License and milestone revenue	\$ 16,976	\$ 6,426	\$ 10,550	164 %
Service revenue	6,409	9,994	(3,585)	(36) %
Royalty revenue	480	402	78	19 %
Total revenues	<u>\$ 23,865</u>	<u>\$ 16,822</u>	<u>\$ 7,043</u>	<u>42 %</u>

- License and milestone revenue increased primarily due to the recognition of a \$10.0 million milestone related to the first commercial sale of teclistamab in the E.U. and milestones related to the start of pivotal studies in two additional indications for batoclimab, partially offset by decreases in license and milestone revenue from other programs.
- Service revenue declined as a result of the completion of work on certain ion channel programs and a one-time adjustment related to the extension of one of our programs with GSK, partially offset by the recognition of a portion of a research progression milestone achieved in the six months ended June 30, 2023.

Operating Costs and Expenses

(dollars in thousands)	Three Months Ended June 30,		Change	% Change
	2023	2022		
Research and development	\$ 14,133	\$ 11,484	\$ 2,649	23 %
General and administrative	8,738	5,003	3,735	75 %
Amortization of intangibles	3,380	3,113	267	9 %
Other operating expense (income), net	140	165	(25)	(15) %
Total operating expenses	<u>\$ 26,391</u>	<u>\$ 19,765</u>	<u>\$ 6,626</u>	<u>34 %</u>

- Research and development expenses increased primarily due to increased personnel costs and rent expense for newly leased facilities as we invested in the growth and development of our business.
- General and administrative expenses increased primarily due to personnel-related costs and costs associated with our obligations as a public company.

(dollars in thousands)	Six Months Ended June 30,		Change	% Change
	2023	2022		
Research and development	\$ 27,892	\$ 22,256	\$ 5,636	25 %
General and administrative	16,933	9,115	7,818	86 %
Amortization of intangibles	6,749	6,518	231	4 %
Other operating expense (income), net	189	(278)	467	(168)%
Total operating expenses	\$ 51,763	\$ 37,611	\$ 14,152	38 %

- Research and development expenses increased primarily due to increased personnel costs and rent expense for newly leased facilities as we invested in the growth and development of our business.
- General and administrative expenses increased primarily due to personnel-related costs and costs associated with our obligations as a public company.
- The change in other operating expense (income), net was primarily due to fair value adjustments to contingent earnout liabilities and increases in royalty expense associated with higher revenue.

Other income

Other income during the three and six months ended June 30, 2023 related to interest earned on short-term investments. There was no other income during the three and six months ended June 30, 2022.

Income tax benefit

(dollars in thousands)	Three Months Ended June 30,		Change	% Change
	2023	2022		
Loss before income tax benefit	\$ (18,164)	\$ (12,566)	\$ (5,598)	45 %
Income tax benefit	3,436	2,290	1,146	50 %
Net loss	\$ (14,728)	\$ (10,276)	\$ (4,452)	43 %
Effective Tax Rate	(18.9)%	(18.2)%		

(dollars in thousands)	Six Months Ended June 30,		Change	% Change
	2023	2022		
Loss before income tax benefit	\$ (25,293)	\$ (20,789)	\$ (4,504)	22 %
Income tax benefit	4,465	4,231	234	6 %
Net loss	\$ (20,828)	\$ (16,558)	\$ (4,270)	26 %
Effective Tax Rate	(17.7)%	(20.4)%		

Our effective tax rate is affected by recurring items, such as the U.S. federal and state statutory tax rates and the relative amounts of income we earn in those jurisdictions. The tax rate is also affected by discrete items that may occur in any given year but are not consistent from year to year.

Our effective tax rate for the three and six months ended June 30, 2023 differed from the federal statutory tax rate of 21.0% due to share-based compensation expense that is not tax deductible and an increase to our valuation allowance recorded against deferred tax assets, partially offset by the tax benefit from research and development tax credits. Our effective tax rate for the three and six months ended June 30, 2022 differed from the federal statutory tax rate of 21.0% due to share-based compensation expense that is not tax deductible, an increase to our valuation allowance recorded against deferred tax assets, and repricing of state tax deferrals, partially offset by the tax benefit of research and development tax credits.

Liquidity and Capital Resources

Prior to November 1, 2022, funding from Ligand was our primary source of liquidity. On November 1, 2022, with the closing of the Business Combination, we were capitalized with \$95.8 million in net cash. As of June 30, 2023, our cash, cash equivalents and short-term investments were \$103.1 million. We believe our cash, cash equivalents and short-term investments

and the cash we expect to generate from operations will provide us the flexibility we need to meet operating, investing, and financing needs and support our operations through at least the next 12 months.

If our anticipated cash flows from operations and current cash are insufficient to satisfy our liquidity requirements because of increased expenditures or lower demand for our technology platform, or the realization of other risks, we may be required to raise additional capital through issuances of public or private equity or debt financing or other capital sources. Such additional financing may not be available on terms acceptable to us or at all. In any event, we may consider raising additional capital in the future to expand our business, to pursue strategic investments or acquisitions, to take advantage of favorable market conditions or financing opportunities or for other reasons. Our future capital requirements will depend on many factors, including, but not limited to:

- our ability to achieve revenue growth;
- the costs of expanding our operations, including our business development and marketing efforts;
- our rate of progress in selling access to our platform and marketing activities associated therewith;
- our rate of progress in, and cost of research and development activities associated with, our platform technologies and our internal developed programs to the extent we pursue any such programs;
- the effect of competing technological and market developments;
- the impact of pandemics or epidemic diseases on global social, political and economic conditions;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patents and other intellectual property and proprietary rights; and
- the costs associated with any technologies that we may in-license or acquire.

We anticipate that our principal uses of cash in the future will be primarily to fund our operations, working capital needs, capital expenditures and other general corporate purposes.

Additionally, we may receive up to \$218.6 million from the exercise of the Warrants, assuming the exercise in full of all the Warrants for cash, but not from the sale of the shares of our common stock issuable upon such exercise. As of the date of this report, our Warrants are "out-of-the money," which means that the trading price of the shares of our common stock underlying our Warrants is below the \$11.50 exercise price of the Warrants. For so long as the Warrants remain "out-of-the money," we do not expect warrant holders to exercise their Warrants. Therefore, any cash proceeds that we may receive in relation to the exercise of such securities will be dependent on the trading price of our common stock. If the market price for our common stock is less than the exercise price of the Warrants, warrant holders will be unlikely to exercise such securities. We expect to use the net proceeds from the exercise of the Warrants, if any, for general corporate and working capital purposes, although we believe we can fund our operations with cash on hand.

Cash Flow Summary

(dollars in thousands)	Six Months Ended June 30,		Change
	2023	2022	
Net cash provided by (used in):			
Operating activities	\$ 17,666	\$ 7,788	\$ 9,878
Investing activities	(29,392)	(8,237)	(21,155)
Financing activities	\$ (567)	\$ 449	\$ (1,016)

Cash from Operating Activities:

During the six months ended June 30, 2023, cash provided by operating activities of \$17.7 million primarily reflected changes in our operating assets and liabilities in the amount of \$22.3 million, net non-cash charges of \$16.2 million which primarily included \$12.6 million in share-based compensation, and \$9.7 million in depreciation and amortization, partially offset by our net loss of \$20.8 million, \$4.2 million of deferred income taxes, net and \$1.8 million of amortization of discounts on short-term investments, net.

During the six months ended June 30, 2022, cash provided by operating activities of \$7.8 million primarily reflected changes in our operating assets and liabilities in the amount of \$13.1 million, net non-cash charges of \$11.2 million which primarily included \$7.0 million in share-based compensation, and \$8.9 million in depreciation and amortization, partially offset by our net loss of \$16.6 million and \$4.5 million of deferred income taxes, net.

Cash from Investing Activities:

During the six months ended June 30, 2023, cash used in investing activities of \$29.4 million primarily consisted of \$56.2 million of cash used to purchase short-term investments and \$2.8 million of payments to contingent liabilities holders, partially offset by \$30.0 million of proceeds from the maturity of short-term investments.

During the six months ended June 30, 2022, cash used in investing activities of \$8.2 million primarily consisted of property and equipment purchases.

Cash from Financing Activities:

As Ligand managed our cash and financing arrangements prior to the completion of the Separation, all excess cash generated through earnings was deemed remitted to Ligand and all sources of cash were deemed funded by Ligand.

During the six months ended June 30, 2023, cash used by financing activities was \$0.6 million which primarily consisted of \$0.9 million of taxes paid related to the net share settlement of equity awards and \$0.5 million of transaction costs, partially offset by \$0.8 million of proceeds from the issuance of common stock from stock plans.

During the six months ended June 30, 2022, cash provided by financing activities was \$0.4 million which primarily consisted of a \$2.2 million net transfer from Ligand, partially offset by \$1.5 million of payments to contingent liabilities holders.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2023, as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the 2022 Annual Report.

Recent Accounting Pronouncements

For the summary of recent accounting pronouncements, see Note 2 – Summary of Significant Accounting Policies to our financial statements included in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of June 30, 2023, there were no material changes to our market risks from the discussion provided in Item 7A of our 2022 Annual Report.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act)

as of June 30, 2023, the end of the period covered by this Quarterly Report. Based upon such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the last fiscal quarter 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

For information that updates the disclosures set forth under Part I, Item 3, "Legal Proceedings" in our 2022 Annual Report, refer to Note 9 – Commitments and Contingencies to the condensed consolidated and combined financial statements contained in Part I, Item 1, of this report.

From time to time, we may be subject to legal proceedings. We are not currently a party to or aware of any proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations. However, regardless of outcome, litigation can have an adverse impact on our business because of defense and settlement costs, diversion of management resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

We do not believe that there have been any material changes to the risk factors disclosed in Part I, Item 1A of our 2022 Annual Report. The risk factors described in our 2022 Annual Report are not the only risks we face. Factors we currently do not know, factors that we currently consider immaterial or factors that are not specific to us, such as general economic conditions, may also materially adversely affect our business or our consolidated operating results, financial condition or cash flows.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 7, 2023, we notified the Nasdaq Stock Market ("Nasdaq") that due to the recent passing of Sunil Patel, a member of our board of directors, we were no longer in compliance with the audit and compensation committee composition requirements of Nasdaq Rules 5605(c)(2)(A) and 5605(d)(2), respectively. In our notification to Nasdaq, we confirmed that we will be relying on the permissible cure periods specified in Nasdaq Rules 5605(c)(4)(B) and 5605(d)(4) with respect to the composition of the audit and human capital management and compensation committees of our board of directors, respectively, which generally permit us to cure such deficiencies by the earlier of our next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with the requirement. In addition, with respect to our human capital management and compensation committee, we are also currently relying on permitted phase-in rules which require that such committee be comprised solely of independent directors within one year of the completion of our Business Combination, or November 2023. We intend to add additional independent, board members to our audit and human capital management and compensation committees to regain compliance with and meet the required Nasdaq board committee composition requirements within the required timeframes.

Item 6. Exhibits

Incorporated by Reference

Exhibit Number	Description of Exhibit	Form	File Number	Date of Filing	Exhibit Number	Filed Herewith
2.1+	Agreement and Plan of Merger, dated March 23, 2022, by and among Avista Public Acquisition Corp. II, Orwell Merger Sub Inc., Ligand Pharmaceuticals Incorporated and OmniAb, Inc.	S-4	333-264525	September 27, 2022	2.1	
2.2+	Separation and Distribution Agreement, dated March 23, 2022, by and among Avista Public Acquisition Corp. II, Ligand Pharmaceuticals Incorporated and OmniAb, Inc.	S-4	333-264525	September 27, 2022	2.2	
3.1	Certificate of Incorporation of the Registrant	10-K	001-40720	March 30, 2023	3.1	
3.2	Bylaws of the Registrant	8-K	001-40720	November 7, 2022	3.2	
4.1	Warrant Agreement, dated August 9, 2021, between Avista Public Acquisition Corp. II and Continental Stock Transfer & Trust Company, as warrant agent	8-K	001-40720	August 12, 2021	4.1	
4.2	Assignment, Assumption and Amendment Agreement, dated November 1, 2022, by and among OmniAb, Inc., Continental Stock Transfer & Trust Company and Computershare Trust Company, N.A.	8-K	001-40720	November 7, 2022	4.2	
4.3	Specimen Warrant Certificate	S-1/A	333-257177	July 28, 2021	4.3	
4.4	Specimen Common Stock Certificate of OmniAb, Inc.	S-4	333-264525	September 27, 2022	4.5	
10.1#	OmniAb, Inc. Director Compensation and Stock Ownership Policy (as amended and restated effective June 1, 2023)					X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

furnished as a supplement to the SEC upon request.

Indicates management contract or compensatory plan.

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

SIGNATURES

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

Date: August 10, 2023

By: /s/ Kurt Gustafson

Kurt Gustafson

Executive Vice President, Finance and Chief Financial Officer

(Principal Financial and Accounting Officer)

OMNIAB, INC.

DIRECTOR COMPENSATION AND STOCK OWNERSHIP POLICY

(as amended and restated effective June 1, 2023)

I. DIRECTOR COMPENSATION

Non-employee members of the board of directors (the "**Board**") of OmniAb, Inc. (the "**Company**") shall be eligible to receive cash and equity compensation as set forth in this Director Compensation Policy. The cash compensation and stock awards described in this Director Compensation Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, an "**Independent Director**") who may be eligible to receive such cash compensation or stock awards, unless such Independent Director declines the receipt of such cash compensation or stock awards by written notice to the Chairman of the Board. This Director Compensation Policy shall remain in effect until it is revised or rescinded by further action of the Board. The terms and conditions of this Director Compensation Policy shall supersede any prior cash or equity compensation arrangements between the Company and its directors.

1. Cash Compensation.

- a. Annual Retainer. Each Independent Director shall be eligible to receive an annual retainer of \$50,000 for service on the Board. In addition, an Independent Director serving as:
 - i. chairman of the Board shall be eligible to receive an additional annual retainer of \$30,000 for such service;
 - ii. chairman of the Audit Committee shall be eligible to receive an additional annual retainer of \$20,000 for such service;
 - iii. members (other than the chairman) of the Audit Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service;
 - iv. chairman of the Human Capital Management and Compensation Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service;
 - v. members (other than the chairman) of the Human Capital Management and Compensation Committee shall be eligible to receive an additional annual retainer of \$7,500 for such service;
 - vi. chairman of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$10,000 for such service;
 - vii. members (other than the chairman) of the Nominating and Corporate Governance Committee shall be eligible to receive an additional annual retainer of \$5,000 for such service;

viii. chairman of the Science and Technology Committee shall be eligible to receive an additional annual retainer of \$15,000 for such service; and

ix. members (other than the chairman) of the Science and Technology Committee shall be eligible to receive an additional annual retainer of \$7,500 for such service.

b. Payment of Cash Compensation.

i. Annual retainer fees shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than 30 days following the end of each calendar quarter. In the event that an Independent Director does not serve as a director for an entire calendar quarter, the retainer paid to such Independent Director shall be prorated for the portion of such calendar quarter actually served as a director.

ii. Committee retainer fees shall also be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than 30 days following the end of each calendar quarter. In the event an Independent Director does not serve in the applicable committee position(s) described in Section 1(a) for an entire calendar quarter, the retainer paid to such Independent Director shall be prorated for the portion of such calendar quarter actually served in such committee position(s).

iii. Any Independent Director who ceased service on the board of directors of Ligand Pharmaceuticals Incorporated ("**Ligand**") and commenced service on the Board in connection with the consummation of the Merger (as defined below) will not be entitled to any annual retainer fees and/or committee retainer fees in respect of services provided during the period beginning on November 1, 2022 and ending on the date of the next occurring annual meeting of the Company's stockholders; provided, however, that any such Independent Director will be entitled to any amount by which the annual retainer fees and/or committee retainer fees to which the Independent Director would be entitled under this Director Compensation Policy for such period (based on his or her committee assignments following November 1, 2022) are greater than those for which the Independent Director received payment from Ligand prior to November 1, 2022 for such period. For purposes of this Director Compensation Policy, the "**Merger**" refers to the transactions contemplated by that certain Agreement and Plan of Merger, by and among the Company, Ligand, Avista Public Acquisition Corp. II, a Cayman Islands exempted company, and Orwell Merger Sub Inc., a Delaware corporation, dated March 23, 2022.

2. Equity Compensation. The Independent Directors shall be granted the following stock awards. The stock awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2022 Incentive Award Plan (the "**2022 Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the same forms previously approved by the Board.

a. Initial Stock Awards. A person who is initially elected or appointed to the Board, and who is an Independent Director at the time of such initial election or appointment, shall be eligible to receive the following stock awards on the date of such initial election or appointment (each, an "**Initial Stock Award**"):

i. 40,000 restricted stock units; and

- ii. stock options to purchase 80,000 shares of the Company's common stock.

The grant date and number of Initial Stock Awards to be granted to those individuals who are initially elected or appointed to the Board shall be determined by the Board.

- b. Subsequent Stock Awards. A person who is an Independent Director as of the date of each annual meeting of the Company's stockholders (each, a "**Subsequent Stock Award Date**"), and who will continue to serve as an Independent Director following such Subsequent Stock Award Date, shall be eligible to receive the following stock awards on each such Subsequent Stock Award Date (each, a "**Subsequent Stock Award**");

- i. 20,000 restricted stock units; and

- ii. stock options to purchase 40,000 shares of the Company's common stock.

An Independent Director elected for the first time to the Board at an annual meeting of stockholders shall only receive an Initial Stock Award in connection with such election, and shall not receive a Subsequent Stock Award on the date of such meeting as well. The stock awards described in clauses 2(a) and 2(b) above shall be collectively referred to as "**Stock Awards**."

- c. Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive any Initial Stock Awards pursuant to clause 2(a) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Stock Awards as described in clause 2(b) above.

- d. Vesting of Stock Awards Granted to Independent Directors.

- i. Initial Stock Awards granted hereunder shall vest in three (3) equal annual installments on each of the first three (3) anniversaries following the date on which an Independent Director commences service on the Board, subject to the Independent Director's continuing service on the Board through each such vesting date.

- ii. Subsequent Stock Awards granted hereunder shall vest in full on the earlier of (A) the date of the annual meeting of the Company's stockholders next following the grant date (it being understood that the Subsequent Stock Awards shall vest on the date of such annual meeting whether or not the Independent Director is re-elected at such meeting, so long as the Independent Director serves through such meeting) and (B) on the first anniversary of the date of grant, subject to the Independent Director's continuing service on the Board through each such vesting date.

- iii. Any Stock Awards granted hereunder shall vest in full in the event of a Change in Control (as defined in the 2022 Plan) to the extent the Independent Director is serving on the Board at the time of such transaction or in the event an Independent Director ceases to serve on the Board by reason of death or Permanent Disability (as defined in the 2022 Plan).

- iv. Any unvested Stock Awards will be forfeited to the Company in the event an Independent Director ceases to serve on the Board prior to the vesting of such awards.
- e. Effect of Termination of Board Service on Stock Options. An Independent Director shall be able to exercise his or her stock options that were vested at the time of his or her cessation of Board service until the first to occur of (i) the third anniversary of the date of his or her cessation of Board service, or (ii) the original expiration date of the term of such stock options.
- f. Term of Stock Options. Each stock option granted hereunder shall have a term of ten (10) years measured from the date of grant.
- g. Exercise Price of Stock Options. The exercise price per share of any stock options granted hereunder shall be equal to one hundred percent (100%) of the Fair Market Value (as defined in the 2022 Plan) of the common stock on the date of grant.
- h. Ligand Stock Awards. The commencement of service on the Board in connection with the consummation of the Merger and corresponding cessation of service on the board of directors of Ligand shall not constitute a termination of service for any Independent Director who was serving on the board of directors of Ligand prior to commencing service as an Independent Director and who holds stock awards granted by Ligand ("**Ligand Stock Awards**"). For purposes of any Ligand Stock Awards held by any Independent Director, service as a member of the Board shall be treated as service with Ligand for purposes of the continued vesting and/or exercisability of the Ligand Stock Awards held by such Independent Directors. In addition, such Ligand Stock Awards shall be eligible to vest on an accelerated basis as set forth in Section 2(d)(iii) above. All Ligand Stock Awards were adjusted in connection with the Merger in accordance with that certain Employee Matters Agreement by and among the Company, Ligand, Avista Public Acquisition Corp. II, a Cayman Islands exempted company, and Orwell Merger Sub Inc., a Delaware corporation, dated March 23, 2022, as amended.

II. DIRECTOR STOCK OWNERSHIP GUIDELINES

Independent Directors are expected to own and hold shares of the Company's common stock with a value equal to three times the annual cash retainer for service as an Independent Director (without regard to any retainers paid for committee service or service as chairman of the Board). The stock ownership level should be achieved by each Independent Director on or before November 1, 2027 or, if later, within five years after the Independent Director's first appointment to the Board.

Stock that counts toward satisfaction of these guidelines include: shares of common stock owned outright by the Independent Director and his or her immediate family members who share the same household, whether held individually or jointly; restricted stock where the restrictions have lapsed; shares acquired upon stock option exercise; shares purchased in the open market; and shares held in trust for the benefit of the Independent Director or his or her family. Restricted stock units, which represent the right to receive shares, and options to purchase shares of common stock, do not count towards satisfaction of these guidelines. Shares held in trust may be included. Due to the complexities of trust accounts, requests to include shares held in trust should be submitted to the Secretary of the Company and the Chairman of the Board will make the final decision as to whether to include those shares.

An Independent Director will be deemed to be in compliance with these guidelines if the Fair Market Value of the shares of the Company's common stock held by such Independent Director on any date prior to the deadline for his or her compliance equals or exceeds the required multiple of his or her annual cash retainer. After meeting the requirements set forth in these guidelines, any subsequent decreases in the market value of the Company's common stock shall not be considered, so long as the Independent Director continues to hold at least the same number of shares of the Company's common stock as he or she did when the guidelines were first met or exceeded by such Independent Director.

The guidelines may be waived for Independent Directors, at the discretion of the Board, if compliance would create hardship or prevent an Independent Director from complying with a court order, as in the case of a divorce settlement.

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

I, Matthew W. Foehr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OmniAb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal 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: August 10, 2023

By: /s/ Matthew W. Foehr

Name: Matthew W. Foehr

Title: President and Chief Executive Officer
(principal executive officer)

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

I, Kurt A. Gustafson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OmniAb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal 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: August 10, 2023

By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson

Title: Executive Vice President, Finance and

Chief Financial Officer

(principal financial officer)

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

In connection with the Quarterly Report of OmniAb, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023 By: /s/ Matthew W. Foehr

Name: Matthew W. Foehr

Title: President and Chief Executive Officer

(principal executive officer)

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

In connection with the Quarterly Report of OmniAb, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023 By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson

Title: Executive Vice President, Finance and
Chief Financial Officer
(principal financial officer)