UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

OR

o 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: 001-39206

Schrodinger, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-4284541**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1540 Broadway, 24th Floor New York, NY	**10036**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (212) 295-5800

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	SDGR	The Nasdaq Stock Market LLC

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

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 x No o

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

Large accelerated filer	x	Accelerated filer
Non-accelerated filer	o	Smaller reporting company
Emerging growth company	o	

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. o

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

As of July 24, 2024, the registrant had 63,632,340 shares of common stock, $0.01 par value per share, and 9,164,193 shares of limited common stock, $0.01 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or this Quarterly Report, contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. All statements, other than statements of historical fact, contained in this Quarterly Report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “aim,” “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” or the negative of these words or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report include, among other things, statements about:

- the potential advantages of our physics-based computational platform;
- our strategic plans to accelerate the growth of our software business and acquire new customers;
- our research and development efforts for our proprietary drug discovery programs and our computational platform, including the initiative to expand the application of our platform to predict toxicity associated with binding to off-target proteins;
- our drug discovery collaborations, including the initiation, timing, progress and results of such collaborations;
- our estimates or expectations regarding any milestone or other payments we may receive from drug discovery collaborations, including pursuant to our collaboration agreement with Bristol-Myers Squibb Company;
- our proprietary drug discovery programs, including the initiation, timing, progress, and results of our preclinical studies and clinical trials;
- our plans to submit investigational new drug applications to the U.S. Food and Drug Administration for our proprietary drug discovery programs;
- our plans to discover and develop product candidates and to maximize their commercial potential by advancing such product candidates ourselves or in collaboration with others;
- our plans to leverage the synergies between our businesses;
- the timing of, the ability to submit applications for and the ability to obtain and maintain regulatory approvals for any product candidates we or one of our collaborators may develop;
- the potential advantages of our drug discovery collaborations and our proprietary drug discovery programs;
- the rate and degree of market acceptance of our software solutions;
- the rate and degree of market acceptance and clinical utility of any product we or any of our collaborators may develop;
- our estimates regarding the potential market opportunity for our software solutions and any product candidate we or any of our collaborators may develop;
- our sales and marketing capabilities and strategy;
- our intellectual property position;
- our ability to identify technologies with significant commercial potential that are consistent with our commercial objectives;
- our expectations regarding our ability to fund our operating expenses and capital expenditure requirements with our cash, cash equivalents, and marketable securities;
- our expectations related to the use of our cash, cash equivalents, and marketable securities;
- our expectations related to the key drivers of our performance;
- the impact of government laws and regulations;

- our competitive position and expectations regarding developments and projections relating to our competitors and any competing products, technologies, or therapies that are or become available;
- our ability to maintain and establish collaborations or obtain additional funding;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- the potential impact of public health epidemics or pandemics, including the COVID-19 pandemic; and
- the potential impact of geopolitical and global economic developments.

We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Quarterly Report, particularly in “Risk Factor Summary” below and Part II, Item 1A. “Risk Factors”, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Moreover, we operate in a competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, in-licensing arrangements, joint ventures, or investments we may make or enter into.

You should read this Quarterly Report and the documents that we file with the Securities and Exchange Commission with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report are made as of the date of this Quarterly Report, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Unless the context otherwise requires, we use the terms “company,” “we,” “us,” and “our” in this Quarterly Report to refer to Schrödinger, Inc. and its consolidated subsidiaries.

RISK FACTOR SUMMARY

Our business is subject to a number of risks of which you should be aware before making an investment decision. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “Risk Factors”, together with the other information in this Quarterly Report.

- We have a history of significant operating losses, and we expect to incur losses over the next several years.
- If we are unable to increase sales of our software, increase revenue from our drug discovery collaborations, or if we and our current and future collaborators are unable to successfully develop and commercialize drug products, our revenues may be insufficient for us to achieve or maintain profitability.
- Our quarterly and annual results may fluctuate significantly, which could adversely impact the value of our common stock.
- If our existing customers do not renew their licenses, do not buy additional solutions from us, or renew at lower prices, our business and operating results will suffer.
- A significant portion of our revenues are generated by sales to life sciences industry customers, and factors that adversely affect this industry could adversely affect our software sales.
- The markets in which we participate are highly competitive, and if we do not compete effectively, our business and operating results could be adversely affected.
- We may never realize a return on our investment of resources and cash in our drug discovery collaborations.
- Although we believe that our computational platform has the potential to identify more promising molecules than traditional methods and to accelerate drug discovery, our focus on using our platform technology to discover and design molecules with therapeutic potential may not result in the discovery and development of commercially viable products for us or our collaborators.
- We may not be successful in our efforts to identify, discover or develop product candidates and may fail to capitalize on programs, collaborations, or product candidates that may present a greater commercial opportunity or for which there is a greater likelihood of success.
- As a company, we have very limited experience in clinical development, which may adversely impact the likelihood that we will be successful in advancing our programs.
- We will likely require additional capital to fund our operations. If we are unable to raise additional capital on terms acceptable to us or at all or generate cash flows necessary to maintain or expand our operations, we may not be able to compete successfully, which would harm our business, operations, and financial condition.
- Conducting successful clinical trials requires the enrollment of a sufficient number of patients, and suitable patients may be difficult to identify and recruit.
- We rely on, and plan to continue to rely on, third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials, which may prevent or delay our ability to seek or obtain marketing approval for or commercialize our product candidates or otherwise harm our business.
- The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and the results of our clinical trials may not satisfy the requirements of the FDA or other comparable foreign regulatory authorities.
- If we fail to comply with our obligations under our existing license agreements with Columbia University, under any of our other intellectual property licenses, or under any future intellectual property licenses, or otherwise experience disruptions to our business relationships with our current or any future licensors, we could lose intellectual property rights that are important to our business.

- If we are unable to obtain, maintain, enforce, and protect patent protection for our technology and product candidates or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully develop and commercialize our technology and product candidates may be adversely affected.
- Our internal information technology systems, or those of our third-party vendors, contractors, or consultants, may fail or suffer security breaches, loss or leakage of data, and other disruptions, which could result in a material disruption of our services, compromise sensitive information related to our business, or prevent us from accessing critical information, potentially exposing us to liability or otherwise adversely affecting our business.
- Our future success depends on our ability to retain key executives and to attract, retain, and motivate qualified personnel.
- We are pursuing multiple business strategies and expect to expand our development and regulatory capabilities, and as a result, we may encounter difficulties in managing our multiple business units and our growth, which could disrupt our operations.
- Our executive officers, directors, and principal stockholders, if they choose to act together, have the ability to influence all matters submitted to stockholders for approval.
- Our actual operating results may differ significantly from our guidance.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except for share and per share amounts)

Assets	June 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	$ 108,109	$ 155,315
Restricted cash	4,227	5,751
Marketable securities	269,180	307,688
Accounts receivable, net of allowance for doubtful accounts of $150 and $220	11,849	65,992
Unbilled and other receivables, net for allowance for unbilled receivables of $130 and $100	40,321	23,124
Prepaid expenses	15,493	9,926
Total current assets	449,179	567,796
Property and equipment, net	25,723	23,325
Equity investments	88,555	83,251
Goodwill	4,791	4,791
Right of use assets - operating leases	116,525	117,778
Other assets	3,598	6,014
Total assets	$ 688,371	$ 802,955
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 8,116	$ 16,815
Accrued payroll, taxes, and benefits	24,320	31,763
Deferred revenue	40,799	56,231
Lease liabilities - operating leases	16,801	16,868
Other accrued liabilities	9,723	11,996
Total current liabilities	99,759	133,673
Deferred revenue, long-term	7,080	9,043
Lease liabilities - operating leases, long-term	107,128	111,014
Other liabilities, long-term	424	667
Total liabilities	214,391	254,397
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 10,000,000 shares; zero shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	—	—
Common stock, $0.01 par value. Authorized 500,000,000 shares; 63,621,165 and 62,977,316 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	636	630
Limited common stock, $0.01 par value. Authorized 100,000,000 shares; 9,164,193 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	92	92
Additional paid-in capital	920,621	885,973
Accumulated deficit	(447,189)	(338,418)
Accumulated other comprehensive (loss) income	(180)	281
Total stockholders' equity	473,980	548,558
Total liabilities and stockholders' equity	$ 688,371	$ 802,955

See accompanying notes to unaudited condensed consolidated financial statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except for share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Software products and services	$ 35,404	$ 29,352	$ 68,819	$ 61,565
Drug discovery	11,930	5,837	15,113	38,406
Total revenues	47,334	35,189	83,932	99,971
Cost of revenues:				
Software products and services	7,167	6,695	15,143	13,810
Drug discovery	8,832	14,684	18,564	26,658
Total cost of revenues	15,999	21,379	33,707	40,468
Gross profit	31,335	13,810	50,225	59,503
Operating expenses:				
Research and development	50,835	42,705	101,446	83,446
Sales and marketing	9,693	9,022	19,864	18,167
General and administrative	23,536	23,216	49,077	49,524
Total operating expenses	84,064	74,943	170,387	151,137
Loss from operations	(52,729)	(61,133)	(120,162)	(91,634)
Other (expense) income				
Gain on equity investments	—	—	—	147,322
Change in fair value	(5,833)	40,654	2,304	76,391
Other income	4,598	4,326	9,626	7,263
Total other (expense) income	(1,235)	44,980	11,930	230,976
(Loss) income before income taxes	(53,964)	(16,153)	(108,232)	139,342
Income tax expense (benefit)	83	(20,431)	539	5,928
Net (loss) income	$ (54,047)	$ 4,278	$ (108,771)	$ 133,414
Net (loss) income per share of common and limited common stockholders, basic:	$ (0.74)	$ 0.06	$ (1.50)	$ 1.86
Weighted average shares used to compute net (loss) income per share of common and limited common stockholders, basic:	72,711,685	71,642,722	72,501,409	71,555,395
Net (loss) income per share of common and limited common stockholders, diluted:	$ (0.74)	$ 0.06	$ (1.50)	$ 1.79
Weighted average shares used to compute net (loss) income per share of common and limited common stockholders, diluted:	72,711,685	75,064,323	72,501,409	74,499,672

See accompanying notes to unaudited condensed consolidated financial statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive (Loss) Income (Unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net (loss) income	$ (54,047)	$ 4,278	$ (108,771)	$ 133,414
Changes in market value of investments, net of tax:				
Unrealized (loss) gain on marketable securities	(108)	216	(461)	1,699
Comprehensive (loss) income	$ (54,155)	$ 4,494	$ (109,232)	$ 135,113

See accompanying notes to unaudited condensed consolidated financial statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(in thousands, except for share amounts)

	Common stock		Limited common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive gain (loss)	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	62,977,316	$ 630	9,164,193	$ 92	$ 885,973	$ (338,418)	$ 281	$ 548,558
Change in unrealized loss on marketable securities	—	—	—	—	—	—	(353)	(353)
Issuances of common stock upon stock option exercises	41,623	—	—	—	390	—	—	390
Issuance of common stock upon vesting of RSUs and PRSUs	170,964	2	—	—	—	—	—	2
Issuance of common stock in ATM offering	282,963	3	—	—	7,612	—	—	7,615
Stock-based compensation	—	—	—	—	12,218	—	—	12,218
Net loss	—	—	—	—	—	(54,724)	—	(54,724)
Balance at March 31, 2024	63,472,866	635	9,164,193	92	906,193	(393,142)	(72)	513,706
Change in unrealized loss on marketable securities	—	—	—	—	—	—	(108)	(108)
Issuances of common stock upon stock option exercises	57,533	1	—	—	557	—	—	558
Issuance of common stock upon vesting of RSUs and PRSUs	50,644	—	—	—	—	—	—	—
Issuance of common stock in ATM offering	40,122	—	—	—	1,063	—	—	1,063
Stock-based compensation	—	—	—	—	12,808	—	—	12,808
Net loss	—	—	—	—	—	(54,047)		(54,047)
Balance at June 30, 2024	63,621,165	$ 636	9,164,193	$ 92	$ 920,621	$ (447,189)	$ (180)	$ 473,980
Balance at December 31, 2022	62,163,739	$ 622	9,164,193	$ 92	$ 828,700	$ (379,138)	$ (2,382)	$ 447,894
Change in unrealized gain on marketable securities	—	—	—	—	—	—	1,483	1,483
Issuances of common stock upon stock option exercises	186,201	1	—	—	866	—	—	867
Issuance of common stock upon vesting of RSUs	12,075	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	10,880	—	—	10,880
Net income	—	—	—	—		129,136	—	129,136
Balance at March 31, 2023	62,362,015	623	9,164,193	92	840,446	(250,002)	(899)	590,260
Change in unrealized gain on marketable securities	—	—	—	—	—	—	216	216
Issuances of common stock upon stock option exercises	340,229	4	—	—	4,694	—	—	4,698
Stock-based compensation	—	—	—	—	11,773	—	—	11,773
Net income	—	—	—	—	—	4,278	—	4,278
Balance at June 30, 2023	62,702,244	$ 627	9,164,193	$ 92	$ 856,913	$ (245,724)	$ (683)	$ 611,225

See accompanying notes to unaudited condensed consolidated financial statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (108,771)	$ 133,414
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Gain on equity investments	—	(147,322)
Fair value adjustments	(2,304)	(76,391)
Depreciation and amortization	2,837	2,925
Stock-based compensation	25,026	22,653
Noncash investment accretion	(4,706)	(2,858)
Loss on disposal of property and equipment	7	63
Decrease (increase) in assets:		
Accounts receivable, net	54,143	46,301
Unbilled and other receivables	(17,197)	(1,448)
Reduction in the carrying amount of right of use assets - operating leases	4,205	3,720
Prepaid expenses and other assets	(6,118)	(11,408)
(Decrease) increase in liabilities:		
Accounts payable	(8,941)	192
Income taxes payable	—	4,779
Accrued payroll, taxes, and benefits	(7,443)	(3,554)
Deferred revenue	(17,395)	(21,235)
Lease liabilities - operating leases	(3,953)	(1,584)
Other accrued liabilities	(2,389)	2,216
Net cash used in operating activities	(92,999)	(49,537)
Cash flows from investing activities:		
Purchases of property and equipment	(5,096)	(6,007)
Purchases of equity investments	(3,000)	(4,125)
Distribution from equity investment	—	147,117
Purchases of marketable securities	(153,513)	(125,714)
Proceeds from maturity of marketable securities	196,266	228,174
Net cash provided by investing activities	34,657	239,445
Cash flows from financing activities:		
Issuances of common stock upon stock option exercises	950	5,565
Principal payments on finance leases	(29)	—
Payment of offering costs	—	(174)
Issuance of common stock upon ATM offering, net	8,691	—
Net cash provided by financing activities	9,612	5,391
Net (decrease) increase in cash and cash equivalents and restricted cash	(48,730)	195,299
Cash and cash equivalents and restricted cash, beginning of period	161,066	95,717
Cash and cash equivalents and restricted cash, end of period	$ 112,336	$ 291,016
Supplemental disclosure of cash flow and noncash information		
Cash paid for income taxes	$ 439	$ 918
Supplemental disclosure of non-cash investing and financing activities		
Accrued offering costs	—	199
Purchases of property and equipment in accounts payable	435	2,935
Purchases of property and equipment in accrued liabilities	331	30
Acquisition of right of use assets - operating leases, contingency resolution	2,848	514
Acquisition of right of use assets in exchange for lease liabilities - operating leases	—	6,333

See accompanying notes to unaudited condensed consolidated financial statements.

SCHRÖDINGER, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and 2023

(in thousands, except for share and per share amounts and note 3(c))

(1) Description of Business

Schrödinger, Inc. (the "Company") has developed a differentiated, physics-based computational platform that enables discovery of high-quality, novel molecules for drug development and materials applications more rapidly and at a lower cost, compared to traditional methods. The Company's software platform is licensed by biopharmaceutical and industrial companies, academic institutions, and government laboratories around the world. The Company is also applying its computational platform to advance a broad pipeline of drug discovery programs in collaboration with leading biopharmaceutical companies. In addition, the Company uses its computational platform to discover novel molecules for its pipeline of proprietary drug discovery programs, which the Company is advancing through preclinical and clinical development.

In February 2024, the Company entered into an amended and restated sales agreement with Leerink Partners LLC ("Leerink Partners"), as sales agent, with respect to an at-the-market offering program (the "ATM") under which the Company could offer and sell, from time to time pursuant to its Registration Statement on Form S-3, shares of common stock, having an aggregate offering price of up to $250,000, through Leerink Partners. The amended and restated sales agreement amends and restates the original sales agreement that the Company entered into with Leerink Partners with respect to the ATM in May 2023, which is no longer in effect. During the three and six months ended June 30, 2024, 40,122 and 323,085 shares of common stock, respectively, were sold under the ATM for total net proceeds of $1,065 and $8,691, respectively, and gross proceeds of $ 1,087 and $8,868, respectively, before deducting sales agent commissions. As of June 30, 2024, the Company had $241,132 of common stock remaining available for sale under the ATM.

(2) Significant Accounting Policies

(a) Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-07, *Segment Reporting* (Topic 280) — *Improvements to Reportable Segment Disclosures* , which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This standard is effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024, with early adoption permitted. The Company has not yet adopted ASU 2023-07 and is still evaluating the impact of the adoption on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes* (Topic 740) — *Improvements to Income Tax Disclosures* , which requires public business entities to disclose specific categories in the tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. This standard is effective for annual periods beginning after December 15, 2024, and interim periods within annual periods beginning after December 15, 2025, on a prospective basis, with early adoption permitted. The Company has not yet adopted ASU 2023-09 and is still evaluating the impact of the adoption on its consolidated financial statements.

(b) Basis of Presentation and Use of Estimates

The accompanying unaudited condensed consolidated financial statements and the related interim disclosures have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for the interim financial information. These unaudited condensed consolidated financial statements include all adjustments necessary, consisting of only normal recurring adjustments, to fairly state the financial position and the results of the Company’s operations and cash flows for interim periods in accordance with U.S. GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by the SEC’s rules and regulations for interim reporting. Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The accompanying unaudited condensed consolidated financial statements

should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 28, 2024.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the assumptions used in the allocation of revenue and estimates regarding the progress of completing performance obligations under collaboration agreements. Actual results could differ from those estimates, and such differences may be material to the unaudited condensed consolidated financial statements.

(c) Principles of Consolidation

The Company's unaudited condensed consolidated financial statements include the accounts of Schrödinger, Inc., its wholly owned subsidiaries, and its variable interest entity. All intercompany balances and transactions have been eliminated in consolidation. The functional currency for foreign entities is the U.S. dollar. The Company accounts for investments over which it has significant influence, but not a controlling financial interest, using the equity method.

(d) Restricted Cash

Restricted cash consists of letters of credit held with the Company's financial institution related to facility leases and is classified as current in the Company's balance sheets based on the maturity of the underlying letters of credit. Additionally, funds received from certain grants are restricted as to their use and are therefore classified as restricted cash.

(e) Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade receivables and contract assets, which represent contracted unbilled receivables.

The Company does not require customers to provide collateral to support accounts receivable. If deemed necessary, credit reviews of significant new customers may be performed prior to extending credit. The determination of a customer's ability to pay requires judgment, and failure to collect from a customer can adversely affect revenue, cash flows, and results of operations.

As of June 30, 2024, no customer accounted for more than 10% of total accounts receivable. As of December 31, 2023, two customers accounted for 15% and 11% of total accounts receivable, respectively. As of June 30, 2024, two customers accounted for 31% and 28% of total contract assets, respectively. As of December 31, 2023, two customers accounted for 42% and 22% of total contract assets, respectively.

For the three months ended June 30, 2024, one customer accounted for 18% of total revenue. For the six months ended June 30, 2024, one customer accounted for 12% of total revenue. For the three months ended June 30, 2023, no customer accounted for more than 10% of total revenue. For the six months ended June 30, 2023, one customer accounted for 30% of total revenue.

(f) Income Taxes

The Company records deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Deferred tax assets are reduced by a valuation allowance when it is estimated to become more likely than not that a portion of the deferred tax assets will not be realized. Accordingly, the Company currently maintains a full valuation allowance against existing net deferred tax assets.

The Company recognizes the effect of income tax positions only if such positions are deemed "more likely than not" capable of being sustained. Interest and penalties accrued on unrecognized tax benefits are included within income tax expense in the unaudited condensed consolidated financial statements.

(g) Equity Investments

In the normal course of business, the Company has entered, and may continue to enter, into collaboration agreements with companies to perform drug design services for such companies in exchange for equity ownership stakes in such companies. If it is determined that the Company has control over the investee, the investee is consolidated in the financial statements. If the investee is consolidated with the Company and less than 100% of the equity is owned by the Company, the Company will present non-controlling interest to represent the portion of the investee owned by other investors. If it is determined that the Company does not have control over the investee, the Company evaluates the investment for the ability to exercise significant influence.

Equity investments over which the Company has significant influence may be accounted for under equity method accounting in accordance with Accounting Standards Codification ("ASC") Topic 323 ("Topic 323"), *Equity Method and Joint Ventures*. If it is determined that the Company does not have significant influence over the investee, and there is no readily determinable fair value for the investment, the equity investment may be accounted for at cost less impairment, in accordance with ASC Topic 321 ("Topic 321"), *Investments - Equity Securities.*

For further information regarding the Company's equity investments, see Note 4, Fair Value Measurements and Note 10, Equity Investments.

(h) Net (Loss) Income per Share Attributable to Common and Limited Common Stockholders

The outstanding equity of the Company consists of common stock and limited common stock. Under the Company's certificate of incorporation, the rights of the holders of common stock and limited common stock are identical, except with respect to voting and conversion. Holders of limited common stock are precluded from voting such shares in any election of directors or on the removal of directors. Limited common stock may be converted into common stock at any time at the option of the stockholder.

Undistributed earnings allocated to the participating securities are subtracted from net income in determining net income (loss) attributable to common and limited common stockholders. Basic net income (loss) per share is computed by dividing net income (loss) attributable to common and limited common stockholders by the weighted-average number of shares of common and limited common stock outstanding during the period.

For the calculation of diluted net income, net income attributable to common and limited common stockholders for basic net income is adjusted by the effect of dilutive securities, including awards under the Company's equity compensation plans. Diluted net income per share attributable to common and limited common stockholders is computed by dividing the resulting net income attributable to common and limited common stockholders by the weighted-average number of fully diluted shares of common and limited common stock outstanding.

(3) Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's performance obligations are satisfied either over time or at a point in time, which can result in different revenue recognition patterns.

The following table illustrates the timing of the Company's revenue recognition patterns:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Software products and services – point in time	40.1 %	47.8 %	44.1 %	37.1 %
Software products and services – over time	34.7	35.6	37.9	25.0
Drug Discovery – point in time	19.3	—	10.9	27.4
Drug Discovery – over time	5.9	16.6	7.1	10.5

(a) Software Products and Services

The Company enters into contracts that can include various combinations of licenses, products and services, some of which are distinct and are accounted for as separate performance obligations. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative standalone selling price ("SSP") basis. Revenue is recognized net of any sale and value-added taxes collected from customers and subsequently remitted to governmental authorities.

The Company's software business derives revenue from five sources: (i) on-premise software license fees, (ii) hosted software subscription fees, (iii) software maintenance fees, (iv) professional services fees, and (v) contributions.

On-premise software. The Company's on-premise software license arrangements grant customers the right to use its software on their own in-house servers or their own cloud instances for a specified term, typically for one year, though in recent years, the Company has entered into a small number of large multi-year on-premise software license agreements. The Company recognizes revenue for on-premise software license fees upfront, either upon transfer of control of the license or the effective date of the agreement, whichever is later. In instances where the timing of the transfer of control differs from the timing of invoicing, the Company considers whether a significant financing component exists. The Company has elected the practical expedient to not assess for significant financing where the term is less than one year. The Company's updates and upgrades are not integral to maintaining the utility of the software licenses. Payments typically are received upfront or annually.

Hosted software. Hosted software revenue consists primarily of fees to provide the Company's customers with hosted licenses, which allows these customers to access the Company's cloud-based software solution on their own hardware without taking control of the licenses, and is recognized ratably over the term of the arrangement, which is typically one year, though in recent years, the Company has entered into a small number of large multi-year hosted software license agreements. When a customer enters into a hosted arrangement for which revenue is recognized over time, the amount paid upfront that is not recognized in the current period is included in deferred revenue in the Company's statement of financial position until the period in which it is recognized.

Software maintenance. Software maintenance includes technical support, updates, and upgrades related to the Company's on-premise software licenses. Software maintenance revenue is recognized ratably over the term of the arrangement. Software maintenance activities are performed in connection with the use of the Company's on-premise software, and may fluctuate from period to period.

Professional services. Professional services include training, technical setup, installation or assisting customers with modeling services, where the Company uses its software to perform tasks such as virtual screening on behalf of the Company's customers. These services are generally not related to the core functionality of the Company's software and are recognized as revenue when resources are consumed. Since each professional services agreement represents a unique, ad hoc engagement, professional services revenue may fluctuate from period to period.

Software contribution revenue. Software contribution revenue consists of funds received under a non-reciprocal agreement with Gates Ventures, LLC originally entered into in June 2020 and further extended through August 2026. The agreement is an unconditional non-exchange contribution without restrictions. Revenue was recognized annually from June 2020 through June 2022 and upon extension of the agreement in August 2023, when invoiced, in accordance with ASC Topic 958, *Not-for-Profit Entities* ("Topic 958"), as the agreement is not an exchange transaction.

The agreement with Gates Ventures, LLC initially covered the period from June 23, 2020 through June 22, 2023 for total consideration of up to $ 3,000. The Company recognized revenue of $1,000 upon entry into the agreement and $ 1,000 upon each of the first and second anniversary of the agreement. The agreement was then extended through August 13, 2026 and provides for total additional consideration of up to $6,000. The Company recognized revenue of $1,800 upon extension of the agreement. As of June 30, 2024 and December 31, 2023, the Company had no deferred revenue balance related to this agreement. As of June 30, 2024 and December 31, 2023, the Company had no accounts receivable related to this agreement.

The following table presents the revenue recognized from the sources of software products and services revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
On-premise software	$ 18,758	$ 16,814	$ 36,377	$ 36,758
Hosted software	8,087	4,451	15,263	8,902
Software maintenance	5,840	5,877	11,735	11,627
Professional services	2,719	2,210	5,444	4,278
Revenue from contracts with customers	35,404	29,352	68,819	61,565
Software contribution	—	—	—	—
Total software revenue	$ 35,404	$ 29,352	$ 68,819	$ 61,565

(b) Drug Discovery

Drug discovery services. Revenue from drug discovery and collaboration services contracts is recognized either over time or at a point in time, typically by using costs incurred, hours expended to measure progress, or based on the achievement of milestones. Payments for services are generally due upfront at the start of a contract, upon achieving milestones stated in a contract, or upon consumption of resources. Services may at times include variable consideration, and the Company has estimated the amount of consideration that is variable using the most likely amount method. The Company evaluates milestones on a case-by-case basis, including whether there are factors outside the Company's control that could result in a significant reversal of revenue, and the likelihood and magnitude of a potential reversal. If achievement of a milestone is not considered probable, the Company constrains (reduces) variable consideration to exclude the milestone payment until it is probable to be achieved. Upon removal of the constraint on variable consideration, revenue may be recognized at a point in time or over time by applying the allocation guidance of ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606").

As of June 30, 2024, milestones not yet achieved that were determined to be probable of achievement totaled $ 10,000, of which $9,115 was recognized as drug discovery milestone revenue for the six months ended June 30, 2024. As of June 30, 2023, milestones not yet achieved that were determined to be probable of achievement totaled $2,500, of which $2,171 was recognized as drug discovery milestone revenue for the six months ended June 30, 2023.

Drug discovery contribution revenue. Drug discovery contribution revenue consists of funds received under an agreement with the Bill and Melinda Gates Foundation on a cost reimbursement basis, to perform services aimed at accelerating drug discovery in women's health. The initial agreement began in November 2021 and expired in September 2023. In September 2023, the Company entered into a new agreement with the Bill and Melinda Gates Foundation to perform services aimed at accelerating drug discovery in women's health that expires in October 2025. Revenue is recognized as conditions are met in accordance with Topic 958. As of June 30, 2024 and December 31, 2023, the Company had deferred revenue balances related to these agreements of $ 667 and $1,581, respectively.

The following table presents the revenue recognized from the sources of drug discovery revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Drug discovery services revenue from contracts with customers	$ 11,506	$ 5,232	$ 14,198	$ 37,035
Drug discovery contribution	424	605	915	1,371
Total drug discovery revenue	$ 11,930	$ 5,837	$ 15,113	$ 38,406

(c) Collaboration and License Agreement

On November 22, 2020, the Company entered into an exclusive, worldwide collaboration and license agreement with Bristol-Myers Squibb Company ("BMS"), pursuant to which the Company and BMS agreed to collaborate in the discovery, research and preclinical development of new small molecule compounds for disease indications in oncology, neurology, and immunology therapeutics areas. Under the agreement, the Company was initially responsible, at its own cost and expense, for the discovery of small molecule compounds directed to five specified biological targets pursuant to a

mutually agreed research plan for each such target. The initial targets included HIF-2 alpha and SOS1, which were two of the Company's proprietary programs. In November 2021, the Company and BMS mutually agreed to replace the HIF-2 alpha target with another precision oncology target. Following the replacement election, all rights to the HIF-2 alpha target program reverted to the Company. In September 2022, BMS elected not to proceed with further development of another target and all rights to this program reverted to the Company, which increased revenue recognition in the third quarter of 2022 due to the accelerated completion of the Company's obligations related to the program. In December 2022, the Company and BMS entered into an amendment to the agreement to include an additional target in neurology on terms similar to the original agreement. In September 2023, BMS elected not to proceed with further development of two related oncology programs and all rights to these programs reverted to the Company, which increased revenue recognition in the third quarter of 2023 due to the accelerated completion of the Company's obligations related to those programs. In the first quarter of 2024, BMS elected not to proceed with further development of the SOS1 program based on portfolio prioritization decisions and all rights to this program reverted to the Company. In July 2024, BMS elected not to proceed with further development of an immunology target and all rights to this program reverted to the Company. There is one remaining active program under the agreement, as amended.

Once a development candidate meeting specified criteria for a target under the agreement has been identified by the Company, BMS will be solely responsible for the further development, manufacturing and commercialization of such development candidate at its own cost and expense. The Company is solely responsible for the development of any programs that have been returned by BMS.

Under the terms of the agreement, as amended, BMS paid the Company an initial upfront fee payment of $ 55.0 million in November 2020 and an additional upfront payment in December 2022. As of June 30, 2024, the Company is eligible to receive up to $482.0 million in total milestone payments for the one remaining neurology target currently subject to the collaboration, consisting of up to $ 257.0 million in the aggregate for the achievement of certain specified research, development, and regulatory milestones and $225.0 million in the aggregate for the achievement of certain specified commercial milestones. As of June 30, 2024, the Company has recognized $32.0 million in revenue related to milestones under this agreement.

The Company is also entitled to a tiered percentage royalty on annual net sales ranging from mid-single digits to low-double digits, subject to certain specified reductions. Royalties are payable by BMS on a licensed product-by-licensed product and country-by-country basis until the later of the expiration of the last valid claim covering the licensed product in such country, expiration of all applicable regulatory exclusivities in such country for such licensed product and the tenth anniversary of the first commercial sale of such licensed product in such country.

The Company assessed the collaboration and license agreement in accordance with Topic 606 and concluded that BMS is a customer based on the agreement structure. At inception, the Company identified one performance obligation for each of the five programs initially covered under the agreement, which includes research activities for each program and a license grant for the underlying intellectual property. The Company determined that the license grant for intellectual property is not separable from the research activities, as the research activities are expected to significantly modify or enhance the license grant over the period of service, and therefore are not distinct in the context of the contract.

The Company determined that the transaction price at the onset of the agreement is $ 55.0 million. Additional consideration to be paid to the Company upon the achievement of future milestone payments were excluded from the transaction price as they represent milestone payments that are not considered probable as of the inception date such that there is not a significant risk of revenue reversal.

The Company has allocated the transaction price of $ 55.0 million to each performance obligation based on the SSP of each performance obligation at inception, which was determined based on each performance obligation's estimated SSP. The Company determined the estimated SSP at contract inception of the research activities based on internal estimates of the costs to perform the services, inclusive of a reasonable profit margin. Significant inputs used to determine the total costs to perform the research activities included the length of time required, the internal hours expected to be incurred on the services and the number and costs of various studies that will be performed to complete the research plan.

Revenue associated with the research activities is recognized on a proportional performance basis over the period of service for research activities, using input-based measurements of total costs of research incurred to estimate the proportion performed. Progress towards completion is remeasured at the end of each reporting period.

During the three and six months ended June 30, 2024, the Company recognized $ 7.5 million and $9.0 million, respectively, of revenue associated with the agreement based on the research activities performed and milestones achieved. During the three and six months ended June 30, 2023, the Company recognized $0.7 million and $28.8 million, respectively, of revenue associated with the agreement based on the research activities performed and milestones achieved. As of June 30, 2024 and December 31, 2023, there was $4.7 million and $7.3 million, respectively, of deferred revenue related to the agreement, which was classified as either current or non-current in the condensed consolidated balance sheet based on the period the services are expected to be performed. As of June 30, 2024 and December 31, 2023, the Company had no outstanding receivables for this collaboration.

(d) Significant Judgments

Significant judgments and estimates are required under Topic 606. Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for the Company's arrangements may be dependent on contract-specific terms and may vary in some instances.

The Company's contracts with customers often include promises to transfer multiple software products and services, including training, professional services, technical support services, and rights to unspecified updates. Determining whether licenses and services are distinct performance obligations that should be accounted for separately, or are not distinct and therefore should be accounted for together, requires significant judgment. In some arrangements, such as most of the Company's term-based software license arrangements, the Company has concluded that the licenses and associated services are distinct from each other. In other arrangements, including collaboration services arrangements, the licenses and certain services may not be distinct from each other. The Company's time-based software arrangements may include multiple software licenses and a right to updates or upgrades to the licensed software products, and technical support. The Company has concluded that such promised goods and services are separate distinct performance obligations.

The Company is required to estimate the total consideration expected to be received from contracts with customers, including any variable consideration. For collaborative arrangements, under which the Company is eligible to receive variable consideration in the form of milestones payments, judgment is required to evaluate whether the milestones are considered probable of being achieved. If it is probable that a significant revenue reversal would not occur, the constraint is removed and value of the associated milestone is included in the estimated transaction price using the most likely amount method based on contractual requirements and historical experience. Once the estimated transaction price is established, amounts are allocated to the performance obligations that have been identified. The transaction price is allocated to each separate performance obligation on a relative SSP basis consistent with the allocation objectives of Topic 606.

Judgment is required to determine the SSP for each distinct performance obligation. The Company rarely licenses or sells products on a standalone basis, so the Company is required to estimate the range of SSPs for each performance obligation. In instances where the SSP is not directly observable because the Company does not sell the license, product, or service separately, the Company determines the SSP using information that includes historical discounting practices, market conditions, cost-plus analysis, and other observable inputs. The Company typically has more than one SSP for individual performance obligations due to the stratification of those items by volume of sales, classes of customers and other relevant circumstances. In these instances, the Company may use information such as the size and geographic region of the customer in determining the SSP. Professional service revenue is recognized as costs and hours are incurred, and judgment is required in estimating both the project status and the costs incurred or hours expended.

If a group of agreements are so closely related to each other that they are, in effect, part of a single arrangement, such agreements are deemed to be one arrangement for revenue recognition purposes. The Company exercises significant judgment to evaluate the relevant facts and circumstances in determining whether the separate agreements should be accounted for separately or as, in substance, a single arrangement. The Company's judgments about whether a group of contracts comprises a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of operations for the periods involved.

Judgment is required to determine the total costs to perform research activities, which include the length of time required, the internal hours expected to be incurred on the services, and the number and costs of various studies that may be performed by third-parties to complete the research plan.

Generally, the Company has not experienced significant returns or refunds to customers.

The Company's estimates related to revenue recognition may require significant judgment and a change in these estimates could have an effect on the Company's results of operations during the periods involved.

(e) Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on the condensed consolidated balance sheets. The Company records a contract asset when revenue is recognized prior to invoicing. A deferred revenue liability is recorded when revenue is expected to be recognized subsequent to invoicing. For the Company's time-based software agreements, customers are generally invoiced at the beginning of the arrangement for the entire term, though when the term spans multiple years the customers may be invoiced on an annual basis. For certain drug discovery agreements where the milestones are deemed probable in a period prior to when the milestone is achieved, the Company records a contract asset for the full value of the milestone.

Contract assets are included in unbilled and other receivables within the condensed consolidated balance sheets and are transferred to receivables when the Company invoices the customer.

Contract balances were as follows:

	As of June 30, 2024	As of December 31, 2023
Contract assets	$ 38,826	$ 21,107
Deferred revenue, short-term:		
Software products and services	31,670	44,218
Drug discovery	9,129	12,013
Deferred revenue, long-term:		
Software products and services	1,816	2,407
Drug discovery	5,264	6,636

For the three and six months ended June 30, 2024 and 2023, the Company recognized $ 15,069, $34,877, $20,628, and $37,382 of revenue, respectively, that was included in deferred revenue at the end of the respective preceding periods. All other deferred revenue activity is due to the timing of invoices in relation to the timing of revenue, as described above. The Company expects to recognize as revenue approximately 85% of its June 30, 2024 deferred revenue balance in the next 12 months and the remainder thereafter. Additionally, contracted but unsatisfied performance obligations that had not yet been billed to the customer or included in deferred revenue were $41,684 as of June 30, 2024.

Payment terms and conditions vary by contract type, although terms typically require payment within 30 to 60 days. In instances where the timing of revenue recognition differs from that of invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to facilitate financing arrangements.

(f) Deferred Sales Commissions

The Company has applied the practical expedient for sales commission expense, as any material compensation paid to sales representatives to obtain a contract relates to a period of one year or less. The Company has not capitalized any costs related to sales commissions.

(4) Fair Value Measurements

Various inputs are used in determining the fair value of the Company's financial assets and liabilities. These inputs are summarized into the following three broad categories:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs, including quoted prices for similar securities, interest rates, credit risk, etc.

Level 3 – significant unobservable inputs, including the Company's own assumptions in determining fair value

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Marketable securities, which consist primarily of corporate and U.S. government agency bonds, are classified as available for sale and fair value did not differ significantly from carrying value as of June 30, 2024 and December 31, 2023. The following table presents information about the Company's assets measured at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents and restricted cash	$ 112,336	$ —	$ —	$ 112,336
Marketable securities	—	269,180	—	269,180
Equity investments	81,927	—	—	81,927
Total	$ 194,263	$ 269,180	$ —	$ 463,443

The following table presents information about the Company's assets measured at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents and restricted cash	$ 161,066	$ —	$ —	$ 161,066
Marketable securities	—	307,688	—	307,688
Equity investments	79,623	—	1,928	81,551
Total	$ 240,689	$ 307,688	$ 1,928	$ 550,305

The following table sets forth changes in fair value of the Company's Level 3 investments:

	Amount
As of December 31, 2022	$ 1,629
Realized gain	147,213
Cash distributions	(147,213)
Transfer to Level 1	(1,629)
Unrealized gain	1,928
As of December 31, 2023	1,928
Unrealized loss	—
As of March 31, 2024	1,928
Topic 321 transition	(1,928)
As of June 30, 2024	$ —

The fair value of the Company's investment in Nimbus Therapeutics, LLC ("Nimbus"), classified as Level 3 in the fair value hierarchy, was recorded as an equity method investment under Topic 323, using the hypothetical liquidated book value method ("HLBV method") through June 30, 2023, as further described in Note 10, Equity Investments. Significant unobservable inputs used to determine Nimbus' fair value under the HLBV method were the entity's annual financial statements and the Company's liquidation preference. During the year ended December 31, 2023, the Company recorded a realized gain of $147,213 on account of its equity position in Nimbus following the closing of Takeda's acquisition of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its tyrosine kinase 2 inhibitor, NDI-034858. The Company received $147,213 in cash distributions related to this sale from Nimbus during the year ended December 31, 2023. Following the dilution of the Company's investment in Nimbus during the period ended September 30, 2023, the fair value of the Company's investment is recorded under Topic 321 as a non-marketable equity security as the Company no longer exercises significant influence over Nimbus. This change in accounting method resulted in an

unrealized gain of $1,928. As the Company's investment in Nimbus is recorded under Topic 321, it is no longer required to be recorded as a Level 3 investment.

During the year ended December 31, 2023, the Company recorded a transfer of $ 1,629 from a Level 3 investment to a Level 1 investment due to the completion of Structure Therapeutics Inc.'s ("Structure Therapeutics"), initial public offering ("IPO"). The Company's investment in Structure Therapeutics was previously recorded using the HLBV method. Following the completion of Structure Therapeutics' IPO, the Company's investment in Structure Therapeutics is recorded under Topic 321 because there is an observable price of the investment.

Unrealized gains and losses arising from changes in fair value of the Company's equity investments are classified within change in fair value in the condensed consolidated statements of operations. Realized gains arising from distributions receivable from the Company's equity investments are classified within gain on equity investments in the condensed consolidated statements of operations.

For further information regarding the Company's equity investments, see Note 10, Equity Investments.

(5) Commitments and Contingencies

(a) Leases

The Company has multiple operating leases for office space and a finance lease for equipment that expire at various dates through 2037. The Company has elected the package of practical expedients under the transition guidance of ASC Topic 842, *Leases*, to exclude short-term leases from the balance sheet and to combine lease and non-lease components. The Company classifies finance lease right of use assets under property and equipment, net and finance short-term and long-term lease liabilities under other accrued liabilities and other liabilities, long-term, respectively.

Upon inception of a lease, the Company determines if an arrangement is a lease, if it is classified as an operating or finance lease, if it includes options to extend or terminate the lease, and if it is reasonably certain that the Company will exercise the options. Lease cost, representing lease payments over the term of the lease and any capitalizable direct costs less any incentives received, is recognized on a straight-line basis over the lease term as lease expense.

In determining the present value of lease payments, the Company uses its incremental borrowing rate based on the information available at the lease commencement date if the rate implicit in the lease is not readily determinable. Upon execution of a new lease, the Company performs an analysis to determine its incremental borrowing rate using its current borrowing rate, adjusted for various factors including level of collateralization and lease term. As of June 30, 2024, the remaining weighted average lease term for operating and finance leases was 11 years.

During the six months ended June 30, 2024, operating lease right of use assets increased by $ 2,952 due to contingency resolutions associated with office leases.

Variable and short-term lease costs for the Company's operating and finance leases were immaterial for the six months ended June 30, 2024. Additional details of the Company's operating and finance leases are presented in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Lease costs	$ 4,569	$ 4,131	$ 9,059	$ 7,926
Cash paid for leases	4,294	2,923	8,393	5,560

Maturities of operating and finance lease liabilities as of June 30, 2024 under noncancelable leases were as follows:

Year ending December 31:		
Remainder of 2024	$	9,196
2025		17,480
2026		17,165
2027		16,003
2028		14,965
Thereafter		112,033
Total future minimum lease payments		186,842
Less: imputed interest		(62,670)
Present value of future minimum lease payments		124,172
Less: current portion of lease payments		16,915
Lease liabilities, long-term	$	107,257

(b) Legal Matters

From time to time, the Company may become involved in routine litigation arising in the ordinary course of business. While the results of such litigation cannot be predicted with certainty, management believes that the final outcome of such matters is not likely to have a material adverse effect on the Company's financial position or results of operations or cash flows.

(c) Contingencies

The Company is currently under audit with a royalty partner. As of June 30, 2024, the Company believes a contingency is probable and has accrued $1,777 related to this audit.

(6) Income Taxes

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period.

For the three and six months ended June 30, 2024, the Company's income tax expense was $ 83 and $539, respectively.

For the three months ended June 30, 2023, the Company's income tax benefit was $20,431. For the six months ended June 30, 2023, the Company's income tax expense $5,928. For the three and six months ended June 30, 2024, the difference between the effective rate and the statutory rate was primarily attributed to the application of research and development credits and the change in the valuation allowance against net deferred tax assets.

The Company recognizes the effect of income tax positions only if those positions are "more likely than not" capable of being sustained. As of June 30, 2024, the Company had $3,045 of unrecognized tax benefits. Interest and penalties accrued on unrecognized tax benefits are recorded as tax expense within the unaudited condensed consolidated financial statements. The Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits within the next twelve months.

The Company and its subsidiaries file U.S. federal income tax returns and various state, local and foreign income tax returns. At June 30, 2024, the Company's statutes of limitations are open for all federal and state tax returns filed after the years ended December 31, 2021 and 2020, respectively. Net operating loss ("NOL") and credit carryforwards from all years are subject to examination and adjustments for the three years following the year in which the carryforwards are utilized. The Company is not currently under Internal Revenue Service or state examination.

Pursuant to Internal Revenue Code Sections 382 and 383, the utilization of NOLs and other tax attributes may be substantially limited due to cumulative changes in ownership greater than 50% that may have occurred or could occur during applicable testing periods. The Company has performed an analysis through December 31, 2023 and determined that such an ownership change occurred on March 31, 2021. There was no material impact to the financial statements due to this ownership change.

(7) Stockholders' Equity

(a) Common Stock

As of June 30, 2024, the Company had authorized 500,000,000 shares of common stock with a par value of $ 0.01 per share. Holders of common stock are entitled to one vote per share, to receive dividends, if and when declared by the board of directors, and upon liquidation or dissolution, to receive a portion of the assets available for distributions to stockholders, subject to preferential amounts owed to holders of the Company's preferred stock, if any.

Common stockholders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. The rights, preferences and privileges of holders of the common stock are subject to and may be adversely affected by the right of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

(b) Limited Common Stock

As of June 30, 2024, the Company had authorized 100,000,000 shares of limited common stock with a par value of $ 0.01 per share. Holders of limited common stock are entitled to one vote per share, however, the holders of limited common stock shall not be entitled to vote such shares in any election of directors or on the removal of directors. Holders of limited common stock are entitled to receive dividends, if and when declared by the board of directors, and upon liquidation or dissolution, to receive a portion of the assets available for distributions to stockholders, subject to preferential amounts owed to holders of the Company's preferred stock, if any. Holders of the Company's limited common stock have the right to convert each share of limited common stock into one share of the Company's common stock.

Limited common stockholders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. The rights, preferences and privileges of holders of the limited common stock are subject to and may be adversely affected by the right of the holders of shares of any series of preferred stock that the Company may designate and issue in the future.

(c) Preferred Stock

As of June 30, 2024, the Company had authorized 10,000,000 shares of undesignated preferred stock with a par value of $ 0.01 per share. The Company's board of directors has the discretion to determine the rights, preferences, privileges, and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges, and liquidation preferences, of each series of preferred stock.

(8) Stock-Based Compensation

Stock Incentive Plans

As of June 30, 2024, the Company's stock incentive plans included the 2010 Stock Plan (the "2010 Plan"), the 2020 Equity Incentive Plan (the "2020 Plan"), the 2021 Inducement Equity Incentive Plan, as amended (the "2021 Plan"), and the 2022 Equity Incentive Plan, as amended (the "2022 Plan") (together, the "Plans").

The 2022 Plan provides for the award of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, other stock-based awards, and cash-based awards to employees, directors, consultants or advisors. Shares of common stock subject to outstanding awards granted under the 2020 Plan and the 2010 Plan that expire, terminate, or are otherwise surrendered, cancelled, forfeited, or repurchased by the Company are available for issuance under the 2022 Plan.

The 2021 Plan provides for the award of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other stock-based awards to persons who were not previously an employee or director of the Company or who are commencing employment with the Company following a bona fide period

of non-employment, in either case, as an inducement material to such person's entry into employment with the Company and in accordance with the requirements of the Nasdaq Stock Market Rule 5635(c)(4). Neither consultants nor advisors are eligible to participate in the 2021 Plan.

The 2020 Plan provided for the award of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other stock-based awards to employees, directors, consultants or advisors. As of June 15, 2022, the effective date of the 2022 Plan, no further awards will be made under the 2020 Plan. Any options or awards outstanding under the 2020 Plan are governed by the terms of the 2020 Plan.

The 2010 Plan provided for the granting of incentive stock options and nonstatutory stock options to employees, directors, consultants or advisors. As of the effective date of the 2020 Plan, no further awards will be made under the 2010 Plan. Any options or awards outstanding under the 2010 Plan are governed by the terms of the 2010 Plan.

As of June 30, 2024 and December 31, 2023, there were 6,260,795 and 3,472,195 shares available for grant under the Plans, respectively. The following table presents classification of stock-based compensation expense within the unaudited condensed consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of sales	$ 1,360	$ 1,390	$ 2,495	$ 2,688
Research and development	4,228	3,807	8,294	7,322
Sales and marketing	968	941	1,942	1,791
General and administrative	6,252	5,635	12,295	10,852
Total stock-based compensation	$ 12,808	$ 11,773	$ 25,026	$ 22,653

Restricted Stock Units

Each restricted stock unit ("RSU") represents the right to receive one share of the Company's common stock upon vesting. The fair value of RSUs granted by the Company was calculated based upon the Company's closing stock price on the date of the grant, and the stock-based compensation expense is recognized over the vesting period. RSUs generally vest over four years with 25% of the grants vesting at the end of the first year and the remaining vesting annually over the following three years.

There were 74,338, 1,189,308, 76,105 and 714,980 RSUs granted during the three and six months ended June 30, 2024 and 2023, respectively. The weighted average grant date fair value for each RSU granted during the three and six months ended June 30, 2024 and 2023 was $21.00, $25.01, $42.82, and $25.37, respectively.

As of June 30, 2024, there was $37,870 of unrecognized compensation cost related to RSUs granted under the Plans, which is expected to be recognized over a weighted average period of 3.34 years. During the three and six months ended June 30, 2024 and 2023, 50,644, 212,608, zero, and 12,075 RSUs vested, respectively. The fair value of RSUs vested during the three and six months ended June 30, 2024 and 2023 was $1,049, $5,455, zero, and $293, respectively.

Performance-Based Restricted Stock Units

In March 2024 and February 2023, the Company awarded performance-based restricted stock units ("PRSUs") under the 2022 Plan. Each PRSU represents a contingent right to receive one share of common stock upon the achievement of specified performance goals. The fair value of PRSUs granted by the Company was calculated based upon the Company's closing stock price on the date of the grant, and the stock-based compensation expense is recognized when the grant date is determined and performance conditions are probable of achievement. At the point where performance conditions are considered probable of achievement, the Company records stock-based compensation expense with a cumulative catch-up expense in the period first recognized and on a straight-line basis over the remaining period for which the performance criteria are expected to be completed.

In March 2024, the Company awarded to all executive officers PRSUs for a maximum of 180,000 shares (based on 150% achievement of the applicable performance conditions outlined in the awards), with a target award of 120,000 PRSUs (based on 100% achievement of the applicable performance conditions), and a threshold award of 60,000 PRSUs

(based on 50% achievement of the applicable performance conditions). All such PRSUs were considered granted under ASC 718, *Compensation—Stock Compensation* ("Topic 718") in March 2024. Such PRSUs are scheduled to vest, if at all, upon the certification by the Company's compensation committee of the achievement of the applicable performance conditions following the filing of the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2026.

In February 2023, the Company awarded to certain executive officers PRSUs for a maximum of 62,693 shares (based on 150% achievement of the applicable performance conditions outlined in the awards), with a target award of 41,795 PRSUs (based on 100% achievement of the applicable performance conditions), and a threshold award of 20,898 PRSUs (based on 50% achievement of the applicable performance conditions). All such PRSUs were considered granted under Topic 718 in February 2023. Such PRSUs are scheduled to vest, if at all, upon the certification by the Company's compensation committee of the achievement of the applicable performance conditions following the filing of the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2025.

In August 2022, the Company awarded 90,000 PRSUs to an executive officer of which 30,150 PRSUs were considered granted under Topic 718 at the time the PRSUs were awarded. In March 2024 and 2023, of the 90,000 PRSUs awarded in August 2022, an additional 14,850 and 45,000 PRSUs were considered granted under Topic 718, respectively. During the three months ended March 31, 2024, the Company's compensation committee determined the achievement of the awards set to vest upon the certification by the Company's compensation committee following the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Of the 36,000 PRSUs that were eligible to vest, the Company's compensation committee determined that the applicable performance conditions had been met for 9,000 of the PRSUs, which vested during the three months ended March 31, 2024, and that the applicable performance conditions had not been met for 27,000 PRSUs, which were forfeited during the three months ended March 31, 2024. The remaining 54,000 PRSUs are scheduled to vest, if at all, upon the certification by the Company's compensation committee of the achievement of the applicable performance conditions following the filing of the Company's Annual Report on Form 10-K for the fiscal years ending December 31, 2024 and 2025.

The weighted average grant date fair value for each PRSU granted during the three and six months ended June 30, 2024 and 2023 was zero, $26.08, zero, and $22.48, respectively. During the three and six months ended June 30, 2024, zero and 9,000 PRSUs vested, respectively. No PRSUs vested during the three and six months ended June 30, 2023.

Stock Options

Stock options must be granted at an exercise price not less than 100% of the fair market value per share at the grant date. The board of directors or compensation committee determines the exercise price of the Company's stock options based on the closing price of the common stock as reported on the Nasdaq Global Select Market on the date of the grant. The maximum contractual term of options granted under the Plans is typically 10 years, options generally vest over four years with 25% of the shares underlying the option vesting at the end of the first year and the remaining vesting monthly over the following three years. In March 2024 and February 2023, the Company granted the chief executive officer premium priced options to purchase 87,271 and 65,525 shares of common stock, respectively, with exercise prices equal to 110% of the closing price of the Company's common stock on the date of grant.

During the three and six months ended June 30, 2024 and 2023, 57,533, 99,156, 340,229, and 526,430 options under the Plans were exercised for total proceeds of $558, $948, $4,698, and $5,565, respectively.

The fair value of each option award is determined on the date of grant using the Black Scholes Merton option-pricing model. The calculation of fair value included several assumptions that require management's judgment. The expected terms of options granted to employees during 2024 and 2023 were calculated using an average of historical exercises. Estimated volatility for the six months ended June 30, 2024 and 2023 incorporated a calculated volatility derived from the historical closing prices of shares of common stock of similar entities whose share prices were publicly available for the expected term of the option. The risk-free interest rate was based on the U.S. Treasury constant maturities in effect at the time of grant for the expected term of the option. The Company accounts for forfeitures as they occur; as such, the Company does not estimate forfeitures at the time of grant.

Following are the weighted average valuation assumptions used for option awards during the periods presented:

	Six Months Ended June 30,	
	2024	2023
Valuation assumptions		
Expected dividend yield	— %	— %
Expected volatility	65 %	67 %
Expected term (years)	5.31	4.97
Risk-free interest rate	4.22 %	3.77 %

The weighted average grant date fair value per share of options granted during the three and six months ended June 30, 2024 and 2023 was $ 11.85, $14.90, $22.20, and $15.20, respectively. The intrinsic value of options exercised during the three and six months ended June 30, 2024 and 2023 was $ 726, $1,449, $8,102, and $11,305, respectively.

As of June 30, 2024, there was $58,989 of unrecognized compensation cost related to unvested stock options granted under the Plans, which is expected to be recognized over a weighted average period of 2.28 years. The fair value of shares vested during the three and six months ended June 30, 2024 and 2023 was $10,870, $23,638, $10,842, and $27,867 respectively.

(9) Net (Loss) Income per Share Attributable to Common and Limited Common Stockholders

The following table presents the calculation of basic and diluted net (loss) income per share attributable to common and limited common stockholders for the periods presented (in thousands, except for share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net (loss) income attributable to Schrödinger common and limited common stockholders	$ (54,047)	$ 4,278	$ (108,771)	$ 133,414
Denominator:				
Weighted average shares used to compute net (loss) income per share of common and limited common stockholders, basic:	72,711,685	71,642,722	72,501,409	71,555,395
Effect of the exercise of common stock options and vested RSUs on weighted average common and limited common shares	—	3,421,601	—	2,944,277
Weighted average shares used to compute net (loss) income per share of common and limited common stockholders, diluted:	72,711,685	75,064,323	72,501,409	74,499,672
Net (loss) income per share of common and limited common stockholders, basic:	$ (0.74)	$ 0.06	$ (1.50)	$ 1.86
Net (loss) income per share of common and limited common stockholders, diluted:	$ (0.74)	$ 0.06	$ (1.50)	$ 1.79

For the three and six months ended June 30, 2024, in order to calculate diluted net income per share, the weighted average shares used to compute net income is adjusted by the effect of dilutive securities, including awards under the Plans. Diluted net income per share is computed by dividing the resulting net income by the weighted average number of fully diluted common and limited shares outstanding.

Since the Company was in a loss position for the three and six ended June 30, 2024, basic net loss per share is the same as diluted net loss per share as the inclusion of all potential common shares and limited common shares outstanding

would have been anti-dilutive. Potentially dilutive securities that were not included in the diluted per share calculations because they would be anti-dilutive were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Shares subject to outstanding common stock options and unvested RSUs and PRSUs	13,796,103	6,183,141	13,796,103	6,287,929

(10) Equity Investments

(a) Nimbus

The Company previously provided collaboration services for Nimbus under the terms of a master services agreement executed on May 18, 2010, as amended. Collaboration agreements are separate from the transaction that resulted in equity ownership and related fees are paid in cash to the Company. Nimbus was previously recorded as an equity method investment under the HLBV method, as the entity is a limited liability company and the Company was determined to have significant influence due to the Company's collaboration with Nimbus on a number of drug discovery targets, as well as the Company's level of ownership in Nimbus. During the period ended September 30, 2023, the Company's equity ownership in Nimbus was diluted to the point that the Company no longer has significant influence over the entity. As the Company no longer has significant influence over Nimbus, after June 30, 2023, the equity investment in Nimbus is valued as a non-marketable equity security.

The carrying value of the Nimbus investment was $1,928 as of both June 30, 2024 and December 31, 2023. The Company has no obligation to fund Nimbus losses in excess of its initial investment. For the three and six months ended June 30, 2024, the Company reported no gain or loss on the Nimbus investment. For the three months ended June 30, 2023, the Company reported no gain or loss on the Nimbus investment. For the six months ended June 30, 2023, the Company reported a realized gain of $147,322 on the Nimbus investment, which reflected the total cash distribution the Company was eligible to receive from Nimbus on account of Takeda's acquisition of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its tyrosine kinase 2 inhibitor NDI-034858.

(b) Morphic

The Company accounts for its investment in Morphic Holding, Inc. ("Morphic") at fair value based on the share price of Morphic's common stock at the measurement date.

During the three and six months ended June 30, 2024, the Company reported a mark-to-market loss of $ 944 and a mark-to-market gain of $4,333, respectively, on the Morphic investment. During the three and six months ended June 30, 2023, the Company reported a mark-to-market gain of $16,441 and $25,533, respectively, on the Morphic investment.

As of June 30, 2024 and December 31, 2023, the carrying value of the Company's investment in Morphic was $ 28,447 and $24,114, respectively.

(c) Ajax

In May 2021, the Company purchased 631,377 shares of Series B preferred stock of Ajax Therapeutics, Inc. ("Ajax") for $ 1,700 in cash. In April 2024, the Company purchased 1,416,450 shares of Series C preferred stock of Ajax for $ 3,000 in cash. The Company has concluded that its equity investment in Ajax should be valued as a non-marketable equity security as the Company does not exercise significant influence over Ajax.

As of June 30, 2024 and December 31, 2023, the carrying value of the Company's investment in Ajax was $ 4,700 and $1,700, respectively.

(d) Structure Therapeutics

In July 2021, the Company purchased 494,035 shares of Series B preferred stock of Structure Therapeutics for $ 2,000 in cash. In April 2022, the Company purchased an additional 148,210 shares of Series B preferred stock for $ 600 in cash. On February 7, 2023, Structure Therapeutics completed its IPO. Immediately upon the closing of Structure Therapeutics' IPO, all of the outstanding Series B preferred stock automatically converted into ordinary shares on a one-for-one basis. As of June 30, 2024, the Company owned 3,260,495 ordinary shares of Structure Therapeutics. The Company purchased 275,000 American Depository Shares ("ADSs") at $15.00 per ADS in the IPO. Each ADS represents three ordinary shares.

Upon completion of Structure Therapeutics' IPO, the Company changed the valuation methodology used to value the Structure Therapeutics investment from an equity method investment under the HLBV method to an equity investment reported at fair value as the Company no longer exerts significant influence over Structure after the IPO. As there is a readily available market price for Structure Therapeutics' ADSs, the Company values its investment based on the closing price of Structure Therapeutics' ADSs as of the reporting date.

During the three and six months ended June 30, 2024, the Company reported a mark-to-market loss of $ 4,888 and $2,029, respectively, on the Structure Therapeutics investment. During the three and six months ended June 30, 2023, the Company reported a mark-to-market gain of $24,300 and $50,857, respectively, on the Structure Therapeutics investment. As of June 30, 2024 and December 31, 2023, the carrying value of the Company's investment in Structure Therapeutics was $53,479 and $55,509, respectively.

(11) Related Party Transactions

(a) Board Member

For the three and six months ended June 30, 2024 and 2023, the Company paid consulting fees of $ 105, $210, $105, and $210, respectively, to a member of its board of directors.

(b) Bill and Melinda Gates Foundation

The Bill and Melinda Gates Foundation, an entity under common control with Bill and Melinda Gates Foundation Trust, a stockholder of the Company, issued a grant under which it agreed to pay the Company directly for certain licenses and services provided to a specified group of third-party organizations. Revenue recognized for services provided by the Company under this grant was $63, $70, $87, and $120 for the three and six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and December 31, 2023, the Company had no net receivables due from the Bill and Melinda Gates Foundation.

For the three and six months ended June 30, 2024 and 2023, the Company recognized $ 424, $914, $605, and $1,371, respectively, in drug discovery contribution revenue related to funds received under an agreement with the Bill and Melinda Gates Foundation, aimed at accelerating drug discovery in women’s health. As of June 30, 2024 and December 31, 2023, the Company had no receivables due under these agreements from the Bill and Melinda Gates Foundation. As of June 30, 2024 and December 31, 2023, restricted cash on hand related to the arrangement was $726 and $2,251, respectively.

Gates Ventures, LLC is an entity under the control of William H. Gates III, who may be deemed to be the beneficial owner of more than 5% of the Company’s voting securities. The Company received $1,000 in contribution revenue in connection with its entry into an agreement with Gates Ventures, LLC annually from June 2020 to June 2022. In August 2023, the Company renewed the agreement with Gates Ventures, LLC and recognized $1,800 in contribution revenue. As of June 30, 2024 and December 31, 2023, the Company had no net receivables due from Gates Ventures, LLC.

(12) Segment Reporting

The Company has determined that its chief executive officer ("CEO") is its chief operating decision maker ("CODM"). The Company’s CEO evaluates the financial performance of the Company based on two reportable segments: Software and Drug Discovery. The Software segment is focused on licensing the Company’s software to transform molecular discovery. The Drug Discovery segment is focused on building a portfolio of preclinical and clinical drug programs, internally and through collaborations.

The CODM reviews segment performance and allocates resources based upon segment revenue and segment gross profit of the Software and Drug Discovery reportable segments. Segment gross profit is derived by deducting operational expenditures, with the exception of research and development, sales and marketing, and general and administrative activities from U.S. GAAP revenue. Operational expenditures are expenditures made that are directly attributable to the reportable segment. These expenditures are allocated to the segments based on headcount. The reportable segment expenditures include compensation, supplies, and services from contract research organizations.

Certain cost items are not allocated to the Company's reportable segments. These cost items primarily consist of non-drug discovery program related compensation and general operational expenses associated with the Company's research and development, sales and marketing, and general and administrative. These costs are incurred by both segments and due to the integrated nature of the Company's Software and Drug Discovery segments, any allocation methodology would be arbitrary and provide no meaningful analysis.

Segment revenue is primarily earned in the United States and there are no intersegment revenues. Additionally, the Company reports assets on a consolidated basis and does not allocate assets to its reportable segments for purposes of assessing segment performance or allocating resources.

Presented below is financial information with respect to the Company's reportable segments for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Segment revenues:				
Software	$ 35,404	$ 29,352	$ 68,819	$ 61,565
Drug discovery	11,930	5,837	15,113	38,406
Total segment revenues	$ 47,334	$ 35,189	$ 83,932	$ 99,971
Segment gross profit:				
Software	$ 28,237	$ 22,657	$ 53,676	$ 47,755
Drug discovery	3,098	(8,847)	(3,451)	11,748
Total segment gross profit	31,335	13,810	50,225	59,503
Unallocated:				
Research and development	(50,835)	(42,705)	(101,446)	(83,446)
Sales and marketing	(9,693)	(9,022)	(19,864)	(18,167)
General and administrative	(23,536)	(23,216)	(49,077)	(49,524)
Gain on equity investments	—	—	—	147,322
Change in fair value	(5,833)	40,654	2,304	76,391
Other income	4,598	4,326	9,626	7,263
Income tax (expense) benefit	(83)	20,431	(539)	(5,928)
Consolidated net (loss) income	$ (54,047)	$ 4,278	$ (108,771)	$ 133,414

Revenues by geographic area are determined based on the address provided by the Company's customers and partners. The following table sets forth revenues by geographic area for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	$ 30,699	$ 23,964	$ 53,996	$ 74,308
APAC	8,709	6,237	14,210	13,310
EMEA	7,805	4,832	15,001	11,660
Rest of World	121	156	725	693
	$ 47,334	$ 35,189	$ 83,932	$ 99,971

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in Part II, Item 1A. "Risk Factors" of this Quarterly Report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. For further information regarding our forward-looking statements, see "Cautionary Note Regarding Forward-Looking Statements" in this Quarterly Report.

Overview

We are transforming the way therapeutics and materials are discovered. Our differentiated, physics-based computational platform enables discovery of high-quality, novel molecules for drug development and materials applications more rapidly and at a lower cost, compared to traditional methods. Our software platform is licensed by biopharmaceutical and industrial companies, academic institutions, and government laboratories around the world. We are applying our computational platform to advance a broad pipeline of drug discovery programs in collaboration with leading biopharmaceutical companies. In addition, we use our computational platform to discover novel molecules for our pipeline of proprietary drug discovery programs, which we are advancing through preclinical and clinical development.

Since our founding, we have been primarily focused on developing our computational platform, which is capable of predicting critical properties of molecules with a high degree of accuracy, as well as advancing drug discovery programs both with our collaborators and on our own. We have devoted substantially all of our resources to introducing new capabilities and refining our software, conducting research and development activities, recruiting skilled personnel, and providing general and administrative support for these operations.

Over the last decade, we have entered into a number of collaborations with leading biopharmaceutical companies that have provided us with significant income and have the potential to produce additional milestone payments, option fees, and future royalties. In 2018, we began to develop a pipeline of proprietary drug discovery programs with the goal of using our platform to produce a portfolio of novel, high value therapeutics. In June 2022, the U.S. Food and Drug Administration, or FDA, cleared our first investigational new drug application, or IND, for our MALT1 inhibitor, which we refer to as SGR-1505. We have initiated dosing in a Phase 1 clinical trial of SGR-1505, which is designed as an open-label, multi-center dose escalation trial in patients with relapsed or refractory B-cell lymphomas. The trial is designed to evaluate the safety, pharmacokinetics, pharmacodynamics, maximum tolerated dose and/or recommended dose of SGR-1505. Exploratory cohorts will evaluate additional pharmacokinetics, pharmacodynamics, preliminary anti-tumor activity and safety to establish the recommended dose. We anticipate reporting initial data from the trial in the first half of 2025.

We also completed a Phase 1 clinical trial of SGR-1505 in 73 healthy volunteers to gather additional data, including data relating to the safety, tolerability and pharmacokinetics of SGR-1505, as well as the effect of food and drug-drug interactions. In the healthy volunteer trial, SGR-1505 was generally well tolerated with no drug-related serious adverse events or dose limiting toxicities observed. In the trial, we observed that SGR-1505 achieved greater than 90 percent inhibition of IL-2 secretion in an activated T cell whole blood assay at 100mg twice a day (n=4), confirming target engagement and meeting the pharmacodynamic goals for the trial. Inhibition of IL-2 secretion is a marker for target engagement and pathway modulation as it is tightly linked to MALT1 and the downstream NF-κB signaling. The data supported continued evaluation of SGR-1505 in the ongoing Phase 1 clinical trial in patients with relapsed or refractory B-cell lymphomas. In addition, the FDA recently granted orphan drug designation to SGR-1505 for the potential treatment of mantle cell lymphoma.

In July 2023, the FDA cleared our IND for our CDC7 inhibitor, which we refer to as SGR-2921. In July 2024, the FDA granted Fast Track designation to SGR-2921 in patients with relapsed or refractory acute myeloid leukemia. We have initiated dosing in a Phase 1 clinical trial of SGR-2921, which is designed as an open-label, multi-center dose-escalation clinical trial in patients with relapsed or refractory acute myeloid leukemia or high-risk myelodysplastic syndrome. The trial is designed to evaluate the safety and tolerability of SGR-2921 as a monotherapy and to identify the recommended phase 2 dose, including the maximum tolerated dose. Secondary and exploratory objectives of the trial include evaluating the pharmacokinetics and pharmacodynamics of SGR-2921 and investigating preliminary anti-tumor activity. We

anticipate reporting initial data from the trial in the second half of 2025. In March 2024, we also submitted an IND to the FDA for our novel WEE1/MYT1 inhibitor, which we refer to as SGR-3515, and the FDA cleared the IND in April 2024. We recently initiated dosing in a Phase 1 clinical trial of SGR-3515 in patients with advanced solid tumors. The trial is a dose-escalation trial designed to evaluate the safety, pharmacokinetics, pharmacodynamics, preliminary anti-tumor activity and recommended Phase 2 dose of SGR-3515, and we anticipate reporting initial data from the trial in the second half of 2025.

In July 2024, we launched an initiative to expand our computational platform to predict toxicity associated with binding to off-target proteins. The goal of this initiative is to develop a computational solution to improve the properties of drug development candidates and reduce the risk of development failure. The project will be funded initially by a $10 million grant from the Bill & Melinda Gates Foundation.

We have funded our operations to date principally from the sale of our equity securities, including our initial public offering and our follow-on public offering, and to a lesser extent, from sales of our software solutions and from upfront payments, research funding and milestone payments from our drug discovery collaborations, and from distributions on account of, or proceeds from the sale of, our equity stakes in our collaborators. On February 13, 2023, April 6, 2023, and November 9, 2023, on account of our equity stake in Nimbus Therapeutics, LLC, or Nimbus, we received cash distributions of $111.3 million, $35.8 million, and $0.1 million, respectively, from Nimbus in connection with Takeda's acquisition of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its TYK2 inhibitor NDI-034858.

We currently conduct our operations through two reportable segments: software and drug discovery. The software segment is focused on selling our software to transform drug discovery across the life sciences industry, as well as to customers in materials science industries. The drug discovery segment is focused on generating revenue from a diverse portfolio of preclinical and clinical programs, internally and through collaborations, that have advanced to various stages of discovery and development.

Our software segment generates revenue from software product licenses, hosted software subscriptions, software maintenance, professional services, and contributions. The revenue we generate through our software solutions from each of our customers varies largely depending on the type and number of software licenses our customers purchase from us. The licenses that our customers purchase from us provide them the ability to perform a certain number of calculations used in the design of molecules for drug discovery or materials science. The amount we charge per license depends on the specific software products our customers purchase from us, and the number of licenses needed to perform calculations per software product varies. With the exception of certain limited products, the number of licenses a customer requires is typically based on the scale at which they are running our software products and is not based on how many users have access to the software. As customers increase the number of licenses they purchase from us, they will typically be able to run a greater number of simultaneous instances of our products, thereby increasing the number of calculations they will be able to perform in parallel, subject to having enough computational capacity. We deliver our software through either (i) a product license that permits our customers to install the software solution directly on their own in-house hardware and use it for a specified term, or (ii) a subscription that allows our customers to access our cloud-based software solution on their own hardware without taking control of licenses.

We currently generate drug discovery revenue from our collaborations, including upfront payments, research funding and discovery and development milestones. In the future, we may also derive drug discovery revenue from our collaborations from option fees, the achievement of regulatory and commercial milestones, and royalties on commercial drug sales. In addition to revenue from our collaborations, we may also derive drug discovery revenue from collaborating on or out-licensing our proprietary drug discovery programs when we believe it will help maximize our clinical and commercial opportunities for the program.

In July 2024, Morphic Holding, Inc., or Morphic, one of our drug discovery collaborators, announced its planned acquisition by Eli Lilly and Company, or Lilly, for $57.00 per share, or approximately $3.2 billion, payable at closing. The transaction is expected to close in the third quarter of 2024, subject to customary closing conditions. We currently own 834,968 shares of Morphic and are also entitled to low single-digit royalties on our clinical development programs under our collaboration agreement with Morphic, including MORF-057.

We are party to an exclusive, worldwide collaboration and license agreement with Bristol-Myers Squibb Company, or BMS, pursuant to which we and BMS agreed to collaborate in the discovery, research and development of small molecule compounds for biological targets in the oncology, neurology and immunology therapeutic areas. After mutual agreement on the targets(s) of interest, the Schrödinger therapeutics group is responsible for the discovery of

development candidates. Once a development candidate meeting specified criteria for a target has been identified, BMS will be solely responsible for the development, manufacturing and commercialization of such development candidate. We are eligible to receive up to $482.0 million in total milestone payments for the one remaining neurology target currently subject to the collaboration, as well as a tiered percentage royalty on net sales of each product commercialized by BMS ranging from mid-single digits to low-double digits, subject to certain specified reductions. We have recognized a total of $32.0 million in milestone payments from BMS as of June 30, 2024. In the first quarter of 2024, BMS elected not to proceed with further development of the SOS1 program based on portfolio prioritization decisions and all rights to this program reverted to us. Given the potential of SOS1 inhibition to be used in combination with KRAS and other inhibitors, our current plan is to seek to advance this program through a collaboration. In July 2024, BMS elected not to proceed with further development of an immunology target and all rights to this program reverted to the Company. Based on the project viability and competitive positioning of the initial target product profile, we do not intend to further advance this program. See "Collaboration and License Agreement" in Note 3 to our unaudited condensed consolidated financial statements for additional information relating to this agreement.

In September 2022, we entered into a collaboration with Eli Lilly and Company, or Lilly, under which we are responsible for the discovery and optimization of small molecule compounds addressing an immunology target. Lilly will be responsible for the completion of preclinical development, clinical development and commercialization. Under the terms of the agreement we received an upfront payment and we are eligible to receive up to $425.0 million in discovery, development and commercial milestone payments. We are also eligible to receive low single- to low double-digit royalties on net sales of any products emerging from the collaboration in all markets.

We generated revenue of $47.3 million and $35.2 million during the three months ended June 30, 2024 and 2023, respectively, representing a year-over-year increase of 35%. Our net loss for the three months ended June 30, 2024 was $54.0 million. Our net income for the three months ended June 30, 2023 was $4.3 million.

Components of Results of Operations

Software Products and Services Revenue

Our software business generates revenue from five sources: (i) on-premise software license fees, (ii) hosted software subscription fees, (iii) software maintenance fees, (iv) professional services fees, and (v) contributions.

On-premise software. Our on-premise software license arrangements grant customers the right to use our software on their own in-house servers or their own cloud instances for a specified term, typically for one year, though in recent years, we have entered into a small number of large multi-year on-premise software license agreements. We recognize revenue for on-premise software license fees upfront, either upon transfer of control of the license or the effective date of the agreement, whichever is later.

Hosted software. Hosted software revenue consists primarily of fees to provide our customers with hosted licenses, which allows these customers to access our cloud-based software solution on their own hardware without taking control of the licenses, and is recognized ratably over the term of the arrangement, which is typically one year, though in recent years, we have entered into a small number of large multi-year hosted software license agreements. When a customer enters into a hosted arrangement for which revenue is recognized over time, the amount paid upfront that is not recognized in the current period is included in deferred revenue in our statement of financial position until the period in which it is recognized.

Software maintenance. Software maintenance includes technical support, updates, and upgrades related to our on-premise software licenses. Software maintenance revenue is recognized ratably over the term of the arrangement. Software maintenance activities are performed in connection with the use of our on-premise software, and may fluctuate from period to period.

Professional services. Professional services include training, technical setup, installation or assisting customers with modeling services, where we use our software to perform tasks such as virtual screening on behalf of our customers. These services are generally not related to the core functionality of our software and are recognized as revenue when resources are consumed. Since each professional services agreement represents a unique, ad hoc engagement, professional services revenue may fluctuate from period to period.

Software contribution revenue. Software contribution revenue consists of funds received under a non-reciprocal agreement with Gates Ventures, LLC originally entered into in June 2020 and further extended through August 2026. The

agreement is an unconditional non-exchange contribution without restrictions. Revenue was recognized annually from June 2020 through June 2022 and upon extension of the agreement in August 2023, when invoiced, in accordance with Accounting Standard Codification, or ASC, Topic 958, *Not-for-Profit Entities*, or Topic 958, as the agreement is not an exchange transaction.

Drug Discovery Revenue

Drug discovery services. We currently generate drug discovery revenue from discovery collaboration arrangements, including upfront payments, research and development payments, and discovery and development milestones. The majority of our current collaborations are in the discovery and preclinical development stages. Milestone payments typically increase in magnitude as a program advances. However, our focus is increasingly on investing in our proprietary drug discovery programs, which may result in a smaller number of collaborative programs over time and, as a result, fewer milestone payments on account of those collaborative programs. In addition to revenue from our collaborations, we may also derive drug discovery revenue from out-licensing our proprietary drug discovery programs when we believe it will help maximize the probability of clinical and commercial success of the program. Overall, we expect that our drug discovery revenue will fluctuate from period to period due to the inherently uncertain nature of the timing of milestone achievement and our dependence on the program decisions of our collaborators.

Drug discovery contribution revenue. Contribution revenue consists of funds received under agreements with the Bill and Melinda Gates Foundation on a cost reimbursement basis, to perform services aimed at accelerating drug discovery in women's health. Revenue is recognized as conditions are met in accordance with Topic 958.

Cost of Revenues

Software products and services. Cost of revenues for software includes personnel-related expenses (comprised of salaries, benefits, and stock-based compensation) for employees directly involved in the delivery of software solutions, maintenance and professional services, royalties paid for products sold and services performed using third-party licensed software functionality, and allocated overhead (facilities and information technology support) costs. Pursuant to various third-party arrangements, we license technology that is used in our software. These arrangements require us to pay royalties based on sales volume.

Drug discovery. Costs of revenue for drug discovery includes personnel-related expenses and costs of third-party contract research organizations, or CROs, that support discovery activities in our collaborations, royalties paid for services performed using third-party licensed software functionality, allocated compute capacity and overhead costs. While we have incurred costs associated with discovery efforts since late 2017, we have recognized and expect to continue to recognize revenues in the future if and when milestones are deemed probable or achieved. Generally, drug discovery costs of revenue for collaborations are incurred in advance of the revenue milestone achievement.

We expect our drug discovery costs of revenue to trend lower over time as we shift our focus to proprietary drug discovery programs.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenues. Gross margin is gross profit expressed as a percentage of revenue. Our software products and services gross margin may fluctuate from period to period as our revenue fluctuates, and as a result of changes in sales mix between on-premise and hosted software solutions due to timing of recognition. For example, the cost of royalties due for sales of our hosted software arrangements are recognized upfront, whereas the associated hosted software revenue for these arrangements is recognized over the term of the underlying agreement.

While the gross margin of our drug discovery business will fluctuate significantly from period to period depending on factors such as the timing of recognition of milestones, we expect the gross margins to generally trend higher over time as more programs advance to later stages of development, the milestones increase in size and our ongoing research and development obligations to such programs decline in cost.

Research and Development Expense

Research and development expense accounts for a significant portion of our operating expenses. We recognize research and development expense as incurred. Research and development expense consists of drug discovery and

development program costs and costs incurred for continuous development of the technology and science that supports our computational platform, primarily:

- personnel-related expenses, including salaries, benefits, bonuses, and stock-based compensation for employees engaged in research and development functions;
- expenses incurred under agreements with third-party CROs and consultants involved in our proprietary drug discovery programs; and
- allocated compute capacity on our proprietary drug discovery programs and overhead (facilities and information technology support) costs.

We expect our research and development expense to increase in absolute dollars as we continue to invest in activities related to discovery and development of our proprietary drug discovery programs, in advancing our computational platform, and as we incur expenses associated with hiring additional personnel directly involved in such efforts. The amount to which our research and development expense may increase in the future will also be dependent on our development plans for our proprietary drug discovery programs, including the timing of any partnering or out-licensing decisions. At this time, we do not know, nor can we reasonably estimate, the nature, timing, or costs of the efforts that will be necessary to complete the development of any of our proprietary drug discovery programs.

Sales and Marketing Expense

Sales and marketing expense consists primarily of personnel-related costs for our sales and marketing staff and application scientists supporting our sales efforts, including salaries, benefits, bonuses, and stock-based compensation. Other sales and marketing costs include promotional events that promote and expand knowledge of our company and platform, including industry conferences and events and our annual user group meetings in the United States and Europe, advertising, and allocated overhead costs. Due to the inherent scientific complexity of our software solutions, a high level of scientific expertise is needed to support our sales and marketing efforts. We plan to make focused investments in sales and marketing over the foreseeable future to foster the growth of our business as we aim to expand software sales to existing customers and increase our customer base.

General and Administrative Expense

General and administrative expense consists of personnel-related expenses associated with our executive, legal, finance, human resources, information technology, and other administrative functions, including salaries, benefits, bonuses, and stock-based compensation. General and administrative expense also includes professional fees for external legal, accounting and other consulting services, allocated overhead costs, and other general operating expenses.

We expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a U.S. securities exchange and costs related to compliance and reporting obligations pursuant to the rules and regulations of the Securities and Exchange Commission, or SEC. In addition, as a public company, we expect to continue to incur increased expenses such as insurance and professional services. As a result, we expect the dollar amount of our general and administrative expense to increase for the foreseeable future.

Gain on Equity Investments

Gain on equity investments consists of realized gains in the form of cash distributions from our equity investments.

Change in Fair Value

Fair value gains and losses consist of adjustments to the fair value of our equity investments, which may include Nimbus, Structure Therapeutics Inc., or Structure Therapeutics, and Morphic. We remeasure our investments at each period end.

We expect that fair value gains and losses will fluctuate significantly in future periods.

Other Income

Other income consists of interest earned on our cash equivalents and marketable securities, interest expense, and transactional foreign exchange gains and losses.

Income Tax Expense (Benefit)

Income tax expense (benefit) consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2024 and 2023

The following table summarizes our unaudited results of operations data for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
Revenues:								
Software products and services	$ 35,404	$ 29,352	$ 6,052	21%	$ 68,819	$ 61,565	$ 7,254	12%
Drug discovery	11,930	5,837	6,093	104%	15,113	38,406	(23,293)	(61)%
Total revenues	47,334	35,189	12,145	35%	83,932	99,971	(16,039)	(16)%
Cost of revenues:								
Software products and services	7,167	6,695	472	7%	15,143	13,810	1,333	10%
Drug discovery	8,832	14,684	(5,852)	(40)%	18,564	26,658	(8,094)	(30)%
Total cost of revenues	15,999	21,379	(5,380)	(25)%	33,707	40,468	(6,761)	(17)%
Gross profit	31,335	13,810	17,525	127%	50,225	59,503	(9,278)	(16)%
Operating expenses:								
Research and development	50,835	42,705	8,130	19%	101,446	83,446	18,000	22%
Sales and marketing	9,693	9,022	671	7%	19,864	18,167	1,697	9%
General and administrative	23,536	23,216	320	1%	49,077	49,524	(447)	(1)%
Total operating expenses	84,064	74,943	9,121	12%	170,387	151,137	19,250	13%
Loss from operations	(52,729)	(61,133)	8,404	(14)%	(120,162)	(91,634)	(28,528)	31%
Other (expense) income								
Gain on equity investments	—	—	—	N/M	—	147,322	(147,322)	N/M
Change in fair value	(5,833)	40,654	(46,487)	N/M	2,304	76,391	(74,087)	N/M
Other income	4,598	4,326	272	N/M	9,626	7,263	2,363	N/M
Total other (expense) income	(1,235)	44,980	(46,215)	N/M	11,930	230,976	(219,046)	N/M
(Loss) income before income taxes	(53,964)	(16,153)	(37,811)	N/M	(108,232)	139,342	(247,574)	N/M
Income tax expense (benefit)	83	(20,431)	20,514	N/M	539	5,928	(5,389)	N/M
Net (loss) income	$ (54,047)	$ 4,278	$ (58,325)	N/M	$ (108,771)	$ 133,414	$ (242,185)	N/M

N/M – not meaningful

Revenues

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
Revenues:								
Software								
On-premise software	$ 18,758	$ 16,814	$ 1,944	12%	$ 36,377	$ 36,758	$ (381)	(1)%
Hosted software	8,087	4,451	3,636	82%	15,263	8,902	6,361	71%
Software maintenance	5,840	5,877	(37)	(1)%	11,735	11,627	108	1%
Professional services	2,719	2,210	509	23%	5,444	4,278	1,166	27%
Revenue from contracts with customers	35,404	29,352	6,052	21%	68,819	61,565	7,254	12%
Software contribution	—	—	—	—%	—	—	—	—%
Total software products and services	35,404	29,352	6,052	21%	68,819	61,565	7,254	12%
Drug discovery								
Drug discovery services	11,506	5,232	6,274	120%	14,198	37,035	(22,837)	(62)%
Drug discovery contribution	424	605	(181)	(30)%	915	1,371	(456)	(33)%
Total drug discovery	11,930	5,837	6,093	104%	15,113	38,406	(23,293)	(61)%
Total revenues	$ 47,334	$ 35,189	$ 12,145	35%	$ 83,932	$ 99,971	$ (16,039)	(16)%

Software Products and Services Revenue

On-premise software. The increase in revenues for on-premise software for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily attributable to timing of revenue for customer renewals. The decrease in revenues for on-premise software for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily attributable to fewer multi-year customer contracts with upfront revenue recognition in the current period versus the comparable period.

Hosted software. The increase in revenues for hosted software for the three and six months ended June 30, 2024 as compared to the three and six months ended June 30, 2023 was primarily due to increased spend from existing customers, as well as growth in new customers purchasing hosted software subscriptions, for which revenue is recognized ratably over time.

Software maintenance. The decrease in revenues for software maintenance for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily due to fluctuations in the length of renewal periods. The increase in revenues for software maintenance for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily due to the fluctuation of on-premise software renewal periods, including multi-year customer arrangements, in the current period versus the comparable period. Software maintenance revenue is recognized ratably over time.

Professional services. The increase in revenues from professional services for the three and six months ended June 30, 2024 as compared to the three and six months ended June 30, 2023 was primarily related to the progress and completion of technology and modeling service projects.

Software contribution revenue. There was no software contribution revenue during the three and six months ended June 30, 2024 and 2023.

Drug Discovery Revenue

Drug discovery services. The increase in revenues for drug discovery services for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily due to the timing and amount of collaboration milestones achieved.

The decrease in revenues for drug discovery services for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily due to the timing and amount of collaboration milestones achieved, including $25.0 million recognized from BMS in the three months ended March 31, 2023, as well as BMS electing not to proceed with further development for two programs during 2023. The decrease is offset by an increase in revenue due to the progress of existing and new collaborations. We expect that our drug discovery revenue will fluctuate from period to period due to the inherently uncertain nature of the timing of milestone achievement and our dependence on the program decisions of our collaborators.

Drug discovery contribution revenue. The decrease in contribution revenue for the three and six months ended June 30, 2024 as compared to the three and six months ended June 30, 2023 was due to fluctuation in allotted funds spent under an agreement with the Bill and Melinda Gates Foundation, aimed at accelerating drug discovery in women's health, which began in November 2021.

Cost of Revenues

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
Cost of revenues:								
Software products and services	$ 7,167	$ 6,695	$ 472	7%	$ 15,143	$ 13,810	$ 1,333	10%
Gross margin	80 %	77 %			78 %	78 %		
Drug discovery	8,832	14,684	(5,852)	(40)%	18,564	26,658	(8,094)	(30)%

Software products and services. The increase in cost of revenues for software products and services during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was attributable to increases of approximately $0.6 million in cloud computing expense, partially offset by approximately $0.2 million in royalty expense.

The increase in cost of revenues for software products and services during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was attributable to increases of approximately $1.2 million in cloud computing expense and approximately $0.2 million in personnel-related expense, partially offset by approximately $0.1 million in royalty expense as a result of replacing third-party licensed code with internally built functionality.

Software products and services gross margin. The increase in software gross margin during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was primarily due to an increase in software revenue, partially offset by higher cloud computing expense.

Software gross margin remained unchanged for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 primarily due to an increase in revenue that was offset by higher cloud computing expense.

Drug discovery. The decrease in cost of revenues for drug discovery during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was attributable to decreases of approximately $3.5 million in CRO expense due to the discontinuation of certain collaboration projects, approximately $1.2 million in personnel-related expense reflecting the redeployment of our discovery organization towards proprietary drug discovery programs, approximately $0.9 million in royalties expense, approximately $0.1 million in cloud computing expense, and approximately $0.2 million in other expenses.

The decrease in cost of revenues for drug discovery during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was attributable to decreases of approximately $5.2 million in CRO expense due to the discontinuation of certain collaboration projects, approximately $1.4 million in personnel-related expense reflecting the redeployment of our discovery organization towards proprietary drug discovery programs, approximately $1.3 million in

royalties expense, approximately $0.1 million in cloud computing expense, and approximately $0.1 million in other expenses.

Research and Development Expense

A significant portion of our research and development costs have been external preclinical and clinical CRO costs, which we track on a program-by-program basis related to a product candidate, once the candidate has been identified. Our internal research and development costs are primarily personnel-related costs, rent expense, and other indirect costs and are not tracked on a program-by-program basis. All other research and development costs are related to non-program related costs. The following table summarizes our research and development expense for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
External costs by program:								
SGR-1505	$4,220	$3,766	$ 454	12%	$6,323	$6,676	$ (353)	(5)%
SGR-2921	1,892	1,461	431	30%	4,451	2,217	2,234	101%
SGR-3515	1,421	1,677	(256)	(15)%	2,991	3,656	(665)	(18)%
Other early development candidates and unallocated costs	8,392	6,353	2,039	32%	17,084	12,202	4,882	40%
Total external costs for programs in preclinical and clinical development	15,925	13,257	2,668	20%	30,849	24,751	6,098	25%
Internal costs for discovery, preclinical and clinical development:								
Employee compensation and benefits	10,142	7,326	2,816	38%	20,359	14,526	5,833	40%
Facility and other	508	470	38	8%	998	739	259	35%
Total internal costs	10,650	7,796	2,854	37%	21,357	15,265	6,092	40%
All other research and development	24,260	21,652	2,608	12%	49,240	43,430	5,810	13%
Total research and development expense	$50,835	$42,705	$8,130	19%	$101,446	$83,446	$18,000	22%

The increase in external costs of $2.7 million during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily attributable to an increase in costs associated with development activities and other external costs to support our early-stage product candidates, as well as the ongoing Phase 1 clinical trials of SGR-1505 and SGR-2921, partially offset by slightly lower costs for SGR-3515 due to timing of work performed.

The increase in external costs of $6.1 million during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily attributable to an increase in costs associated with development activities and other external costs to support our early-stage product candidates, as well as the ongoing Phase 1 clinical trial of SGR-2921, partially offset by slightly lower costs for SGR-1505 and SGR-3515 due to timing of work performed

The increase in internal costs for programs in discovery, preclinical and clinical development of $2.9 million during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily attributable to an increase in personnel-related expense.

The increase in internal costs for programs in discovery, preclinical and clinical development of $6.1 million during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily attributable to an increase in personnel-related expense.

The increase in all other research and development expense during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was attributable to increases of approximately $1.1 million in personnel-related expense, approximately $0.9 million in cloud computing expense, and approximately $0.6 million related to office facilities.

The increase in all other research and development expense during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was attributable to increases of approximately $2.5 million in personnel-related expense, approximately $1.8 million in cloud computing expense, approximately $1.0 million related to office facilities, approximately $0.2 million in travel and entertainment expenses, approximately $0.2 million related to professional services, and approximately $0.1 million in other expenses.

Sales and Marketing Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
Sales and marketing	$ 9,693	$ 9,022	$ 671	7%	$ 19,864	$ 18,167	$ 1,697	9%

The increase in sales and marketing expense during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was attributable to increases of approximately $0.5 million in travel and entertainment expense, approximately $0.2 million in personnel-related expense, and approximately $0.1 million in cloud computing expense, partially offset by approximately $0.1 million in other expenses.

The increase in sales and marketing expense during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was attributable to increases of approximately $0.9 million in personnel-related expense, approximately $0.6 million in travel and entertainment expense, and approximately $0.2 million in cloud computing expense.

General and Administrative Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2024	2023	$	%	2024	2023	$	%
	(in thousands)				(in thousands)			
General and administrative	$ 23,536	$ 23,216	$ 320	1%	$ 49,077	$ 49,524	$ (447)	(1)%

The increase in general and administrative expense during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was attributable to increases of approximately $1.3 million in personnel-related expense, approximately $0.5 million related to professional services expense, approximately $0.1 million in travel and entertainment expense, and approximately $0.1 million in cloud computing expense, partially offset by decreases of approximately $1.4 million in royalties related to cash distributions we received from Nimbus, and approximately $0.2 million in other expenses.

The decrease in general and administrative expense during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was attributable to decreases of approximately $3.5 million in royalties related to cash distributions we received from Nimbus, approximately $0.5 million in amortization related to the acceleration of customer relationship intangible assets, and approximately $0.8 million in other expenses, partially offset by increases of approximately $3.2 million in personnel-related expense, approximately $0.9 million related to professional services expense, approximately $0.2 million in cloud computing expense, and approximately $0.1 million in travel and entertainment expense.

Gain on Equity Investments

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
	(in thousands)			(in thousands)		
Gain on equity investments	$ —	$ —	$ —	$ —	$ 147,322	$ (147,322)

There was no gain or loss on equity investments during the three and six months ended June 30, 2024.

The gain on equity investments during the six months ended June 30, 2023 was due to the realized gain on our equity investment in Nimbus following the closing of Takeda's acquisition of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its tyrosine kinase 2 inhibitor NDI-034858.

Change in Fair Value

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
	(in thousands)			(in thousands)		
Change in fair value	$ (5,833)	$ 40,654	$ (46,487)	$ 2,304	$ 76,391	$ (74,087)

The change in fair value during the three months ended June 30, 2024 was due to an unrealized loss on our investment in Morphic of $0.9 million and an unrealized loss on our investment in Structure Therapeutics of $4.9 million. The change in fair value during the three months ended June 30, 2023 was due to an unrealized gain on our investment in Structure Therapeutics of $24.3 million and an unrealized gain on our investment in Morphic of $16.4 million.

The change in fair value during the six months ended June 30, 2024 was due to an unrealized gain on our investment in Morphic of $4.3 million, partially offset by an unrealized loss on our investment in Structure Therapeutics of $2.0 million. The change in fair value during the six months ended June 30, 2023 was due to an unrealized gain on our investment in Structure Therapeutics of $50.9 million and an unrealized gain on our investment in Morphic of $25.5 million.

Other Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
	(in thousands)			(in thousands)		
Other income	$ 4,598	$ 4,326	$ 272	$ 9,626	$ 7,263	$ 2,363

The increase in other income during the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023 was primarily attributable to an increase in interest rates on our investment portfolio.

Income Tax Expense (Benefit)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
	(in thousands)			(in thousands)		
Income tax expense (benefit)	$ 83	$ (20,431)	$ 20,514	$ 539	$ 5,928	$ (5,389)

During the three months ended June 30, 2024, due to the full valuation allowance on our U.S. federal and state tax assets, our income tax expense represents our income tax obligations in certain states and taxes in foreign jurisdictions in which we conduct business.

During the six months ended June 30, 2024, due to the full valuation allowance on our U.S. federal and state tax assets, our income tax expense represents our income tax obligations in certain states and taxes in foreign jurisdictions in which we conduct business.

During the three months ended June 30, 2023, our income tax benefit represented a reduction of our federal and state tax liability due to a decrease in our estimated annual effective income tax rate driven by loss before income tax.

During the six months ended June 30, 2023, our income tax expense primarily represented the federal and state tax liability, which was driven by our cash distributions received from Nimbus and the impact of capitalizing research and development costs for tax purposes. We have sufficient deferred tax assets which we plan to utilize to offset the majority of the cash impact of these taxes.

Critical Accounting Estimates

Detailed information about our critical accounting estimates is set forth in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 28, 2024. There were no material changes to our critical accounting estimates during the six months ended June 30, 2024.

Liquidity, Capital Resources and Funding Requirements

We have a history of significant operating losses and have incurred negative cash flows from operations from inception through the three months ended June 30, 2024. As of June 30, 2024, we had an accumulated deficit of $447.2 million.

We have funded our operations to date principally from the sale of our equity securities, including our initial public offering and our follow-on public offering, and to a lesser extent, from sales of our software solutions and from upfront payments, research funding and milestone payments from our drug discovery collaborations, and from distributions on account of, or proceeds from the sale of, our equity stakes in our collaborators. Our operating cash flows are impacted by the magnitude and timing of our software sales and by the magnitude and timing of our drug discovery milestone achievements and research funding fees.

On February 28, 2024, we filed a universal shelf registration statement on Form S-3 which allows us to offer and sell an indeterminate number of shares of common stock, preferred stock, depositary shares or warrants, or an indeterminate principal amount of debt securities, from time to time pursuant to one or more offerings at prices and terms to be determined at the time of the sale.

In February 2024, we entered into an amended and restated sales agreement with Leerink Partners LLC (formerly SVB Securities LLC), or Leerink Partners, as sales agent, with respect to an at-the-market offering program, or the ATM, under which we could offer and sell, from time to time pursuant to our Registration Statement on Form S-3, shares of common stock, having an aggregate offering price of up to $250.0 million through Leerink Partners. The amended and restated sales agreement amends and restates the original sales agreement that we entered into with Leerink Partners with respect to the ATM in May 2023, which is no longer in effect. During the three and six months ended June 30, 2024, 40,122 and 323,085 shares of common stock, respectively, were sold under the ATM for total net proceeds of $1.1 million and $8.7 million, respectively, and gross proceeds of $1.1 million and $8.9 million, respectively, before deducting sales agent commissions. As of June 30, 2024, we had $241.1 million of common stock remaining available for sale under the ATM.

As of June 30, 2024, we had cash, cash equivalents, restricted cash, and marketable securities of $381.5 million.

We believe our existing cash, cash equivalents, and marketable securities as of June 30, 2024 will be sufficient to fund our operating expenses and capital expenditure requirements through at least the next 24 months. Our future capital requirements will depend on many factors, including the growth of our software revenue, the timing and extent of spending to support research and development efforts, the continued expansion of software sales and marketing activities, the timing and receipt of milestone payments from our collaborations, as well as spending to support, advance, and broaden our proprietary drug discovery programs. Furthermore, our capital requirements will also change depending on the timing and receipt of any distributions we may receive from our equity stakes in our drug discovery collaborators. The potential for these distributions, and the amounts which we may be entitled to receive, are difficult to predict due to the inherent uncertainty of the events which may trigger such distributions.

We plan to utilize the existing cash, cash equivalents, and marketable securities on hand primarily to fund our software and drug discovery activities. With respect to our proprietary drug discovery programs, as part of our strategy we may choose to advance them into preclinical and clinical development ourselves, enter into collaborations to co-develop them with leading industry partners, or out-license them to maximize their clinical and commercial opportunities.

We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to maintain or expand our operations and invest in our platform, we may not be able to compete successfully, which would harm our business, operations and financial condition. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

Our contractual obligations as of June 30, 2024 include lease obligations of $186.8 million, consisting of our continuing rent obligations through December 2037, primarily for our offices located in New York, New York for $140.8 million, Cambridge, Massachusetts for $15.6 million, Framingham, Massachusetts for $10.8 million and San Diego, California for $5.7 million, which expire in December 2037, June 2032, March 2033 and January 2031, respectively. In addition, see Note 5, “Commitments and Contingencies” to our unaudited condensed consolidated financial statements for information relating to our operating lease obligations.

In December 2022, we entered into an agreement with a third-party to establish an exclusive integrated drug discovery dedicated facility in Hyderabad, India. The agreement contains a minimum payment obligation, which totals $21.8 million over five years after the date of first occupancy.

In December 2020, we entered into a five-year agreement with a third-party cloud provider for compute power. The agreement contains a minimum payment obligation, which totals $60.0 million over the five years after the date we entered into the agreement. There is no annual commitment.

We also enter into agreements in the normal course of business with CRO vendors for research, preclinical studies, and clinical trials, professional consultants for expert advice, and other vendors for various products and services. These contracts do not contain any minimum purchase commitments and are cancellable at any time by us, generally upon 30 days prior written notice, and therefore we believe that our non-cancelable obligations under these agreements are not material. We have also agreed to pay volume-based royalties to third-parties for use of software functionality under various licensing and related agreements. See Note 2 - Significant Accounting Policies to our audited consolidated financial statements appearing in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023 for more information relating to our royalty obligations.

Cash Flows

The following table presents a summary of our cash flows for the periods shown:

	Six Months Ended June 30,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	$ (92,999)	$ (49,537)
Net cash provided by investing activities	34,657	239,445
Net cash provided by financing activities	9,612	5,391
Net (decrease) increase in cash and cash equivalents and restricted cash	$ (48,730)	$ 195,299

Operating activities

During the six months ended June 30, 2024, operating activities used approximately $93.0 million of cash, primarily due to a net loss of $108.8 million, which included a $2.3 million non-cash gain on changes in fair value, changes to our operating assets and liabilities of $5.1 million, and $1.8 million of non-cash operating expenses, depreciation and investment accretion costs. These items were partially offset by $25.0 million of stock-based compensation.

During the six months ended June 30, 2023, operating activities used approximately $49.5 million of cash due to $147.3 million gain from equity investments, of which the cash received is included in investing activities, and $76.4 million of non-cash gain on changes in fair value. These items were partially offset by net income of $133.4 million, including $22.8 million of stock-based compensation, non-cash operating expenses, depreciation and investment accretion costs and changes to our operating assets and liabilities of $18.0 million.

Investing activities

During the six months ended June 30, 2024, investing activities provided approximately $34.7 million of cash, consisting of $42.8 million provided by marketable securities maturities, net of purchases. These items were partially offset by $5.1 million in cash used for purchases of property and equipment and $3.0 million in cash used for purchases of our equity investment in Ajax.

During the six months ended June 30, 2023, investing activities provided approximately $239.4 million of cash, consisting of $147.1 million cash distributions received, on account of our equity investment in Nimbus, from Nimbus in connection with Takeda’s acquisition of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its TYK2

inhibitor NDI-034858 and $102.4 million provided by marketable securities maturities, net of purchases. These items were partially offset by $6.0 million in cash used for purchases of property and equipment and $4.1 million in cash used for purchases of our equity investment in Structure Therapeutics.

Financing activities

During the six months ended June 30, 2024, financing activities provided approximately $9.6 million of cash, consisting of $8.7 million attributable to net proceeds received from the ATM and $1.0 million attributable to proceeds received upon stock option exercises.

During the six months ended June 30, 2023, financing activities provided approximately $5.4 million of cash attributable to proceeds received upon stock option exercises.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our reported market risks or risk management policies since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which was filed with the Securities and Exchange Commission on February 28, 2024.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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 Securities Exchange Act of 1934, as amended, or the Exchange Act), as of June 30, 2024. The term “disclosure controls and procedures,” means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation of our disclosure controls and procedures as of June 30, 2024, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors.

You should carefully consider the risks and uncertainties described below together with all of the other information contained in this Quarterly Report and our other public filings with the SEC. The risks described below are not the only risks facing our company. The occurrence of any of the following risks, or of additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could cause our business, prospects, operating results, and financial condition to suffer materially.

Risks Related to Our Financial Position and Need for Additional Capital

We have a history of significant operating losses, and we expect to incur losses over the next several years.

We have a history of significant operating losses. Our net loss for the three and six months ended June 30, 2024 was $54.0 million and $108.8 million, respectively. Our net income for the three and six months ended June 30, 2023 was $4.3 million and $133.4 million, respectively. Our net income for the year ended December 31, 2023 was $40.7 million. Our net loss for the year ended December 31, 2022 was $149.2 million. As of June 30, 2024, we had an accumulated deficit of $447.2 million. The net income we generated during the three months ended June 30, 2023 was primarily due to our income tax benefit. The net income we generated during the six months ended June 30, 2023 and the year ended December 31, 2023 was primarily due to the $147.2 million cash distributions we received from Nimbus Therapeutics, LLC, or Nimbus, on account of our equity stake in Nimbus, following the acquisition by Takeda Pharmaceuticals Company, Limited, or Takeda, of Nimbus Lakshmi, Inc., a wholly-owned subsidiary of Nimbus, and its TYK2 inhibitor NDI-034858 and the non-cash gain on our investment in Structure Therapeutics Inc., or Structure Therapeutics, which, following Structure Therapeutics' initial public offering in February 2023, we valued based on the closing price of its American Depositary Shares as of December 31, 2023. However, the potential for future distributions from, or gains in the fair value of, our equity stakes in our drug discovery collaborators are difficult to predict due to the inherent uncertainty of the events which may trigger such distributions or gains. We therefore expect that gain on equity investments and fair value gains and losses will fluctuate significantly in future periods.

We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest in our proprietary drug discovery programs, sales and marketing infrastructure, and our computational platform. We are still in the early stages of development of our own proprietary drug discovery programs. We have no drug products approved or licensed for commercial sale, and as such, have not generated any revenue from our own drug product sales to date. We expect to continue to incur significant expenses and operating losses over the next several years. Our operating expenses and net income or loss may fluctuate significantly from quarter to quarter and year to year and you should not rely upon the results of any quarterly or annual periods as indications of future results. We anticipate that our expenses will increase substantially as we:

- continue to invest in and develop our computational platform and software solutions;
- continue our research and development efforts for our proprietary drug discovery programs;
- conduct preclinical studies and initiate and conduct clinical trials for any of our product candidates;
- prepare and make regulatory submissions for any of our product candidates;
- maintain, expand, enforce, defend, and protect our intellectual property;
- hire additional software engineers, programmers, sales and marketing, and other personnel to support our software business and other commercial operations;
- hire additional clinical, quality control, regulatory, chemical, manufacturing and control and other scientific personnel; and
- add operational, financial, and management information systems and personnel to support our operations as a public company.

If we are unable to increase sales of our software, increase revenue from our drug discovery collaborations, or if we and our current and future collaborators are unable to successfully develop and commercialize drug products, our revenues may be insufficient for us to achieve or maintain profitability.

To achieve and maintain profitability, we must succeed in significantly increasing our software sales and increasing revenue from our drug discovery collaborations, or we and our current or future collaborators must succeed in developing, and eventually commercializing, a drug product or drug products that generate significant revenue. We currently generate revenues from the sales of our software solutions and from achieving milestones under our collaborative drug discovery programs, and we expect to continue to derive most of our revenue from sales of our software and from achieving such milestones until such time as our or our collaborators' drug development and commercialization efforts are successful, if ever. As such, increasing sales of our software to existing customers, successfully marketing our software to new customers, and achieving milestones under our drug discovery collaborations are critical to our success. Demand for our software solutions may be affected by a number of factors, including continued market acceptance by the biopharmaceutical industry, market adoption of our software solutions beyond the biopharmaceutical industry including for materials science applications, the ability of our platform to identify more promising molecules and accelerate and lower the costs of discovery as compared to traditional methods, timing of development and release of new offerings by our competitors, technological change, and the rate of growth in our target markets. If we are unable to continue to meet the demands of our customers, our business operations, financial results, and growth prospects will be adversely affected.

Achieving success in drug development will require us or our current or future collaborators to be effective in a range of challenging activities, including completing preclinical testing and clinical trials of product candidates, obtaining regulatory approval for these product candidates and manufacturing, marketing, and selling any products for which we or they may obtain regulatory approval. We are only in the early stages of most of these activities, and none of our current drug discovery collaborators have completed clinical development of any product candidate. We and they may never succeed in these activities and, even if we do, we may never generate revenues that are significant enough to achieve and sustain profitability, or even if our collaborators do, we may not receive option fees, milestone payments, or royalties from them that are significant enough for us to achieve and sustain profitability. Because of the intense competition in the market for our software solutions and the numerous risks and uncertainties associated with biopharmaceutical product development, we are unable to accurately predict when, or if, we will be able to achieve or sustain profitability.

Even if we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, increase sales of our software, develop a pipeline of product candidates, enter into collaborations, or even continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

Our revenue has and may continue to fluctuate from quarter-to-quarter and year-to-year. For example, our total revenues decreased by 16% from $100.0 million in the six months ended June 30, 2023 to $83.9 million in the six months ended June 30, 2024, and increased by 20% from $181.0 million in the fiscal year ended December 31, 2022 to $216.7 million in the fiscal year ended December 31, 2023. Although we have experienced revenue growth in certain periods, we have also experienced revenue loss in certain periods, we may not be able to sustain revenue growth and we may experience certain periods of revenue decline. You should not consider our revenue growth in prior periods as indicative of our future performance. As we grow our business, our revenue growth rates may slow in future periods.

Our quarterly and annual results may fluctuate significantly, which could adversely impact the value of our common stock.

Our results of operations, including our revenues, gross margin, profitability, and cash flows, have historically varied from period to period, and we expect that they will continue to do so. As a result, period-to-period comparisons of our operating results may not be meaningful, and our quarterly and annual results should not be relied upon as an indication of future performance. Our quarterly and annual financial results may fluctuate as a result of a variety of factors, many of which are outside of our control. Factors that may cause fluctuations in our quarterly and annual financial results include, without limitation, those listed elsewhere in this "Risk Factors" section and those listed below:

- customer renewal rates and the timing and terms of customer renewals, including the seasonality of customer renewals of our on-premise software arrangements, for which revenue historically has been recognized at a single point in time in the first and fourth quarter of each fiscal year;
- our ability to attract new customers for our software;

- the addition or loss of large customers, including through acquisitions or consolidations of such customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure;
- network outages or security breaches;
- industry and market conditions, including within the life sciences industry;
- general economic conditions, including the impact of increasing or decreasing inflation and interest rates;
- our ability to collect receivables from our customers;
- the amount of software purchased by our customers, including the mix of on-premise and hosted software sold during a period;
- variations in the timing of the sales of our software, which may be difficult to predict;
- changes in the pricing of our solutions and in our pricing policies or those of our competitors;
- the timing and success of the introduction of new software solutions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic collaborators;
- changes in the fair value of or receipt of distributions or proceeds on account of the equity interests we hold in our drug discovery collaborators, such as Morphic Holding, Inc., or Morphic, Structure Therapeutics, and Nimbus;
- the success of our drug discovery collaborators in developing and commercializing drug products for which we are entitled to receive milestone payments or royalties;
- the timing of the recognition of milestones achieved under our collaborative programs;
- variations in the number and size of milestones achieved under our collaborative programs;
- the timing of recognition of revenue from any payments from entering into collaborations or out-licensing our proprietary drug discovery programs, such as under our collaboration agreement with Bristol-Myers Squibb Company, or BMS; and
- the timing of expenses related to our drug discovery programs, the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

In addition, because we recognize revenues from our hosted software solutions ratably over the life of the contract, a significant upturn or downturn in sales of our hosted software solutions may not be reflected immediately in our operating results. As a result of these factors, we believe that period-to-period comparisons of our operating results are not a good indication of our future performance and that our interim financial results are not necessarily indicative of results for a full year or for any subsequent interim period.

We will likely require additional capital to fund our operations. If we are unable to raise additional capital on terms acceptable to us or at all or generate cash flows necessary to maintain or expand our operations, we may not be able to compete successfully, which would harm our business, operations, and financial condition.

We expect to devote substantial financial resources to our ongoing and planned activities, including the development of drug discovery programs and continued investment in our computational platform. We expect our expenses to increase substantially in connection with our ongoing and planned activities, particularly as we advance our proprietary drug discovery programs, initiate or progress preclinical and IND-enabling studies, submit IND applications, initiate and progress clinical trials and invest in the further development of our computational platform. In addition, if we decide to complete clinical development and seek regulatory approval on our own, we expect to incur significant additional expenses. Furthermore, we incur additional costs associated with operating as a public company, as compared to when we were a private company.

Our current drug discovery collaborators, from whom we are entitled to receive milestone payments upon achievement of various development, regulatory, and commercial milestones as well as royalties on commercial sales, if any, under the collaboration agreements that we have entered into with them, face numerous risks in the development of drugs, including the conduct of preclinical and clinical testing, obtaining regulatory approval, and achieving product sales.

In addition, the amounts we are entitled to receive upon the achievement of such milestones tend to be smaller for near-term development milestones and increase if and as a collaborative product candidate advances through regulatory development to commercialization and will vary depending on the level of commercial success achieved, if any. We do not anticipate receiving significant milestone payments from many of our drug discovery collaborators for several years, if at all, and our drug discovery collaborators may never achieve milestones that would result in significant cash payments to us. In addition, while we have equity stakes in a number of our collaborators, the value of these equity stakes can vary significantly based on a number of factors beyond our control, and there can be no assurance that we can rely on such equity as capital to fund our operations. For these reasons we may need, or choose, to obtain additional capital to fund our continuing operations.

As of June 30, 2024, we had cash, cash equivalents, restricted cash, and marketable securities of $381.5 million. We believe that our existing cash, cash equivalents, and marketable securities as of June 30, 2024 will be sufficient to fund our operating expenses and capital expenditure requirements through at least the next 24 months. However, we have based this estimate on assumptions that may prove to be wrong, and our operating plans may change as a result of many factors currently unknown to us. As a result, we could deplete our capital resources sooner than we currently expect.

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

- the growth of our software revenue;
- the timing and extent of spending to support research and development efforts;
- the continued expansion of software sales and marketing activities;
- the timing and receipt of payments from our drug discovery collaborations;
- spending to support, advance, and broaden our proprietary drug discovery programs; and
- the timing and receipt of any distributions or proceeds we may receive from our equity stakes in our drug discovery collaborators.

In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. If we are unable to raise additional capital on terms acceptable to us or at all or generate cash flows necessary to maintain or expand our operations and invest in our computational platform, we may not be able to compete successfully, which would harm our business, operations, and financial condition.

Raising additional capital may cause dilution to our stockholders, restrict our operations, or require us to relinquish rights to our technologies or drug programs.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights as common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, selling or licensing our assets, making product acquisitions, making capital expenditures, or declaring dividends.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, or product candidates or grant licenses on terms that may not be favorable to us or agree to exploit a drug development target exclusively for one of our collaborators when we may prefer to pursue the drug development target for ourselves.

If our estimates, judgments or assumptions relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience, known trends and events, our beliefs of what could occur in the future considering available information and various other factors that we believe to be reasonable under the circumstances, as provided in Part II, Item 7. "Management's Discussion and Analysis

of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Critical Accounting Estimates" of our Annual Report on Form 10-K for the year ended December 31, 2023. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Significant judgment, assumptions and estimates used in preparing our consolidated financial statements include, with respect to revenue, determining the allocation of the transaction price and measurement of progress, including (1) the constraint on variable consideration, (2) the allocation of the transaction price to the performance obligations using their standalone selling price basis, and (3) the appropriate input or output based method to recognize collaboration revenue and the extent of progress to date.

Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

Additionally, we regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies, and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial position, and profit.

Risks Related to Our Software

If our existing customers do not renew their licenses, do not buy additional solutions from us, or renew at lower prices, our business and operating results will suffer.

We expect to continue to derive a significant portion of our software revenues from renewal of existing license agreements. As a result, maintaining the renewal rate of our existing customers and selling additional software solutions to them is critical to our future operating results. Factors that may affect the renewal rate for our customers and our ability to sell additional solutions to them include:

- the price, performance, and functionality of our software solutions;
- the availability, price, performance, and functionality of competing software solutions;
- the effectiveness of our professional services;
- our ability to develop or acquire complementary software solutions, applications, and services;
- the success of competitive products or technologies;
- the stability, performance, and security of our technological infrastructure;
- the business environment of our customers;
- the willingness of our customers to continue to adopt computational approaches to drug discovery, which can be impacted by changes in our customer's management and/or scientific personnel; and
- the decisions of our customers to discontinue or reduce the amount of drug discovery they undertake internally.

We deliver our software through either (i) a product license that permits our customers to install the software solution directly on their own in-house hardware and use it for a specified term, or (ii) a subscription that allows our customers to access the cloud-based software solution on their own hardware without taking control of the licenses. Our customers have no obligation to renew their product licenses or subscriptions for our software solutions after the license term expires, which is typically after one year, and many of our contracts may be terminated or reduced in scope either immediately or upon notice. In addition, our customers may negotiate terms less advantageous to us upon renewal, which may reduce our revenues from these customers. Factors that are not within our control may contribute to a reduction in our software revenues. For instance, our customers may reduce the number of their employees who are engaged in research and who would have use of our software, which would result in a corresponding reduction in the number of user licenses needed for some of our solutions and thus a lower aggregate renewal fee. The loss, reduction in scope, or delay of a large contract, or the loss or delay of multiple contracts, could materially adversely affect our business.

Our future operating results also depend, in part, on our ability to sell new software solutions and licenses to our existing customers. For example, the willingness of existing customers to license our software will depend on our ability to

scale and adapt our existing software solutions to meet the performance and other requirements of our customers, which we may not do successfully. If our customers fail to renew their agreements, renew their agreements upon less favorable terms or at lower fee levels, or fail to purchase new software solutions and licenses from us, our revenues may decline and our future revenues may be constrained.

Our software sales cycle can vary and be long and unpredictable.

The timing of sales of our software solutions is difficult to forecast because of the length and unpredictability of our sales cycle. We sell our solutions primarily to biopharmaceutical companies, and our sales cycles can be as long as nine to twelve months or longer. Further, the length of time that potential customers devote to their testing and evaluation, contract negotiation, and budgeting processes varies significantly, depending on the size of the organization and the nature of their needs. In addition, we might devote substantial time and effort to a particular unsuccessful sales effort, and as a result, we could lose other sales opportunities or incur expenses that are not offset by an increase in revenue, which could harm our business.

A significant portion of our revenues are generated by sales to life sciences industry customers, and factors that adversely affect this industry could adversely affect our software sales.

A significant portion of our current software sales are to customers in the life sciences industry, in particular the biopharmaceutical industry. Demand for our software solutions could be affected by factors that adversely affect the life sciences industry. The life sciences industry is highly regulated and competitive and has experienced periods of considerable consolidation. Consolidation among our customers could cause us to lose customers, decrease the available market for our solutions, and adversely affect our business. In addition, changes in regulations that make investment in the life sciences industry less attractive or drug development more expensive could adversely impact the demand for our software solutions. For these reasons and others, selling software to life sciences companies can be competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a software sale. Accordingly, our operating results and our ability to efficiently provide our solutions to life sciences companies and to grow or maintain our customer base could be adversely affected as a result of factors that affect the life sciences industry generally.

We also intend to continue leveraging our solutions for broad application to industrial challenges in molecule design, including in the fields of aerospace, energy, semiconductors, and electronic displays. However, we believe the materials science industry is in the very early stages of recognizing the potential of computational methods for molecular discovery, and there can be no assurance that the industry will adopt computational methods such as our platform. Any factor adversely affecting our ability to market our software solutions to customers outside of the life sciences industry, including in these new fields, could increase our dependence on the life sciences industry and adversely affect the growth rate of our revenues, operating results, and business.

The markets in which we participate are highly competitive, and if we do not compete effectively, our business and operating results could be adversely affected.

The overall market for molecular discovery and design software is global, rapidly evolving, competitive, and subject to changing technology and shifting customer interests and priorities. Our software solutions face competition from competitors in the business of selling or providing simulation and modeling software to biopharmaceutical companies. These competitors include BIOVIA, a brand of Dassault Systèmes SE, or BIOVIA, Chemical Computing Group (US) Inc., Cresset Biomolecular Discovery Limited, Cadence Design Systems, Inc., Optibrium Limited, Cyrus Biotechnology, Inc., Molsoft LLC, Insilico Medicine, Inc., Iktos, XtalPi Inc., Inductive Bio, Inc., Chemaxon, PerkinElmer, Inc., and Simulations Plus, Inc.

We also have competitors in materials science, such as BIOVIA and Materials Design, Inc., and in enterprise software for the life sciences, such as BIOVIA, Certara USA, Inc., Chemaxon, Revvity, Inc., and Dotmatics, Inc. In some cases, these competitors are well-established providers of these solutions and have long-standing relationships with many of our current and potential customers, including large biopharmaceutical companies. In addition, there are academic consortia that develop physics-based simulation programs for life sciences and materials applications. In the life sciences industry, the most prominent academic simulation packages include AMBER, CHARMm, GROMACS, GROMOS, OpenMM, and OpenFF. These packages are primarily maintained and developed by graduate students and post-doctoral researchers, often without the intent of commercialization.

We also face competition from solutions that biopharmaceutical companies develop internally and from smaller companies that offer products and services directed at more specific markets than we target, enabling these smaller competitors to focus a greater proportion of their efforts and resources on these markets, as well as a large number of companies that have been founded with the goal of applying machine learning technologies to drug discovery.

Many of our competitors are able to devote greater resources to the development, promotion, and sale of their software solutions and services. It is possible that our focus on proprietary drug discovery will result in loss of management focus and resources relating to our software business, thereby resulting in decreasing revenues from our software business. Furthermore, third parties with greater available resources and the ability to initiate or withstand substantial price competition could acquire our current or potential competitors. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors' products, services, or technologies become more accepted than our solutions, if our competitors are successful in bringing their products or services to market earlier than ours, if our competitors are able to respond more quickly and effectively to new or changing opportunities, technologies, or customer requirements, or if their products or services are more technologically capable than ours, then our software revenues could be adversely affected.

In addition, we are facing increasing competition from companies utilizing artificial intelligence, or AI, and other computational approaches for drug discovery. Some of these competitors are involved in drug discovery themselves and/or with partners, and others develop software or other tools utilizing AI which can be used, directly or indirectly, in drug discovery. To the extent these other AI approaches to drug discovery prove to be successful, or more successful, than our approach, the demand for our platform could be adversely affected, which could affect our software demand as well as reduce the demand for us as a collaborator in drug discovery.

We may be required to decrease our prices or modify our pricing practices in order to attract new customers or retain existing customers due to increased competition. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

We have invested and expect to continue to invest in research and development efforts that further enhance our computational platform. Such investments may affect our operating results, and, if the return on these investments is lower or develops more slowly than we expect, our revenue and operating results may suffer.

We have invested and expect to continue to invest in research and development efforts that further enhance our computational platform, often in response to our customers' requirements. These investments may involve significant time, risks, and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that such investments may not generate sufficient revenues to offset liabilities assumed and expenses associated with these new investments. The software industry changes rapidly as a result of technological and product developments, which may render our solutions less desirable. For example, in recent years, a number of companies have entered the drug discovery industry utilizing different AI approaches. While we believe we compete favorably and are meaningfully differentiated from such approaches with the combination of our physics-based computational platform and machine learning capabilities, the success of other such AI approaches to drug discovery could impact the demand for our solutions. We believe that we must continue to invest a significant amount of time and resources in our platform and software solutions to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, if the achievement of these benefits is delayed, if technological developments render our solutions less desirable, or if a slowdown in general computing power impacts the rate at which we expect our physics-based simulations to increase in power and domain applicability, our revenue and operating results may be adversely affected.

If we are unable to collect receivables from our customers, our operating results may be adversely affected.

While the majority of our current customers are well-established, large companies and universities, we also provide software solutions to smaller companies. Our financial success depends upon the creditworthiness and ultimate collection of amounts due from our customers, including our smaller customers with fewer financial resources. If we are not able to collect amounts due from our customers, we may be required to write-off significant accounts receivable and recognize bad debt expenses, which could materially and adversely affect our operating results.

Defects or disruptions in our solutions could result in diminishing demand for our solutions, a reduction in our revenues, and subject us to substantial liability.

Our software business and the level of customer acceptance of our software depend upon the continuous, effective, and reliable operation of our software and related tools and functions. Our software solutions are inherently complex and may contain defects or errors. Errors may result from our own technology or from the interface of our software solutions with legacy systems and data, which we did not develop. The risk of errors is particularly significant when a new software solution is first introduced or when new versions or enhancements of existing software solutions are released. We have from time to time found defects in our software, and new errors in our existing software may be detected in the future. Any errors, defects, disruptions, or other performance problems with our software could hurt our reputation and may damage our customers' businesses. If that occurs, our customers may delay or withhold payment to us, cancel their agreements with us, elect not to renew, make service credit claims, warranty claims, or other claims against us, and we could lose future sales. The occurrence of any of these events could result in diminishing demand for our software, a reduction of our revenues, an increase in collection cycles for accounts receivable, require us to increase our warranty provisions, or incur the expense of litigation or substantial liability.

We rely upon third-party providers of cloud-based infrastructure to host our software solutions. Any disruption in the operations of these third-party providers, limitations on capacity, or interference with our use could adversely affect our business, financial condition, and results of operations.

We outsource substantially all of the infrastructure relating to our hosted software solutions to third-party hosting services. Customers of our hosted software solutions need to be able to access our computational platform at any time, without interruption or degradation of performance, and we provide them with service-level commitments with respect to uptime. Our hosted software solutions depend on protecting the virtual cloud infrastructure hosted by third-party hosting services by maintaining its configuration, architecture, features, and interconnection specifications, as well as the information stored in these virtual data centers, which is transmitted by third-party internet service providers. Any limitation on the capacity of our third-party hosting services could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations. In addition, any incident affecting our third-party hosting services' infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, and other similar events beyond our control could negatively affect our cloud-based solutions. A prolonged service disruption affecting our cloud-based solutions for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers, or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party hosting services we use.

In the event that our service agreements with our third-party hosting services are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our hosted software solutions for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition, and results of operations.

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our solutions may be perceived as not being secure, customers may reduce the use of or stop using our solutions, and we may incur significant liabilities.

Our solutions involve the collection, analysis, and storage of our customers' proprietary information and sensitive proprietary data related to the discovery efforts of our customers. As a result, unauthorized access or security breaches, as a result of third-party action, employee error, malfeasance, or otherwise could result in the loss of information, litigation, indemnity obligations, damage to our reputation, and other liability. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, if our employees fail to adhere to practices we have established to maintain a firewall between our drug discovery group, which we refer to as the Schrödinger therapeutics group, and our teams that work with software customers, or if the technical solutions we have adopted to maintain the firewall malfunction, our customers and collaborators may lose confidence in our ability to maintain the confidentiality of their intellectual property, we may have trouble attracting new customers and collaborators, we may be subject to breach of contract claims by our customers and collaborators, and we may suffer reputational and other harm as a result. Any or all of these issues could adversely affect our ability to attract new customers, cause existing

customers to elect to not renew their licenses, result in reputational damage or subject us to third-party lawsuits or other action or liability, which could adversely affect our operating results. Our insurance may not be adequate to cover losses associated with such events, and in any case, such insurance may not cover all of the types of costs, expenses, and losses we could incur to respond to and remediate a security breach.

Any failure to offer high-quality technical support services could adversely affect our relationships with our customers and our operating results.

Our customers depend on our support organization to resolve technical issues relating to our solutions, as our software requires expert usage to fully exploit its capabilities. Certain of our customers also rely on us to troubleshoot problems with the performance of the software, introduce new features requested for specific customer projects, inform them about the best way to set up and analyze various types of simulations and illustrate our techniques for drug discovery using examples from publicly available data sets. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for these support services. Increased customer demand for our services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on the reputation of our solutions and business and on positive recommendations from our existing customers. Any failure to offer high-quality technical support, or a market perception that we do not offer high-quality support, could adversely affect our reputation, our ability to sell our solutions to existing and prospective customers and our business and operating results.

Our solutions utilize third-party open-source software, and any failure to comply with the terms of one or more of these open-source software licenses could adversely affect our business or our ability to sell our software solutions, subject us to litigation, or create potential liability.

Our solutions include software licensed by third parties under any one or more open-source licenses, including the GNU General Public License, the GNU Lesser General Public License, the Affero General Public License, the BSD License, the MIT License, the Apache License, and others, and we expect to continue to incorporate open-source software in our solutions in the future. Moreover, we cannot ensure that we have effectively monitored our use of open-source software or that we are in compliance with the terms of the applicable open-source licenses or our current policies and procedures. There have been claims against companies that use open-source software in their products and services asserting that the use of such open-source software infringes the claimants' intellectual property rights. As a result, we and our customers could be subject to suits by third parties claiming that what we believe to be licensed open-source software infringes such third parties' intellectual property rights, and we may be required to indemnify our customers against such claims. Additionally, if an author or other third party that distributes such open-source software were to allege that we had not complied with the conditions of one or more of these licenses, we or our customers could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contain the open-source software and required to comply with onerous conditions or restrictions on these solutions, which could disrupt the distribution and sale of these solutions. Litigation could be costly for us to defend, have a negative effect on our business, financial condition, and results of operations, or require us to devote additional research and development resources to change our solutions.

Use of open-source software may entail greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code, including with respect to security vulnerabilities. In addition, certain open-source licenses require that source code for software programs that interact with such open-source software be made available to the public at no cost and that any modifications or derivative works to such open-source software continue to be licensed under the same terms as the open-source software license. The terms of various open-source licenses have not been interpreted by courts in the relevant jurisdictions, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solutions. By the terms of certain open-source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open-source licenses, if we combine our proprietary software with open-source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open-source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our solutions, or otherwise be limited in the licensing of our solutions, each of which could reduce or eliminate the value of our solutions. Disclosing our proprietary source code could allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales. Any of these events could create liability for us and damage our reputation, which could have a material adverse effect on our revenue, business, results of operations, and financial condition and the market price of our shares.

Risks Related to Drug Discovery

We may never realize a return on our investment of resources and cash in our drug discovery collaborations.

We use our computational platform to provide drug discovery services to collaborators who are engaged in drug discovery and development. These collaborators include start-up companies, pre-commercial biotechnology companies, and large-scale pharmaceutical companies. When we engage in drug discovery with these collaborators, we typically provide access to our platform and platform experts who assist the drug discovery collaborator in identifying molecules that have activity against one or more specified protein targets. We historically have not received significant initial cash consideration for these services, except for the upfront payment of $55.0 million we received from BMS upon entry into our collaboration agreement with BMS. However, we have received equity consideration in certain of our collaborators and/or the right to receive option fees, cash milestone payments upon the achievement of specified development, regulatory, and commercial sales milestones for the drug discovery targets, and potential royalties. From time to time, we have also made additional equity investments in our drug discovery collaborators.

We may never realize a return on our investment of resources and cash in our drug discovery collaborations. Clinical drug development involves a lengthy and expensive process, with an uncertain outcome. Our drug discovery collaborators may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of any product candidates. In addition, our ability to realize return from our drug discovery collaborations is subject to the following risks:

- drug discovery collaborators have significant discretion in determining the amount and timing of efforts and resources that they will apply to our collaborations and may not perform their obligations as expected;
- drug discovery collaborators may not pursue development or commercialization of any product candidates for which we are entitled to option fees, milestone payments, or royalties or may elect not to continue or renew development or commercialization programs based on results of clinical trials or other studies, changes in the collaborator's strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities;
- drug discovery collaborators may delay clinical trials for which we are entitled to milestone payments;
- we may not have access to, or may be restricted from disclosing, certain information regarding our collaborators' product candidates being developed or commercialized and, consequently, may have limited ability to inform our stockholders about the status of, and likelihood of achieving, milestone payments or royalties under such collaborations;
- drug discovery collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with any product candidates and products for which we are entitled to milestone payments or royalties if the collaborator believes that the competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive;
- product candidates discovered in drug discovery collaborations with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause our collaborators to cease to devote resources to the commercialization of any such product candidates;
- existing drug discovery collaborators and potential future drug discovery collaborators may begin to perceive us to be a competitor more generally, particularly as we advance our proprietary drug discovery programs, and therefore may be unwilling to continue existing collaborations with us or to enter into new collaborations with us;
- a drug discovery collaborator may fail to comply with applicable regulatory requirements regarding the development, manufacture, distribution, or marketing of a product candidate or product, which may impact our ability to receive milestone payments;
- disagreements with drug discovery collaborators, including disagreements over intellectual property or proprietary rights, contract interpretation, or the preferred course of development, might cause delays or terminations of the research, development, or commercialization of product candidates for which we are eligible to receive milestone payments, or might result in litigation or arbitration;
- drug discovery collaborators may not properly obtain, maintain, enforce, defend or protect our intellectual property or proprietary rights or may use our proprietary information in such a way as to potentially lead to disputes or legal proceedings that could jeopardize or invalidate our or their intellectual property or proprietary information or expose us and them to potential litigation;

- drug discovery collaborators may infringe, misappropriate, or otherwise violate the intellectual property or proprietary rights of third parties, which may expose us to litigation and potential liability;
- drug discovery collaborators could suffer from operational delays as a result of global health impacts, such as the recent COVID-19 pandemic; and
- drug discovery collaborations may be terminated prior to our receipt of any significant value from the collaboration, which has happened to us in the past and may happen to us again in the future.

Our drug discovery collaborations may not lead to development or commercialization of product candidates that results in our receipt of option fees, milestone payments, or royalties in a timely manner, or at all. If any drug discovery collaborations that we enter into do not result in the successful development and commercialization of drug products that result in option fees, milestone payments, or royalties to us, we may not receive return on the resources we have invested in the drug discovery collaboration. Moreover, even if a drug discovery collaboration initially leads to the achievement of milestones that result in payments to us, it may not continue to do so.

We also rely on collaborators for the development and potential commercialization of product candidates we discover internally when we believe it will help maximize clinical and commercial opportunities for the product candidate. For example, under our collaboration agreement with BMS, after mutual agreement on the targets(s) of interest, the Schrödinger therapeutics group is responsible for the discovery of development candidates. Once a development candidate meeting specified criteria for a target has been identified, BMS will be solely responsible for the development, manufacturing and commercialization of such development candidate. We cannot be certain that we will successfully identify additional development candidates for BMS to develop and commercialize under our collaboration agreement. Further, BMS may not achieve the research, development, regulatory and sales milestones for those development candidates that would result in additional payments to us.

We may not realize returns on our equity investments in our drug discovery collaborators.

We may not realize returns on our equity investments in our drug discovery collaborators. None of the drug discovery collaborators in which we hold equity generate revenue from commercial sales of drug products. They are therefore dependent on the availability of capital on favorable terms to continue their operations. In addition, if the drug discovery collaborators in which we hold equity raise additional capital, our ownership interest in and degree of control over these drug discovery collaborators will be diluted, unless we have sufficient resources and choose to invest in them further or successfully negotiate contractual anti-dilution protections for our equity investment. The financial success of our equity investment in any collaborator will likely be dependent on a liquidity event, such as a public offering, acquisition, or other favorable market event reflecting appreciation in the value of the equity we hold. The capital markets for public offerings and acquisitions are dynamic, and the likelihood of liquidity events for the companies in which we hold equity interests could significantly worsen. Further, valuations of privately held companies are inherently complex due to the lack of readily available market data. If we determine that any of our investments in such companies have experienced a decline in value, we may be required to record an impairment, which could negatively impact our financial results. The fair value of our equity interests in public companies, such as Morphic and Structure Therapeutics, may fluctuate significantly in future periods since we determine the fair value of such equity interests based on the market value of such companies' common stock as of a given reporting date. All of the equity we hold in our drug discovery collaborators is subject to a risk of partial or total loss of our investment.

Our drug discovery collaborators have significant discretion in determining when to make announcements, if any, about the status of our collaborations, including about clinical developments and timelines for advancing collaborative programs, and the price of our common stock may decline as a result of announcements of unexpected results or developments.

Our drug discovery collaborators have significant discretion in determining when to make announcements about the status of our collaborations, including about preclinical and clinical developments and timelines for advancing the collaborative programs. While as a general matter we intend to periodically report on the status of our collaborations, our drug discovery collaborators, and in particular, our privately-held collaborators, may wish to report such information more or less frequently than we intend to or may not wish to report such information at all. The price of our common stock may decline as a result of the public announcement of unexpected results or developments in our collaborations, or as a result of our collaborators withholding such information.

Although we believe that our computational platform has the potential to identify more promising molecules than traditional methods and to accelerate drug discovery, our focus on using our platform technology to discover and design molecules with therapeutic potential may not result in the discovery and development of commercially viable products for us or our collaborators.

Our scientific approach focuses on using our platform technology to conduct "computational assays" that leverage our deep understanding of physics-based modeling and theoretical chemistry to design molecules and predict their key properties without conducting time-consuming and expensive physical experiments. Our computational platform underpins our software solutions, our drug discovery collaborations and our own proprietary drug discovery programs.

While the results of certain of our drug discovery collaborators suggest that our platform is capable of accelerating drug discovery and identifying high quality product candidates, these results do not assure future success for our drug discovery collaborators or for us with our proprietary drug discovery programs.

Even if we or our drug discovery collaborators are able to develop product candidates that demonstrate potential in preclinical studies, we or they may not succeed in demonstrating safety and efficacy of product candidates in human clinical trials. For example, in collaboration with us, Nimbus was able to identify a unique series of acetyl-CoA carboxylase, or ACC, allosteric protein-protein interaction inhibitors with favorable pharmaceutical properties that inhibit the activity of the ACC enzyme. Nimbus achieved proof of concept in a Phase 1b clinical trial of its ACC inhibitor, firsocostat, and later sold the program to Gilead Sciences, Inc., or Gilead Sciences, in a transaction valued at approximately $1.2 billion, comprised of an upfront payment and earn outs. Of this amount, $601.3 million has been paid to Nimbus to date, and we received a total of $46.0 million in cash distributions in 2016 and 2017. In December 2019, Gilead Sciences announced topline results from its Phase 2 clinical trial which included firsocostat, both as a monotherapy and in combination with other investigational therapies for advanced fibrosis due to nonalcoholic steatohepatitis, in which the primary endpoint was not met. Gilead Sciences is currently evaluating firsocostat in a Phase 2b clinical trial in combination with Novo Nordisk A/S's semaglutide, a GLP-1 receptor agonist, for compensated cirrhosis due to nonalcoholic steatohepatitis. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their product candidates.

We may not be successful in our efforts to identify, discover or develop product candidates and may fail to capitalize on programs, collaborations, or product candidates that may present a greater commercial opportunity or for which there is a greater likelihood of success.

Research programs to identify new product candidates require substantial technical, financial, and human resources. As an organization, we are advancing SGR-1505, our clinical-stage MALT1 inhibitor, SGR-2921, our clinical-stage CDC7 inhibitor, and SGR-3515, our clinical-stage WEE1/MYT1 inhibitor. We have not yet advanced any other programs into clinical development or IND-enabling studies, and we may fail to identify additional product candidates for development. Similarly, a key element of our business plan is to expand the use of our computational platform through an increase in software sales and drug discovery collaborations. A failure to demonstrate the utility of our platform by successfully using it ourselves to discover internal product candidates could harm our business prospects.

Because we have limited resources, we focus our research programs on protein targets where we believe our computational assays are a good substitute for experimental assays, where we believe it is theoretically possible to discover a molecule with properties that are required for the molecule to become a drug and where we believe there is a meaningful commercial opportunity, among other factors. The focus of our initial proprietary drug discovery programs was in the area of oncology, and we have only recently begun expanding into other therapeutic areas, including neurology and immunology. We may forego or delay pursuit of opportunities with certain programs, collaborations, or product candidates or for indications that later prove to have greater commercial potential. However, the development of any product candidate we pursue may ultimately prove to be unsuccessful or less successful than another potential product candidate that we might have chosen to pursue on a more aggressive basis with our capital resources. If we do not accurately evaluate the commercial potential for a particular product candidate, we may relinquish valuable rights to that product candidate through strategic collaboration, partnership, licensing, or other arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. Alternatively, we may allocate internal resources to a product candidate in a therapeutic area in which it would have been more advantageous to enter into a collaboration.

Our research programs may show initial promise in identifying potential product candidates internally or with collaborators, yet fail to yield product candidates for clinical development for a number of reasons, including:

- our research methodology or that of any collaborator may be unsuccessful in identifying potential product candidates that are successful in clinical development;
- potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the product candidates unmarketable or unlikely to receive marketing approval;
- our current or future collaborators may change their development profiles for potential product candidates or abandon a therapeutic area; or
- new competitive developments may render our product candidates obsolete or noncompetitive.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs, which would have a material adverse effect on our business.

We rely on contract research organizations to synthesize any molecules with therapeutic potential that we discover. If such organizations do not meet our supply requirements, or if such organizations do not otherwise perform satisfactorily, development of any product candidate we may develop may be delayed.

We rely and expect to continue to rely on third parties to synthesize any molecules with therapeutic potential that we discover, including SGR-1505, SGR-2921 and SGR-3515. Reliance on third parties may expose us to different risks than if we were to synthesize molecules ourselves. Our reliance on these third parties will reduce our control over these activities but will not relieve us of our responsibilities. If these third parties do not successfully carry out their contractual duties, meet expected deadlines, or synthesize molecules in accordance with regulatory requirements, if there are disagreements between us and such parties or if such parties are unable to expand capacities, we may not be able to fulfill, or may be delayed in producing sufficient product candidates to meet, our supply requirements, and we may not be able to complete, or may be delayed in completing, the necessary preclinical studies to enable us to progress viable product candidates for IND submissions or the necessary clinical trials and we will not be able to, or may be delayed in our efforts to, successfully develop and commercialize such product candidates. The facilities of these third parties may also be affected by natural disasters, such as floods or fire, or geopolitical developments or public health pandemics, such as COVID-19, or such facilities could face production issues, such as contamination or regulatory concerns following a regulatory inspection of such facility. In such instances, we may need to locate an appropriate replacement third-party facility and establish a contractual relationship, which may not be readily available or on acceptable terms, which would cause additional delay and increased expense, and may have a material adverse effect on our business.

We or any third party may also encounter shortages in the raw materials or active pharmaceutical ingredient, or API, necessary to synthesize any molecule we may discover in the quantities needed for preclinical studies or clinical trials, as a result of capacity constraints or delays or disruptions in the market for the raw materials or API. Even if raw materials or API are available, we may be unable to obtain sufficient quantities at an acceptable cost or quality. The failure by us or the third parties to obtain the raw materials or API necessary to synthesize sufficient quantities of any molecule we may discover could delay, prevent, or impair our development efforts and may have a material adverse effect on our business.

If we are not able to establish or maintain collaborations to develop and commercialize any of the product candidates we discover internally, we may have to alter our development and commercialization plans for those product candidates and our business could be adversely affected.

We expect to rely on future collaborators for the development and potential commercialization of product candidates we discover internally when we believe it will help maximize the clinical and commercial opportunities of the product candidate. We face significant competition in seeking appropriate collaborators for these activities, and a number of more established companies may also be pursuing such collaborations. These established companies may have a competitive advantage over us due to their size, financial resources, and greater clinical development and commercialization expertise. Whether we reach a definitive agreement for such collaborations will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration, and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of preclinical studies and clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The collaborator may also consider

alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large biopharmaceutical companies that have resulted in a reduced number of potential future collaborators.

If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop any product candidates or bring them to market.

As a company, we have very limited experience in clinical development, which may adversely impact the likelihood that we will be successful in advancing our programs.

We only began conducting our own proprietary drug discovery efforts in 2018, and as a company, we have very limited experience in clinical development. Our limited experience in designing, conducting and completing clinical development activities may adversely impact the likelihood that we will be successful in advancing our programs. Further, any predictions you make about the future success or viability of our proprietary drug discovery programs may not be as accurate as they could be if we had a history of conducting and completing clinical trials and developing our own product candidates.

Further, if we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies governing clinical trials, our development plans may be impacted. For example, in December 2022, with the passage of Food and Drug Omnibus Reform Act, or FDORA, Congress required sponsors to develop and submit a diversity action plan for each phase 3 clinical trial or any other "pivotal study" of a new drug or biological product. These plans are meant to encourage the enrollment of more diverse patient populations in late-stage clinical trials of FDA-regulated products. Specifically, action plans must include the sponsor’s goals for enrollment, the underlying rationale for those goals, and an explanation of how the sponsor intends to meet them. In addition to these requirements, the legislation directs the FDA to issue new guidance on diversity action plans.

In addition, the regulatory landscape related to clinical trials in the European Union, or EU, recently evolved. The EU Clinical Trials Regulation, or CTR, became applicable on January 31, 2022. While the Clinical Trials Directive required a separate clinical trial application, or CTA, to be submitted in each member state, to both the competent national health authority and an independent ethics committee, the CTR introduces a centralized process and only requires the submission of a single application to all member states concerned. The CTR allows sponsors to make a single submission to both the competent authority and an ethics committee in each member state, leading to a single decision per member state. The assessment procedure of the CTA has been harmonized as well, including a joint assessment by all member states concerned, and a separate assessment by each member state with respect to specific requirements related to its own territory, including ethics rules. Each member state’s decision is communicated to the sponsor via the centralized EU portal. Once the CTA is approved, clinical study development may proceed. The CTR foresees a three-year transition period. The extent to which ongoing and new clinical trials will be governed by the CTR varies. For clinical trials whose CTA was made under the Clinical Trials Directive before January 31, 2022, the Clinical Trials Directive will continue to apply on a transitional basis for three years. Additionally, sponsors were still permitted to choose to submit a CTA under either the Clinical Trials Directive or the CTR until January 31, 2023 and, if authorized, those will be governed by the Clinical Trials Directive until January 31, 2025. By that date, all ongoing trials will become subject to the provisions of the CTR.

As our proprietary drug discovery business grows, we may encounter unforeseen expenses, difficulties, complications, delays, and other known and unknown factors. Our proprietary drug discovery business will need to transition to a business capable of supporting significant clinical development activities. We may not be successful in such a transition.

Conducting successful clinical trials requires the enrollment of a sufficient number of patients, and suitable patients may be difficult to identify and recruit.

Conducting successful clinical trials requires the enrollment of a sufficient number of patients, and suitable patients may be difficult to identify and recruit. Identifying and qualifying patients to participate in future clinical trials for any other product candidate we develop is critical to our success. Patient enrollment in clinical trials and completion of patient participation and follow-up depends on many factors, including the severity of disease; size of the patient population; the nature of the trial protocol; the attractiveness of, or the discomforts and risks associated with, the treatments received by enrolled subjects; the availability of clinical trial investigators with appropriate competencies and experience; support staff; the number of ongoing clinical trials in the same indication that compete for the same patients; proximity of patients to clinical sites; the number and availability of trial sites; the ability to comply with the eligibility and exclusion criteria for participation in the clinical trial; ability to obtain and maintain patient consents; patient compliance; the ability to monitor patients during and after treatment; and the impact of any health pandemic or epidemic. For example, patients may be discouraged from enrolling in our clinical trials if the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety and effectiveness of our product candidates. Patients may also not participate in our clinical trials if they choose to participate in contemporaneous clinical trials of competitive products with competitors that have more clinical development experience than we do.

Our inability to locate and enroll a sufficient number of patients for our clinical trials would result in significant delays, could require us to abandon one or more clinical trials altogether and could delay or prevent our receipt of necessary regulatory approvals. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

We rely on, and plan to continue to rely on, third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials, which may prevent or delay our ability to seek or obtain marketing approval for or commercialize our product candidates or otherwise harm our business.

We rely on, and plan to continue to rely on, third-party clinical research organizations, in addition to other third parties such as research collaboratives and consortia, clinical data management organizations, medical institutions and clinical investigators, to conduct our ongoing, planned and future clinical trials, including for SGR-1505, SGR-2921 and SGR-3515. These contract research organizations and other third parties play a significant role in the conduct and timing of these trials and subsequent collection and analysis of data. These third-party arrangements might terminate for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, our product development activities might be delayed.

Our reliance on third parties for research and development activities reduces our control over these activities but does not relieve us of our responsibilities. For example, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, and legal, regulatory and scientific standards, and our reliance on third parties does not relieve us of our responsibility to comply with any such standards. We and these third parties are required to comply with current good clinical practices, or cGCP, which are regulations and guidelines enforced by the FDA for all of our products in clinical development. Regulatory authorities in Europe and other jurisdictions have similar requirements. Regulatory authorities enforce these cGCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties fail to comply with applicable cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that a given regulatory authority will determine that any of our clinical trials comply with cGCP regulations. We also are required to register ongoing clinical trials and post the results of completed clinical trials on a U.S. government-sponsored database, clinicaltrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, third parties on whom we rely may also have relationships with other entities, some of which may be our competitors. In addition, these third parties are not our employees, and except for remedies available to us under our agreements with such third parties, we cannot control whether or not they devote sufficient time and resources to our on-going clinical, nonclinical and preclinical programs. If these third parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised, our clinical trials may be extended, delayed or terminated and we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our medicines.

In addition, we currently rely on foreign CROs and CMOs, and will likely continue to rely on foreign CROs and CMOs in the future. Foreign CMOs may be subject to U.S. legislation, including sanctions, trade restrictions and other foreign regulatory requirements which could increase the cost or reduce the supply of material available to us, delay the procurement or supply of such material or have an adverse effect on our ability to secure significant commitments from governments to purchase our potential therapies. Moreover, in January 2024, the U.S. House of Representatives introduced the BIOSECURE Act (H.R. 7085) and the Senate advanced a substantially similar bill (S.3558), which legislation, if passed and enacted into law, would have the potential to restrict the ability of U.S. biopharmaceutical companies like us to purchase services or products from, or otherwise collaborate with, certain Chinese biotechnology companies "of concern" without losing the ability to contract with, or otherwise receive funding from, the U.S. government. It is possible some of our contractual counterparties could be impacted by this legislation.

Our reliance on third parties to manufacture our product candidates increases the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not own or operate manufacturing facilities for the production of any product candidates, nor do we have plans to develop our own manufacturing operations. We rely and expect to continue to rely on third-party contract manufacturers for all of our required raw materials, drug substance, and finished drug product for the preclinical and clinical development of any development candidates we develop ourselves and for any commercial supply of approved products, if any. We have limited personnel with experience in drug manufacturing and lack the resources and the capabilities to manufacture any of our product candidates on a clinical or commercial scale.

In order to conduct preclinical studies and clinical trials of our product candidates, we will need to identify suitable manufacturers with the capabilities to manufacture our compounds in large quantities in a manner consistent with existing regulations. Our third-party manufacturers may be unable to successfully increase the manufacturing capacity for any of our product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities and at any other time. If our manufacturers are unable to successfully scale up the manufacture of our product candidates in sufficient quality and quantity, the development, testing and clinical trials of that product candidate may be delayed or infeasible, and regulatory approval or commercial launch of that product candidate may be delayed or not obtained, which could significantly harm our business.

We do not currently have any agreements with third-party manufacturers for the long-term supply of any of our product candidates. In the future, we may be unable to enter into agreements with third-party manufacturers for commercial supplies of our product candidates, or may be unable to do so on acceptable terms.

Even if we are able to establish and maintain arrangements with third-party manufacturers, reliance on third-party manufacturers entails risks, including reliance on the third party for regulatory compliance and quality assurance; the possible breach of the manufacturing agreement by the third party; the possible misappropriation of our proprietary information, including our trade secrets and know-how; and the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates.

Our product candidates and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP

regulations and that might be capable of manufacturing for us. If the third parties that we engage to supply any materials or manufacture product for our preclinical tests and clinical trials should cease to continue to do so for any reason, we likely would experience delays in advancing these trials while we identify and qualify replacement suppliers, and we may be unable to obtain replacement supplies on terms that are favorable to us. In addition, if we are not able to obtain adequate supplies of our product candidates or the substances used to manufacture them or any of approved drug we may use in combination trials, it will be more difficult for us to develop our product candidates and compete effectively.

Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our future results of operations and our ability to develop product candidates and commercialize any products that receive marketing approval on a timely and competitive basis.

If serious adverse or unacceptable side effects are identified during the development or commercialization of our product candidates, we may need to abandon or limit our development and/or commercialization efforts for such product candidates.

If serious adverse events or undesirable side effects are observed in any of our clinical trials, we may have difficulty recruiting patients to our clinical trials, patients may drop out of our trials, or we may be required to abandon the trials or our development efforts of one or more product candidates altogether or limit development to certain uses or subpopulations in which the serious adverse events, undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. We, the FDA, comparable foreign regulatory authorities or an independent institutional review board may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects or patients in such trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage trials have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the product candidate from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance of the approved product due to its tolerability versus other therapies. In addition, adverse events which had initially been considered unrelated to the study treatment may later, even following approval and/or commercialization, be found to be caused by the study treatment. Any of these developments could materially harm our business, financial condition and prospects.

The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and the results of our clinical trials may not satisfy the requirements of the FDA or other comparable foreign regulatory authorities.

Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for their intended uses. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Success in preclinical studies and early-stage clinical trials does not mean that future clinical trials will be successful. The results of our product candidates in preclinical studies may not be indicative of future results in our ongoing or later stage clinical trials. Product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and other comparable foreign regulatory authorities despite having progressed through preclinical studies and early-stage clinical trials.

In some instances, there can be significant variability in safety and efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, differences in and adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. Patients treated with our product candidates may also be undergoing surgical, radiation and chemotherapy treatments and may be using other approved products or investigational new drugs, which can cause side effects or adverse events that are unrelated to our product candidate. As a result, assessments of efficacy can vary widely for a particular patient, and from patient to patient and site to site within a clinical trial. This subjectivity can increase the uncertainty of, and adversely impact, our clinical trial outcomes. We do not know whether any clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety sufficient to obtain marketing approval to market our product candidates. Most product candidates that begin clinical trials are never approved by regulatory authorities for commercialization.

Moreover, preclinical studies and clinical data are often susceptible to varying interpretations and analyses and many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials

nonetheless failed to obtain FDA or comparable foreign regulatory authority approval. We cannot guarantee that the FDA or comparable foreign regulatory authorities will interpret trial results as we do, and more trials than we anticipated could be required before we are able to submit applications seeking approval of our product candidates. To the extent that the results of the trials are not satisfactory to the FDA or comparable foreign regulatory authorities for support of a marketing application, we may be required to expend significant resources, which may not be available to us, to conduct additional trials in support of potential approval of our product candidates. Even if regulatory approval is secured for any of our product candidates, the terms of such approval may limit the scope and use of our product candidate, which may also limit its commercial potential. Furthermore, the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval, which may lead to the FDA or comparable foreign regulatory authorities delaying, limiting or denying approval of our product candidates.

Interim, initial, "topline", and preliminary data from our clinical trials that we announce or publish in the future may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose interim, initial, preliminary or topline data from our clinical trials, which are based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular trial. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available or as patients from our clinical trials continue other treatments for their disease. We will also have to make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the interim, initial, topline or preliminary results that we report may differ from future results of the same trials, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Preliminary or topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary or topline data we previously published. As a result, interim, initial, topline and preliminary data should be viewed with caution until the final data are available.

Adverse differences between interim data and final data could significantly harm our reputation and business prospects and may cause volatility in the price of our common stock.

We conduct, and we intend to continue to conduct, clinical trials for our product candidates at sites outside the United States. The FDA may not accept data from trials conducted in such locations, and the conduct of trials outside the United States could subject us to additional delays and expense.

We conduct, and we intend to continue to conduct, clinical trials for our product candidates at trial sites that are located outside the United States. Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of these data is subject to certain conditions imposed by the FDA.

In cases where data from foreign clinical trials are intended to serve as the sole basis for marketing approval in the United States, the FDA will generally not approve the application on the basis of foreign data alone unless (i) the data are applicable to the U.S. population and U.S. medical practice; (ii) the trials were performed by clinical investigators of recognized competence and pursuant to cGCP regulations; and (iii) the data may be considered valid without the need for an on-site inspection by the FDA, or if the FDA considers such inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means.

In addition, even where the foreign study data are not intended to serve as the sole basis for approval, the FDA will not accept the data as support for an application for marketing approval unless the study satisfies certain conditions. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with cGCPs. The FDA must be able to validate the data from the trial, including, if necessary, through an onsite inspection. The trial population must also have a similar profile to the U.S. population and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful, except to the extent the disease being studied does not typically occur in the United States. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon its determination that the trials also complied with all applicable U.S. laws and regulations. There can be no assurance that the FDA will accept data from trials conducted outside of the United States. If the FDA does not accept the data from any trial that we conduct outside the United States, it would likely result in the need for additional trials, which would be costly and time-consuming and delay or permanently halt our development of our product candidates or potential product candidates in the future.

In addition, the conduct of clinical trials outside the United States could have a significant adverse impact on us. Risks inherent in conducting international clinical trials include: clinical practice patterns and standards of care that vary widely among countries; non-U.S. regulatory authority requirements that could restrict or limit our ability to conduct our clinical trials; administrative burdens of conducting clinical trials under multiple non-U.S. regulatory authority schema; foreign exchange rate fluctuations; and diminished protection of intellectual property in some countries.

If we and any current or future collaborators are unable to successfully complete clinical development, obtain regulatory approval for, or commercialize any product candidates, or experience delays in doing so, our business may be materially harmed.

We are early in our development efforts for our own proprietary drug discovery programs. Our ability to generate product revenues, which we do not expect will occur for many years, if ever, will depend heavily on the successful development and eventual commercialization of our product candidates. The success of our and any current or future collaborators' development and commercialization programs will depend on several factors, including the following:

- successful completion of necessary preclinical studies to enable the initiation of clinical trials;
- successful enrollment of patients in, and the completion of, the clinical trials;
- acceptance by the FDA or other regulatory agencies of regulatory filings for any product candidates we and our current or future collaborators may develop;
- expanding and maintaining a workforce of experienced scientists and other technical specialists to continue to develop any product candidates;
- obtaining and maintaining intellectual property protection and regulatory exclusivity for any product candidates we and our current or future collaborators may develop;
- making arrangements with third-party manufacturers for, or establishing, clinical and commercial manufacturing capabilities;
- establishing sales, marketing, and distribution capabilities for drug products and successfully launching commercial sales, if and when approved;
- acceptance of any product candidates we and our current or future collaborators may develop, if and when approved, by patients, the medical community, and third-party payors;
- effectively competing with other therapies;
- obtaining and maintaining coverage, adequate pricing, and adequate reimbursement from third-party payors, including government payors;
- patients' willingness to pay out-of-pocket in the absence of coverage and/or adequate reimbursement from third-party payors;
- any restrictions resulting from a health epidemic or pandemic and its collateral consequences may result in internal and external operational delays and limitations; and
- maintaining a continued acceptable safety profile following receipt of any regulatory approvals.

Many of these factors are beyond our control, including clinical outcomes, the regulatory review process, potential threats to our intellectual property rights, and the manufacturing, marketing, and sales efforts of any current or future collaborator. Clinical drug development involves a lengthy and expensive process, with an uncertain outcome. If we or our current or future collaborators are unable to develop, receive marketing approval for, and successfully commercialize any product candidates, or if we or they experience delays as a result of any of these factors or otherwise, we may need to spend significant additional time and resources, which would adversely affect our business, prospects, financial condition, and results of operations.

Even if any product candidate that we may develop receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

If any product candidate we may develop receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payers and others in the medical community. Sales of medical products depend in part on the willingness of physicians to prescribe the treatment, which is likely to be based on a

determination by these physicians that the products are safe, therapeutically effective and cost-effective. In addition, the inclusion or exclusion of products from treatment guidelines established by various physician groups and the viewpoints of influential physicians can affect the willingness of other physicians to prescribe the treatment. We cannot predict whether physicians, physicians' organizations, hospitals, other healthcare providers, government agencies or private insurers will determine that any of our product candidates, if approved for commercial sale, is safe, therapeutically effective and cost-effective as compared with competing treatments. Efforts to educate the medical community and third-party payers on the benefits of any product candidates we may develop may require significant resources and may not be successful. If any product candidates we may develop do not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of any product candidates we may develop, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of such product candidates as demonstrated in clinical trials;
- the potential advantages and limitations compared to alternative treatments;
- the effectiveness of sales and marketing efforts;
- the cost of treatment in relation to alternative treatments;
- the clinical indications for which the product is approved;
- the convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support;
- the timing of market introduction of competitive products;
- the availability of third-party coverage and adequate reimbursement;
- the prevalence and severity of any side effects; and
- any restrictions on the use of our products, if approved, together with other medications.

Clinical trial and product liability lawsuits against us could divert our resources, could cause us to incur substantial liabilities and could limit commercialization of our product candidates.

We face an inherent risk of clinical trial and product liability exposure related to the testing of our product candidates in clinical trials, and we will face an even greater risk if we commercially sell any products that we may develop. While we currently have no product candidates that have been approved for commercial sale, the use of product candidates by us in clinical trials, and the sale of any approved products in the future, may expose us to liability claims. These claims might be made by patients that use the product, healthcare providers, pharmaceutical companies or others selling such products. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend any related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced resources of our management to pursue our business strategy; and
- the inability to commercialize any product candidates we may develop.

We have insurance coverage in countries in which we conduct clinical trials and will need to increase our insurance coverage if we conduct clinical trials in additional countries or of additional product candidates or if we commence commercialization of any product candidates. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise. If a successful clinical trial or product liability claim or series of claims is brought against us for uninsured liabilities or in

excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do, thus rendering our products non-competitive, obsolete or reducing the size of our market.

We face competition with respect to our and our collaborators' product candidates from many biopharmaceutical and biotechnology companies. The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary and novel products and product candidates. Our competitors have developed, are developing or may develop products, product candidates that are competitive with or superior to our product candidates. Any product candidates that we successfully develop and commercialize, internally or with our collaborators, will compete with existing therapies and new therapies that may become available in the future.

In particular, there is intense competition in the field of oncology, which is a focus of our drug discovery efforts. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies, emerging and start-up companies, universities and other research institutions. We also compete with these organizations to recruit management, scientists and clinical development personnel, which could negatively affect our level of expertise and our ability to execute our business plan. We also face competition in finding and establishing clinical trial sites, enrolling subjects for clinical trials, assessing combination studies and recruiting credible principal investigators and advisors from key clinical disciplines and academic centers.

For example, with respect to our MALT1 inhibitor, SGR-1505, which we are advancing for the treatment of patients with relapsed or refractory B-cell lymphomas, we are aware of several MALT1 inhibitors in clinical development, including by AbbVie Inc., Ono Pharmaceutical Co., Ltd., HotSpot Therapeutics, and Exelixis, Inc. In addition, we are also aware of other therapeutics, such as bi-specifics and CAR-Ts, both approved and in clinical development, for the treatment of B-cell lymphomas.

With respect to our CDC7 inhibitor, SGR-2921, which we are advancing for the treatment of relapsed or refractory acute myeloid leukemia or high-risk myelodysplastic syndrome, we are aware of several CDC7 inhibitors in Phase 1 clinical development, including by Chia Tai Tianqing Pharmaceutical Group Co., Ltd., Lin BioScience, Inc., and Cancer Research UK.

With respect to our WEE1/MYT1 inhibitor, SGR-3515, which we are advancing for the treatment of advanced solid tumors, we are aware of several WEE1 inhibitors in clinical development, including by Zentalis Pharmaceuticals, Debiopharm International SA, IMPACT Therapeutics, Inc., Shouyao Holdings Co. Ltd., BioCity Biopharma, and Aprea Therapeutics, Inc., as well as a MYT1 inhibitor in clinical development being advanced by Repare Therapeutics Inc. Furthermore, we are also aware of a WEE1/MYT1 inhibitor in preclinical development being advanced by Acrivon Therapeutics, Inc.

Large pharmaceutical and biotechnology companies, in particular, have extensive experience in building and accessing networks of expert investigators, designing and conducting clinical trials, obtaining regulatory approvals, and manufacturing and commercializing biotechnology products. These companies also have significantly greater research and development and marketing capabilities than we do and may also have products that have been approved or are in late stages of development, and collaborative arrangements in our target markets with leading companies and research institutions. Established pharmaceutical and biotechnology companies may also invest heavily to accelerate discovery and development of novel compounds or to in-license novel compounds that could make the product candidates that we develop obsolete. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than our products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies, as well as in acquiring technologies complementary to, or necessary for, our programs. As a result of all of these factors, our competitors may succeed in obtaining approval from the FDA or other comparable foreign regulatory authorities or in discovering, developing and commercializing products in our field before we do.

Risks Related to Our Operations

Doing business internationally creates operational and financial risks for our business.

For the three and six months ended June 30, 2024 and the year ended December 31, 2023, sales to customers outside of the United States accounted for approximately 35%, 36%, and 25% of our total revenues, respectively. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic, and political risks that are different from those in the United States. We have limited operating experience in some international markets, and we cannot assure you that our expansion efforts into other international markets will be successful. Our experience in the United States and other international markets in which we already have a presence may not be relevant to our ability to expand in other markets. Our international expansion efforts may not be successful in creating further demand for our solutions outside of the United States or in effectively selling our solutions in the international markets we enter. In addition, we face risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our solutions for specific countries, including translation into foreign languages;
- data privacy laws which require that customer data be stored and processed in a designated territory or handled in a manner that differs significantly from how we typically handle customer data;
- difficulties in staffing and managing foreign operations, including employee laws and regulations;
- different pricing environments, longer sales cycles, and longer accounts receivable payment cycles and collections issues;
- differences in healthcare systems, drug regulation and reimbursement, and drug discovery and development practices and technologies;
- new and different sources of competition;
- weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting, and changing governmental laws and regulations, including employment, tax, reimbursement and pricing, privacy and data protection, and anti-bribery laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- changes in diplomatic and trade relationships, including new tariffs, trade protection measures, import or export licensing requirements, trade embargoes, and other trade barriers;
- changes in social, political, and economic conditions or in laws, regulations, and policies governing foreign trade, manufacturing, development, and investment both domestically as well as in the other countries and jurisdictions;
- adverse tax consequences, including the potential for required withholding taxes;
- global health pandemics or epidemics, such as the recent COVID-19 pandemic; and
- unstable regional, economic and political conditions.

Our international agreements may provide for payment denominated in local currencies and our local operating costs are denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars.

Furthermore, with respect to our proprietary drug discovery programs, the ongoing war between Russia and Ukraine may impact the ability of our contract research organizations, or CROs, in the region to produce materials we require to conduct certain of our preclinical studies. If we are unable to obtain alternative sources for such materials that we require, the ability for us to timely execute and complete certain of our preclinical studies may be adversely impacted.

Additionally, we could face heightened risks as a result of the withdrawal of the United Kingdom from the European Union, commonly referred to as Brexit. As of January 2021, the Medicines and Healthcare products Regulatory Agency, or the MHRA, is now the sole decision maker for marketing authorizations of pharmaceutical products in the United Kingdom, except for Northern Ireland, which is subject to European Union rules under the Northern Ireland Protocol. The United Kingdom and the European Union have however agreed to the Windsor Framework which fundamentally changes the existing system under the Northern Ireland Protocol, including with respect to the regulation of medicinal products in the United Kingdom. Once implemented, the changes introduced by the Windsor Framework will result in the MHRA being responsible for approving all medicinal products destined for the United Kingdom market (including Northern Ireland), and the European Medicines Agency, or the EMA, will no longer have any role in approving medicinal products destined for Northern Ireland. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of Brexit or otherwise, may force us to restrict or delay efforts to seek regulatory approval in the United Kingdom for our product candidates, which could significantly and materially harm our business.

A widespread outbreak of an illness or other public health pandemic or epidemic such as the recent COVID-19 pandemic, could negatively affect various aspects of our business and make it more difficult to meet our obligations to our customers, and could result in reduced demand from our customers as well as delays in our drug discovery and development programs.

Our business and operations could be adversely affected by public health epidemics, including the recent COVID-19 pandemic, impacting the markets and industries in which we and our customers and collaborators operate.

The public health emergency declarations related to COVID-19 ended on May 11, 2023. The FDA ended certain COVID-19-related policies when the public health emergency ended and retained others. At this point, it is unclear how, if at all, these developments will impact our efforts to develop and commercialize our product candidates.

Public health epidemics or pandemics, including the recent COVID-19 pandemic, may cause delays in the progress of certain of our and our collaborators' drug discovery and development programs, particularly those that are in preclinical studies and clinical trials or that are preparing to enter clinical trials. Relative to our and our collaborators' drug discovery programs, the recent COVID-19 pandemic has resulted in, and may in the future result in, disruptions in current and future IND-enabling studies and clinical trials, manufacturing disruptions, trial site disruptions and impact the ability to obtain necessary institutional review board, institutional biosafety committee, or other necessary site approvals. These disruptions have caused and may in the future cause delays in certain of our and our collaborators' drug discovery programs. For example, our contract manufacturing organizations, or CMOs, and our CROs had experienced reductions in the capacity to undertake research-scale production and had experienced delays in executing preclinical studies, including our completed IND-enabling studies for SGR-2921. These reductions and delays may reoccur in the future. Furthermore, if our collaborators experience similar delays with their drug discovery and development programs, that could cause additional delays in our achievement of milestones and related revenue. Certain of our customers could experience downturns or uncertainty in their own business because of the economic effects resulting from public health pandemics, which could decrease their spending on our software products and services.

The ultimate impact of a resurgence of COVID-19, the emergence of a variant of the COVID-19 virus or an outbreak of any other widespread public health epidemic is highly uncertain, not predictable and subject to change, and a resurgence of the recent COVID-19 pandemic has the potential to adversely affect our business, financial condition, results of operations and prospects.

If we fail to manage our technical operations infrastructure, our existing customers, and our internal drug discovery team, may experience service outages, and our new customers may experience delays in the deployment of our solutions.

We have experienced significant growth in the number of users and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers and to support our proprietary drug discovery programs. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solutions. However, the provision of new hosting infrastructure requires adequate lead-time. We have experienced, and may in the future experience, website disruptions, outages, and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities, and customer losses. If our operations infrastructure fails to keep pace with increased sales and usage, customers and our internal drug discovery team may experience delays in the deployment of our solutions as we seek to obtain additional capacity, which could adversely affect our reputation and adversely affect our revenues.

Changes in tax laws or in their implementation or interpretation could adversely affect our business and financial condition.

Changes in tax law may adversely affect our business or financial condition. The Tax Cuts and Jobs Act, or the 2017 Tax Act, as amended by the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, significantly revises the Internal Revenue Code of 1986, as amended, or the Code. The 2017 Tax Act, among other things, contains significant changes to corporate taxation, including a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21% and limitation of the deduction for net operating losses, or NOLs, to 80% of current-year taxable income for losses arising in taxable years beginning after December 31, 2017 (though any such NOLs may be carried forward indefinitely). In addition, beginning in 2022, the 2017 Tax Act eliminates the option to deduct research and development expenditures currently and requires corporations to capitalize and amortize them over five years or 15 years (for expenditures attributable to foreign research).

In addition to the CARES Act, as part of Congress's response to the COVID-19 pandemic, economic relief legislation was enacted in 2020 and 2021 containing tax provisions. The Inflation Reduction Act, or IRA, was also signed into law in August 2022. The IRA introduced new tax provisions, including a one percent excise tax imposed on certain stock repurchases by publicly traded companies. The one percent excise tax generally applies to any acquisition of stock by the publicly traded company (or certain of its affiliates) from a stockholder of the company in exchange for money or other property (other than stock of the company itself), subject to a de minimis exception. Thus, the excise tax could apply to certain transactions that are not traditional stock repurchases. Regulatory guidance under the 2017 Tax Act, the IRA, and such additional legislation is and continues to be forthcoming, and such guidance could ultimately increase or lessen the impact of these laws on our business and financial condition. Additional tax legislation may be enacted, and any such additional legislation could have an impact on our company. In addition, it is uncertain if and to what extent various states will conform to the 2017 Tax Act, the IRA, and additional tax legislation.

Our ability to use our NOLs and research and development tax credit carryforwards to offset future taxable income may be subject to certain limitations.

As of December 31, 2023, we had federal NOLs of approximately $179.1 million and state NOLs of approximately $98.6 million, which, if not utilized, generally began to expire in 2025. As of December 31, 2023, we also had federal research and development tax credit carryforwards of approximately $23.3 million and state research and development tax credit carryforwards of approximately $1.6 million. Unused credits began to expire in 2024 and generally expire over time if they remain unused. These NOLs and research and development tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities.

In addition, under Section 382 and 383 of the Code, and corresponding provisions of state law, a corporation that undergoes an "ownership change," generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period, is subject to limitations on its ability to utilize its pre-change NOLs and research and development tax credit carryforwards to offset future taxable income. We have performed an analysis through December 31, 2023 and determined that such an ownership change occurred on March 31, 2021. As a result of such ownership change or future ownership changes, our ability to use our NOLs and research and development tax credit carryforwards may be materially limited.

There is also a risk that due to regulatory changes, such as suspension of the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise become unavailable to offset future income tax liabilities. As described above in "Changes in tax laws or in their implementation or interpretation could adversely affect our business and financial condition," the 2017 Tax Act, as amended by the CARES Act, includes changes to U.S. federal tax rates and rules governing NOL carryforwards that may significantly impact our ability to utilize NOLs to offset taxable income in the future. In addition, state NOLs generated in one state cannot be used to offset income generated in another state. For these reasons, we may be unable to use a material portion of our NOLs and other tax attributes.

Our international operations subject us to potentially adverse tax consequences.

We report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. These jurisdictions include Germany, United Kingdom, Japan, India and South Korea. The international nature and organization of our business activities are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added, or similar taxes, and we could be subject to tax liabilities with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value added, and similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or that we are not required to collect such taxes with respect to the jurisdiction. Sales and use, value added, and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, and interest or future requirements may adversely affect our results of operations.

Unanticipated changes in our effective tax rate could harm our future results.

We are subject to income taxes in the United States and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. Our effective tax rate could be adversely affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses as a result of acquisitions, the valuation of deferred tax assets and liabilities, and changes in federal, state, or international tax laws and accounting principles. Increases in our effective tax rate would reduce our profitability or in some cases increase our losses.

In addition, we may be subject to income tax audits by many tax jurisdictions throughout the world. Although we believe our income tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period.

We have acquired, and we may again in the future acquire, companies, businesses, solutions or technologies, which could divert our management's attention, result in additional dilution to our stockholders, and otherwise disrupt our operations and adversely affect our operating results.

We have acquired, and we may again in the future acquire, businesses, solutions, or technologies that we believe could complement or expand our solutions, enhance our technical capabilities, or otherwise offer growth opportunities. For

example, in January 2022, we acquired XTAL BioStructures, Inc., or XTAL, a company that provides structural biology services, including biophysical methods, protein production and purification, and X-ray crystallography, which has augmented our ability to produce high quality target structures for our drug discovery programs. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.

In addition, other than our acquisition of XTAL, we have limited experience in acquiring other businesses. If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations, and technologies successfully, effectively manage the combined business following the acquisition or preserve the operational synergies between our business units that we believe currently exist. We cannot assure you that following any acquisition we would achieve the expected synergies to justify the transaction, due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- acquisition-related costs;
- difficulty integrating the accounting systems, operations, and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our solutions and contract terms, including disparities in the revenues, licensing, support, or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer.

Our operations may be interrupted by the occurrence of a natural disaster or other catastrophic event at our primary facilities.

Our operations are primarily conducted at our facilities in New York, New York, Portland, Oregon, and Hyderabad, India, and our internal hosting facility located in Clifton, New Jersey. The occurrence of natural disasters or other catastrophic events could disrupt our operations. Any natural disaster or catastrophic event in our facilities or the areas in which they are located could have a significant negative impact on our operations.

Risks Related to Our Intellectual Property

If we fail to comply with our obligations under our existing license agreements with Columbia University, under any of our other intellectual property licenses, or under any future intellectual property licenses, or otherwise experience disruptions to our business relationships with our current or any future licensors, we could lose intellectual property rights that are important to our business.

We are party to a number of license agreements pursuant to which we have been granted exclusive and non-exclusive worldwide licenses to certain patents, software code, and software programs to, among other things, reproduce, use, execute, copy, operate, sublicense, and distribute the licensed technology in connection with the marketing and sale of our software solutions and to develop improvements thereto. In particular, the technology that we license from Columbia University pursuant to our license agreements with them are used in and incorporated into a number of our software solutions which we market and license to our customers. For further information regarding our license agreements with Columbia University, see "Item 1. Business—License Agreements with Columbia University" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Our license agreements with Columbia University and other licensors impose, and we expect that future licenses will impose, specified royalty and other obligations on us.

In spite of our best efforts, our current or any future licensors might conclude that we have materially breached our license agreements with them and might therefore terminate the license agreements, thereby delaying our ability to market and sell our existing software solutions and develop and commercialize new software solutions that utilize technology covered by these license agreements. If these in-licenses are terminated, or if the underlying intellectual property fails to provide the intended exclusivity, competitors could market products and technologies similar to ours. This could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

Disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under any collaborative development relationships;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our current or future licensors and us and our collaborators; and
- the priority of invention of patented technology.

In addition, license agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement. For example, our counterparties have in the past and may in the future dispute the amounts owed to them pursuant to payment obligations. If disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may experience delays in the development and commercialization of new software solutions and in our ability to market and sell existing software solutions, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Our obligations under our existing or future drug discovery collaboration agreements may limit our intellectual property rights that are important to our business. Further, if we fail to comply with our obligations under our existing or future collaboration agreements, or otherwise experience disruptions to our business relationships with our prior, current, or future collaborators, we could lose intellectual property rights that are important to our business.

We are party to collaboration agreements with biopharmaceutical companies, pursuant to which we provide drug discovery services but have no ownership rights, or only co-ownership rights, to certain intellectual property generated through the collaborations. We are also party to a collaboration agreement with BMS for the development and potential commercialization of product candidates we discover internally, which also provides for co-ownership rights to certain intellectual property generated through the collaboration in certain scenarios. We may enter into additional collaboration agreements in the future, pursuant to which we may have no ownership rights, or only co-ownership rights, to certain intellectual property generated through the future collaborations. If we are unable to obtain ownership or license of such intellectual property generated through our prior, current, or future collaborations and overlapping with, or related to, our own proprietary technology or product candidates, then our business, financial condition, results of operations, and prospects could be materially harmed.

Our existing collaboration agreements contain certain exclusivity obligations that require us to design compounds exclusively for our collaborators with respect to certain specific targets over a specified time period. Our future collaboration agreements may grant similar exclusivity rights to future collaborators with respect to target(s) that are the subject of such collaborations. Existing or future collaboration agreements may also impose diligence obligations on us. For example, existing or future collaboration agreements may impose restrictions on us from pursuing the drug development targets for ourselves or for our other current or future collaborators, thereby removing our ability to develop and commercialize, or to jointly develop and commercialize with other current or future collaborators, product candidates, and technology related to the drug development targets. Under our collaboration with BMS, for example, we are prohibited from developing and commercializing product candidates anywhere in the world that are directed at the targets specified under the agreement, until the earlier of such target ceasing to be included under the agreement or the expiration of the last to expire royalty term for the program related to the target. In spite of our best efforts, our prior, current, or future collaborators might conclude that we have materially breached our collaboration agreements. If these collaboration agreements are terminated, or if the underlying intellectual property, to the extent we have ownership or license of such intellectual property, fails to provide the intended exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products and technology identical to ours. This could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

Disputes may arise regarding intellectual property subject to a collaboration agreement, including:

- the scope of ownership or license granted under the collaboration agreement and other interpretation related issues;
- the extent to which our technology and product candidates infringe on intellectual property of the collaborator of which we do not have ownership or license under the collaboration agreement;
- the assignment or sublicense of intellectual property rights and other rights under the collaboration agreement;
- our diligence obligations under the collaboration agreement and what activities satisfy those diligence obligations; and
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by us and our current or future collaborators.

In addition, collaboration agreements are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property, or increase what we believe to be our obligations under the relevant agreements, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have owned, co-owned, or in-licensed under the collaboration agreements prevent or impair our ability to maintain our current collaboration arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected technology or product candidates, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If we are unable to obtain, maintain, enforce, and protect patent protection for our technology and product candidates or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully develop and commercialize our technology and product candidates may be adversely affected.

Our success depends in large part on our ability to obtain and maintain protection of the intellectual property we may own solely and jointly with others or may license from others, particularly patents, in the United States and other countries with respect to any proprietary technology and product candidates we develop, including SGR-1505, SGR-2921, and SGR-3515, and any trade secrets and know-how relevant to our product candidates. We seek to protect our proprietary position by filing patent applications in the United States and abroad related to our technology and any product candidates we may develop that are important to our business and by in-licensing intellectual property related to our technology and product candidates. If we are unable to obtain or maintain patent protection with respect to any proprietary technology or product candidate, our business, financial condition, results of operations, and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming, and complex, and we may not be able to file, prosecute, maintain, defend, or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we may not have the right to control the preparation, filing, and prosecution of patent applications, or to maintain, enforce, and defend the patents, covering technology that we co-own with third parties or license from third parties. Therefore, these co-owned and in-licensed patents and applications may not be prepared, filed, prosecuted, maintained, defended, and enforced in a manner consistent with the best interests of our business.

The patent position of software and biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has in recent years been the subject of much litigation. In addition, the scope of patent protection outside of the United States is uncertain, and laws of non-U.S. countries may not protect our rights to the same extent as the laws of the United States or vice versa. With respect to both owned and in-licensed patent rights, we cannot predict whether the patent applications we, our collaborators, and our licensors are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient protection from competitors.

For example, in jurisdictions outside the United States, a license may not be enforceable unless all the owners of the intellectual property agree or consent to the license. Accordingly, any actual or purported co-owner of our patent rights could seek monetary or equitable relief requiring us to pay it compensation for, or refrain from, exploiting these patents due to such co-ownership.

Furthermore, patents have a limited lifespan. In the United States, and most other jurisdictions in which we have undertaken patent filings, the natural expiration of a patent is generally twenty years after it is filed, assuming all maintenance fees are paid. Various extensions may be available, on a jurisdiction-by-jurisdiction basis; however, the life of a patent, and thus the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, patents we may own or in-license may not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing drugs similar or identical to our current or future product candidates, including generic versions of such drugs.

Further, we may not be aware of all third-party intellectual property rights or prior art potentially relating to our computational platform, technology, and any product candidates we may develop. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing of the priority application, or in some cases not published at all. Therefore, neither we nor our collaborators, or our licensor can know with certainty whether either we, our collaborators, or our licensor were the first to make the inventions claimed in the patents and patent applications we own or in-license now or in the future, or that either we, our collaborators, or our licensor were the first to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability, and commercial value of our owned, co-owned, and in-licensed patent rights are highly uncertain. Moreover, our owned, co-owned, and in-licensed pending and future patent applications may not result in patents being issued that protect our technology and product candidates, in whole or in part, or that effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our owned, co-owned, or in-licensed current or future patents and our ability to obtain, protect, maintain, defend, and enforce our patent rights, narrow the scope of our patent protection and, more generally, could affect the value of, or narrow the scope of, our patent rights. For example, recent Supreme Court decisions have served to curtail the scope of subject matter eligible for patent protection in the United States, and many software patents have since been invalidated on the basis that they are directed to abstract ideas.

In order to pursue protection based on our pending provisional patent applications, we will need to file Patent Cooperation Treaty applications, non-U.S. applications, and/or U.S. non-provisional patent applications prior to applicable deadlines. Even then, as highlighted above, patents may never issue from our patent applications, or the scope of any patent may not be sufficient to provide a competitive advantage.

Moreover, we, our collaborators, or our licensors may be subject to a third-party preissuance submission of prior art to the U.S. Patent and Trademark Office, or USPTO, or become involved in opposition, derivation, revocation, reexamination, *inter partes* review, post-grant review, or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding, or litigation could reduce the scope of, or invalidate, our patent rights or allow third parties to commercialize our technology or product candidates and compete directly with us, without payment to us. If the breadth or strength of protection provided by our owned, co-owned, or in-licensed current or future patents and patent applications is threatened, regardless of the outcome, it could dissuade companies from collaborating with us to license, develop, or commercialize current or future technology or product candidates.

Additionally, the coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if our owned, co-owned, and in-licensed current and future patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our owned and in-licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated, or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and product candidates. Such proceedings also may result in substantial cost and require significant time from our management and employees, even if the eventual outcome is favorable to us. In particular, given the amount of time required for the development, testing, and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Furthermore, our competitors may be able to circumvent our owned, co-owned, or in-licensed current or future patents by developing similar or alternative technologies or products in a non-infringing manner. As a result, our owned, co-owned, and in-licensed current or future patent portfolio may not provide us with sufficient rights to exclude others from commercializing technology and products similar or identical to any of our technology and product candidates.

In addition, we may in the future be subject to claims by our former employees or consultants asserting an ownership right in our patents or patent applications, as a result of the work they performed on our behalf. Although we generally require all of our employees, consultants and advisors, and any other third parties who have access to our proprietary know-how, information or technology to assign or grant similar rights to their inventions to us, we cannot be certain that we have executed such agreements with all parties who may have contributed to our intellectual property, nor can we be certain that our agreements with such parties will be upheld in the face of a potential challenge, or that they will not be breached, for which we may not have an adequate remedy.

Changes to patent laws in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.

Changes in either the patent laws or interpretation of patent laws in the United States, including patent reform legislation such as the Leahy-Smith America Invents Act, or the Leahy-Smith Act, could increase the uncertainties and costs surrounding the prosecution of our owned and in-licensed patent applications and the maintenance, enforcement or defense of our owned and in-licensed issued patents. The Leahy-Smith Act includes a number of significant changes to United States patent law. These changes include provisions that affect the way patent applications are prosecuted, redefine prior art, provide more efficient and cost-effective avenues for competitors to challenge the validity of patents, and enable third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent at USPTO-administered post-grant proceedings, including post-grant review, *inter partes* review, and derivation proceedings. Assuming that other requirements for patentability are met, prior to March 2013, in the United States, the first to invent the claimed invention was entitled to the patent, while outside the United States, the first to file a patent application was entitled to the patent. After March 2013, under the Leahy-Smith Act, the United States transitioned to a first-to-file system in which, assuming that the other statutory requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. As such, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the patent positions of companies in the development and commercialization of software, biologics and pharmaceuticals are particularly uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the validity and enforceability of patents once obtained. Depending on future actions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our patent rights and our ability to protect, defend and enforce our patent rights in the future.

A number of cases decided by the U.S. Supreme Court have involved questions of when claims reciting abstract ideas, laws of nature, natural phenomena and/or natural products are eligible for a patent, regardless of whether the claimed subject matter is otherwise novel and inventive. These cases include Association for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 12-398 (2013) or Myriad; Alice Corp. v. CLS Bank International, 573 U.S. 13-298 (2014); and Mayo Collaborative Services v. Prometheus Laboratories, Inc., or Prometheus, 566 U.S. 10-1150 (2012). In response to these cases, federal courts have held numerous patents invalid as claiming subject matter ineligible for patent protection. Moreover, the USPTO has issued guidance to the examining corps on how to apply these cases during examination. As a result of these decisions, obtaining broad patents in the United States covering software innovations is more challenging than before.

In addition to increasing uncertainty with regard to our ability to obtain future patents, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on these and other decisions by Congress, the federal courts and the USPTO, the laws and regulations governing patents could change or be interpreted in unpredictable ways that would weaken our ability to obtain new patents or to enforce any patents that may issue to us in the future. In addition, these events may adversely affect our ability to defend any patents that may issue in procedures in the USPTO or in courts.

Obtaining and maintaining our patent protection depends on compliance with various deadlines and procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated if we fail to comply with these deadlines and requirements. We may miss a filing deadline for patent protection on these inventions.

The USPTO and foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after issuance of any patent. In addition, periodic maintenance fees, renewal fees, annuity fees and/or various other government fees are required to be paid. While an inadvertent lapse can be cured in some cases by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such

an event, our competitors might be able to enter the market with similar or identical products or platforms, which could have a material adverse effect on our business prospects and financial condition.

Intellectual property rights do not guarantee commercial success of current or future product candidates or other business activities. Numerous factors may limit any potential competitive advantage provided by our intellectual property rights.

The degree of future protection afforded by our intellectual property rights, whether owned or in-licensed, is uncertain because intellectual property rights have limitations, and may not adequately protect our business, provide a barrier to entry against our competitors or potential competitors, or permit us to maintain our competitive advantage. Moreover, if a third-party has intellectual property rights that cover the practice of our technology, we may not be able to fully exercise or extract value from our intellectual property rights. The following examples are illustrative:

- patent applications that we own or may in-license may not lead to issued patents;
- patents, should they issue, that we may own or in-license, may not provide us with any competitive advantages, may be narrowed in scope, or may be challenged and held invalid or unenforceable;
- others may be able to develop and/or practice technology, including compounds that are similar to the chemical compositions of our current or future product candidates, that is similar to our technology or aspects of our technology but that is not covered by the claims of any patents we may own or in-license, should any patents issue;
- third parties may compete with us in jurisdictions where we do not pursue and obtain patent protection;
- we, or our future licensors or collaborators, might not have been the first to make the inventions covered by a patent application that we own or may in-license;
- we, or our future licensors or collaborators, might not have been the first to file patent applications covering a particular invention;
- others may independently develop similar or alternative technologies without infringing, misappropriating or otherwise violating our intellectual property rights;
- our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights, and may then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not be able to obtain and/or maintain necessary licenses on reasonable terms or at all;
- third parties may assert an ownership interest in our intellectual property and, if successful, such disputes may preclude us from exercising exclusive rights, or any rights at all, over that intellectual property;
- we may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third-party may subsequently file a patent covering such trade secrets or know-how;
- we may not be able to maintain the confidentiality of our trade secrets or other proprietary information;
- we may not develop or in-license additional proprietary technologies that are patentable; and
- the patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business, financial condition, results of operations and prospects.

We, our prior, existing, or future collaborators, and our existing or future licensors, may become involved in lawsuits to protect or enforce our patent or other intellectual property rights, which could be expensive, time-consuming and unsuccessful.

Competitors and other third parties may infringe, misappropriate, or otherwise violate our, our prior, current and future collaborators', or our current and future licensors' issued patents or other intellectual property. As a result, we, our prior, current, or future collaborators, or our current or future licensor may need to file infringement, misappropriation, or other intellectual property related claims, which can be expensive and time-consuming. Any claims we assert against perceived infringers could provoke such parties to assert counterclaims against us alleging that we infringe, misappropriate, or otherwise violate their intellectual property. In addition, in a patent infringement proceeding, such parties could assert that the patents we, our collaborators, or our licensors have asserted are invalid or unenforceable. In patent litigation in the United States, defenses alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement, during prosecution. Third parties may institute such claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post-grant review, *inter partes* review, interference proceedings, derivation proceedings, and equivalent proceedings in non-U.S. jurisdictions (e.g., opposition proceedings). The outcome following legal assertions of invalidity and unenforceability is unpredictable.

An adverse result in any such proceeding could put one or more of our owned, co-owned, or in-licensed current or future patents at risk of being invalidated or interpreted narrowly and could put any of our owned, co-owned, or in-licensed current or future patent applications at risk of not yielding an issued patent. A court may also refuse to stop the third party from using the technology at issue in a proceeding on the grounds that our owned, co-owned, or in-licensed current or future patents do not cover such technology. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information or trade secrets could be compromised by disclosure during this type of litigation. Any of the foregoing could allow such third parties to develop and commercialize competing technologies and products in a non-infringing manner and have a material adverse impact on our business, financial condition, results of operations, and prospects.

Interference or derivation proceedings provoked by third parties, or brought by us or by our collaborators or licensor, or declared by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms or at all, or if a non-exclusive license is offered and our competitors gain access to the same technology. Our defense of litigation or interference or derivation proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct clinical trials, continue our research programs, license necessary technology from third parties, or enter into development collaborations that would help us bring any product candidates to market.

Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability and the ability of our collaborators and licensor to develop, manufacture, market, and sell any product candidates we may develop and for our collaborators, licensor, customers, and partners to use our proprietary technologies without infringing, misappropriating, or otherwise violating the intellectual property and proprietary rights of third parties. There is considerable patent and other intellectual property litigation in the software, pharmaceutical, and biotechnology industries. We may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our technology and product candidates, including interference proceedings, post grant review, *inter partes* review, and derivation proceedings before the USPTO and similar proceedings in non-U.S. jurisdictions such as oppositions before the European Patent Office. Numerous U.S. and non-U.S. issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are pursuing development candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our technologies or product candidates that we may identify may be subject to claims of infringement of the patent rights of third parties.

The legal threshold for initiating litigation or contested proceedings is low, so that even lawsuits or proceedings with a low probability of success might be initiated and require significant resources to defend. Litigation and contested proceedings can also be expensive and time-consuming, and our adversaries in these proceedings may have the ability to dedicate substantially greater resources to prosecuting these legal actions than we can. The risks of being involved in such litigation and proceedings may increase if and as any product candidates near commercialization and as we gain the greater visibility associated with being a public company. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of merit. We may not be aware of all such intellectual property rights potentially relating to our technology and product candidates and their uses, or we may incorrectly conclude that third-party intellectual property is invalid or that our activities and product candidates do not infringe such intellectual property. Thus, we do not know with certainty that our technology and product candidates, or our development and commercialization thereof, do not and will not infringe, misappropriate or otherwise violate any third party's intellectual property.

Third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims to materials, formulations or methods, such as methods of manufacture or methods for treatment, related to the discovery, use or manufacture of the product candidates that we may identify or related to our technologies. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that the product candidates that we may identify may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Moreover, as noted above, there may be existing patents that we are not aware of or that we have incorrectly concluded are invalid or not infringed by our activities. If any third-party patents were held by a court of competent jurisdiction to cover, for example, the manufacturing process of the product candidates that we may identify, any molecules formed during the manufacturing process or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtained a license under the applicable patents, or until such patents expire.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize the product candidates that we may identify. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, pay royalties, redesign our infringing products, be forced to indemnify our customers, licensor, or collaborators or obtain one or more licenses from third parties, which may be impossible or require substantial time and monetary expenditure.

We may choose to take a license or, if we are found to infringe, misappropriate, or otherwise violate a third party's intellectual property rights, we could also be required to obtain a license from such third party to continue developing, manufacturing and marketing our technology and product candidates. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us and could require us to make substantial licensing and royalty payments. We could be forced, including by court order, to cease developing, manufacturing and commercializing the infringing technology or product. A finding of infringement could prevent us from commercializing any product candidates or force us to cease some of our business operations, which could materially harm our business. In addition, we may be forced to redesign any product candidates, seek new regulatory approvals and indemnify third parties pursuant to contractual agreements. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on our business, financial condition, results of operations, and prospects.

We may be subject to claims by third parties asserting that our employees, consultants, or contractors have wrongfully used or disclosed confidential information of third parties, or we have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Certain of our employees, consultants, and contractors were previously employed at universities or other software or biopharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims.

In addition, while it is our policy to require that our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Our intellectual property assignment agreements with them may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property. Such claims could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could have a material adverse effect on our competitive business position and prospects. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products, which license may not be available on commercially reasonable terms, or at all, or such license may be non-exclusive. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and employees.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position may be harmed.

In addition to seeking patents for any product candidates and technology, we also rely on trade secrets and confidentiality agreements to protect our unpatented know-how, technology, and other proprietary information, to maintain our competitive position. We seek to protect our trade secrets and other proprietary technology, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, advisors, collaborators, and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants, but we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology. Despite these efforts, any of these parties may inadvertently or intentionally breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Detecting the disclosure or misappropriation of a trade secret and enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive, and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside of the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third party, our competitive position may be materially and adversely harmed.

Risks Related to Regulatory and Other Legal Compliance Matters

Even if we complete the necessary preclinical studies and clinical trials, the regulatory approval process is expensive, time consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our product candidates. As a result, we cannot predict when or if, and in which territories, we will obtain marketing approval to commercialize a product candidate.

The research, testing, manufacturing, labeling, approval, selling, marketing, promotion and distribution of products are subject to extensive regulation by the FDA and comparable foreign regulatory authorities. We are not permitted to market our product candidates in the United States or in other countries until we receive approval of a new drug application from the FDA or marketing approval from applicable regulatory authorities outside the United States. Our product candidates are in various stages of development and are subject to the risks of failure inherent in drug development. We have not submitted an application for or received marketing approval for any of our product candidates in the United States or in any other jurisdiction. We have no experience as a company in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-party CROs to assist us in this process.

The process of obtaining marketing approvals, both in the United States and abroad, is lengthy, expensive and uncertain. It may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information, including manufacturing information, to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. The FDA or other regulatory authorities may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use.

In addition, changes in marketing approval policies during the development period, changes in or the enactment or promulgation of additional statutes, regulations or guidance or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Further, our ability to develop and market new products may be impacted if litigation challenging the FDA's approval of mifepristone continues. In April 2023, the U.S. District Court for the Northern District of Texas stayed the approval by the FDA of mifepristone, a drug product which was originally approved in 2000 and whose distribution is governed by various conditions adopted under a REMS. The Court of Appeals for the Fifth Circuit declined to order the removal of mifepristone from the market, but did hold that plaintiffs were likely to prevail in their claim that changes allowing for expanded access of mifepristone that FDA authorized in 2016 and 2021 were arbitrary and capricious. In June 2024, the Supreme Court reversed and remanded that decision after unanimously finding that the plaintiffs did not have standing to bring this legal action against the FDA. Depending on the outcome of this litigation, if it continues, our ability to develop and market new drug products could be delayed, undermined or subject to protracted litigation.

In order to market and sell our products in the European Union and other foreign jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The marketing approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. We may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may file for marketing approvals but not receive necessary approvals to commercialize our products in any market.

We may seek certain designations for our product candidates, including Breakthrough Therapy, Fast Track and Priority Review designations in the United States, and PRIME Designation in the European Union, but we might not receive such designations, and even if we do, such designations may not lead to a faster development or regulatory review or approval process.

We may seek certain designations for one or more of our product candidates that could expedite review and approval by the FDA. A Breakthrough Therapy product is defined as a product that is intended, alone or in combination with one or more other products, to treat a serious condition, and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For products that have been designated as Breakthrough Therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens.

The FDA may also designate a product for Fast Track review if it is intended, whether alone or in combination with one or more other products, for the treatment of a serious or life threatening disease or condition, and it demonstrates the potential to address unmet medical needs for such a disease or condition. For Fast Track products, sponsors may have greater interactions with the FDA and the FDA may initiate review of sections of a Fast Track product's application before the application is complete. This rolling review may be available if the FDA determines, after preliminary evaluation of clinical data submitted by the sponsor, that a Fast Track product may be effective. In July 2024, the FDA granted Fast Track designation to SGR-2921 in patients with relapsed or refractory acute myeloid leukemia.

We may also seek a priority review designation for one or more of our product candidates. If the FDA determines that a product candidate offers major advances in treatment or provides a treatment where no adequate therapy exists, the FDA may designate the product candidate for priority review. A priority review designation means that the goal for the FDA to review an application is six months, rather than the standard review period of ten months.

These designations are within the discretion of the FDA. Accordingly, even if we believe that one of our product candidates meets the criteria for these designations, the FDA may disagree and instead determine not to make such designation. Further, even if we receive a designation, the receipt of such designation for a product candidate may not result in a faster development or regulatory review or approval process compared to products considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualifies for these designations, the FDA may later decide that the product candidates no longer meet the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

In the EU, we may seek PRIME designation for our product candidates in the future. PRIME is a voluntary program aimed at enhancing the EMA's role to reinforce scientific and regulatory support in order to optimize development and enable accelerated assessment of new medicines that are of major public health interest with the potential to address unmet medical needs. The program focuses on medicines that target conditions for which there exists no satisfactory method of treatment in the EU or even if such a method exists, it may offer a major therapeutic advantage over existing treatments. PRIME is limited to medicines under development and not authorized in the EU and the applicant intends to apply for an initial marketing authorization application through the centralized procedure. To be accepted for PRIME, a product candidate must meet the eligibility criteria in respect of its major public health interest and therapeutic innovation based on information that is capable of substantiating the claims. The benefits of a PRIME designation include the appointment of a CHMP rapporteur to provide continued support and help to build knowledge ahead of a marketing authorization application, early dialogue and scientific advice at key development milestones, and the potential to qualify products for accelerated review, meaning reduction in the review time for an opinion on approvability to be issued earlier in the application process. PRIME enables an applicant to request parallel EMA scientific advice and health technology assessment advice to facilitate timely market access. Even if we receive PRIME designation for any of our product candidates, the designation may not result in a materially faster development process, review or approval compared to conventional EMA procedures. Further, obtaining PRIME designation does not assure or increase the likelihood of EMA's grant of a marketing authorization.

Current and future legislation may increase the difficulty and cost for us to obtain reimbursement for any of our product candidates that do receive marketing approval.

In the United States and foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved products. If reimbursement of our products is unavailable or limited in scope, our business could be materially harmed.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the ACA. In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through the first half of 2032 under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. Pursuant to subsequent legislation, these Medicare sequester reductions were suspended and reduced in 2021 and 2022 but, as of July 1, 2022, the full 2% cut has resumed. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Indeed, under current legislation, the actual reductions in Medicare payments may vary up to 4%. The Consolidated Appropriations Act, which was signed into law by President Biden in December 2022, made several changes to sequestration of the Medicare program. Section 1001 of the Consolidated Appropriations Act delays the 4% Statutory Pay-As-You-Go Act of 2010 sequester for two years, through the end of 2024. Triggered by enactment of the American Rescue Plan Act of 2021, the 4% cut to the Medicare program would have taken effect in January 2023. The Consolidated Appropriations Act's health care offset title includes Section 4163, which extends the 2% Budget Control Act of 2011 Medicare sequester for six months into 2032 and lowers the payment reduction percentages in 2030 and 2031.

Since enactment of the ACA, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the 2017 Tax Act, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, in December 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseverable feature of the ACA and therefore because the mandate was repealed as part of the 2017 Tax Act, the remaining provisions of the ACA are invalid as well. The U.S. Supreme Court heard this case and in June 2021, dismissed this action after finding that the plaintiffs do not have standing to challenge the constitutionality of the ACA. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

The Trump Administration also took executive actions to delay implementation of the ACA, including directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers or manufacturers of pharmaceuticals or medical devices. On January 28, 2021, however, President Biden revoked those orders and issued a new executive order which directs federal agencies to reconsider rules and other policies that limit Americans' access to health care, and consider actions that will protect and strengthen that access. Under this order, federal agencies are directed to re-examine: policies that undermine protections for people with pre-existing conditions, including complications related to COVID-19; demonstrations and waivers under Medicaid and the ACA that may reduce coverage or undermine the programs, including work requirements; policies that undermine the Health Insurance Marketplace or other markets for health insurance; policies that make it more difficult to enroll in Medicaid and the ACA; and policies that reduce affordability of coverage or financial assistance, including for dependents.

In the European Union, on December 13, 2021, Regulation No 2021/2282 on Health Technology Assessment, or HTA, amending Directive 2011/24/EU, was adopted. While the HTA entered into force in January 2022, it will only begin to apply from January 2025 onwards, with preparatory and implementation-related steps to take place in the interim. Once applicable, it will have a phased implementation depending on the concerned products. The HTA intends to boost cooperation among European Union member states in assessing health technologies, including new medicinal products as well as certain high-risk medical devices, and provide the basis for cooperation at the European Union level for joint clinical assessments in these areas. It will permit European Union member states to use common HTA tools, methodologies, and procedures across the European Union, working together in four main areas, including joint clinical assessment of the innovative health technologies with the highest potential impact for patients, joint scientific consultations whereby developers can seek advice from HTA authorities, identification of emerging health technologies to identify promising technologies early, and continuing voluntary cooperation in other areas. Individual European Union member states will continue to be responsible for assessing non-clinical (e.g., economic, social, ethical) aspects of health technology, and making decisions on pricing and reimbursement.

We expect that these healthcare reforms, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product and/or the level of reimbursement physicians receive for administering any approved product we might bring to market. Reductions in reimbursement levels may negatively impact the prices we receive or the frequency with which our products are prescribed or administered. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. Accordingly, such reforms, if enacted, could have an adverse effect on anticipated revenue from product candidates that we may successfully develop and for which we may obtain marketing approval and may affect our overall financial condition and ability to develop or commercialize product candidates.

The prices of prescription pharmaceuticals in the United States and foreign jurisdictions are subject to considerable legislative and executive actions and could impact the prices we obtain for our products, if and when licensed, as well as impact our ability to find collaborators for our drug discovery programs on commercially acceptable terms.

The prices of prescription pharmaceuticals have been the subject of considerable discussion in the United States. There have been several recent Congressional inquiries, as well as proposed and enacted state and federal legislation designed to, among other things, bring more transparency to pharmaceutical pricing, review the relationship between pricing and manufacturer patient programs, and reduce the costs of pharmaceuticals under Medicare and Medicaid. In 2020 President Trump issued several executive orders intended to lower the costs of prescription products and certain provisions in these orders have been incorporated into regulations. These regulations include an interim final rule implementing a most favored nation model for prices that would tie Medicare Part B payments for certain physician-administered pharmaceuticals to the lowest price paid in other economically advanced countries, effective January 1, 2021. That rule, however, has been subject to a nationwide preliminary injunction and, on December 29, 2021, Centers for Medicare & Medicaid Services, or CMS, issued a final rule to rescind it. With issuance of this rule, CMS stated that it will explore all options to incorporate value into payments for Medicare Part B pharmaceuticals and improve beneficiaries' access to evidence-based care.

In addition, in October 2020, the Department of Health and Human Services, or HHS, and the FDA published a final rule allowing states and other entities to develop a Section 804 Importation Program to import certain prescription drugs from Canada into the United States. That regulation was challenged in a lawsuit by the Pharmaceutical Research and Manufacturers of America, or PhRMA, but the case was dismissed by a federal district court in February 2023 after the court found that PhRMA did not have standing to sue HHS. A number of states have passed laws allowing for the importation of drugs from Canada. Certain of these states have submitted Section 804 Importation Program proposals and are awaiting FDA approval. In January 2024, the FDA authorized the importation of mass medications from Canada into Florida. Further, on November 20, 2020, HHS finalized a regulation that would eliminate the current safe harbor for Medicare drug rebates and create new safe harbors for beneficiary point-of-sale discounts and pharmacy benefit manager service fees. It originally was set to go into effect on January 1, 2022, but with passage of the IRA has been delayed by Congress until January 1, 2032.

On August 16, 2022, the IRA was signed into law by President Biden. The new legislation has implications for Medicare Part D, which is a program available to individuals who are entitled to Medicare Part A or enrolled in Medicare Part B to give them the option of paying a monthly premium for outpatient prescription drug coverage. Among other things, the IRA requires manufacturers of certain drugs to engage in price negotiations with Medicare (beginning in 2026), with prices that can be negotiated subject to a cap; imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation (first due in 2023); and replaces the Part D coverage gap discount program with a new discounting program (beginning in 2025). The IRA permits the Secretary of the HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years.

Specifically, with respect to price negotiations, Congress authorized Medicare to negotiate lower prices for certain costly single-source drug and biologic products that do not have competing generics or biosimilars and are reimbursed under Medicare Part B and Part D. CMS may negotiate prices for ten high-cost drugs paid for by Medicare Part D starting in 2026, followed by 15 Part D drugs in 2027, 15 Part B or Part D drugs in 2028, and 20 Part B or Part D drugs in 2029 and beyond. This provision applies to drug products that have been approved for at least 9 years and biologics that have been licensed for 13 years, but it does not apply to drugs and biologics that have been approved for a single rare disease or condition. Nonetheless, since CMS may establish a maximum price for these products in price negotiations, we would be fully at risk of government action if our products or those of our partners are the subject of Medicare price negotiations. Moreover, given the risk that could be the case, these provisions of the IRA may also further heighten the risk that we would not be able to achieve the expected return on our drug products or full value of our patents protecting our products if prices are set after such products have been on the market for nine years.

Furthermore, these provisions of the IRA may cause some companies to shift their research portfolio and priorities more towards large molecules (i.e. biologics such as antibodies) rather than small molecules. Although we do have applications of our technology to biologics, we do not yet have the same validation or value for large molecule discovery as we do for small molecule discovery. Accordingly, if the IRA causes the pharmaceutical industry to pivot investment and portfolio strategy away from small molecule drug discovery and towards biologics, it could have a material adverse effect on the expected value of our drug discovery programs and also on the perceived value of using our software to develop product candidates. In addition, if investment levels and development interest in small molecule therapeutics decreased, it may become more difficult for us to enter into collaborations on commercially acceptable terms, or at all, for our proprietary drug discovery programs. If we are unable to find suitable collaborators and/or partners for our programs, we may be forced to fund and undertake development or commercialization activities on our own for more programs than we would otherwise expect to, or plan for, which could adversely affect our business and financial condition.

On June 6, 2023, Merck & Co., Inc., filed a lawsuit against HHS and CMS asserting that, among other things, the IRA's Drug Price Negotiation Program for Medicare constitutes an uncompensated taking in violation of the Fifth Amendment of the U.S. Constitution. Subsequently, other parties, including the U.S. Chamber of Commerce and other pharmaceutical companies also filed lawsuits in various courts with similar constitutional claims against HHS and CMS. There have been various decisions by the courts considering these cases since they were filed. We expect that litigation involving these and other provisions of the IRA will continue, with unpredictable and uncertain results.

Further, the legislation subjects drug manufacturers to civil monetary penalties and a potential excise tax for failing to comply with the legislation by offering a price that is not equal to or less than the negotiated "maximum fair price" under the law or for taking price increases that exceed inflation. The legislation also requires manufacturers to pay rebates for drugs in Medicare Part D whose price increases exceed inflation. The new law also caps Medicare out-of-pocket drug costs at an estimated $4,000 a year in 2024 and, thereafter beginning in 2025, at $2,000 a year. In addition, the IRA potentially raises legal risks with respect to individuals participating in a Medicare Part D prescription drug plan who may experience a gap in coverage if they required coverage above their initial annual coverage limit before they reached the higher threshold, or "catastrophic period" of the plan. Individuals requiring services exceeding the initial annual coverage limit and below the catastrophic period, must pay 100% of the cost of their prescriptions until they reach the catastrophic period. Among other things, the IRA contains many provisions aimed at reducing this financial burden on individuals by reducing the co-insurance and co-payment costs, expanding eligibility for lower income subsidy plans, and price caps on annual out-of-pocket expenses, each of which could have potential pricing and reporting implications.

Accordingly, while it is currently unclear how the IRA will be effectuated, we cannot predict with certainty what impact any federal or state health reforms will have on us, but such changes could impose new or more stringent regulatory requirements on our activities or result in reduced reimbursement for approved products, any of which could adversely affect our business, results of operations and financial condition.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare organizations and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

In the European Union, similar political, economic and regulatory developments may affect our ability to profitably commercialize our product candidates, if approved. In markets outside of the United States and the European Union, reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies. In many countries, including those of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control and access. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we or our collaborators may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. If reimbursement is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be materially harmed.

Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition, or results of operations.

The regulatory framework for the collection, use, safeguarding, sharing, transfer, and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, the collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data and employee data, is subject to the European Union General Data Protection Regulation, or the GDPR, which took effect across all member states of the European Economic Area, or EEA, in May 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR increases our obligations with respect to any clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that such rules should apply to transfers of personal data from any clinical trial sites located in the EEA to the United States. In October 2022, President Biden signed an executive order to implement the EU-U.S. Data Privacy Framework, which serves as a replacement to the EU-U.S. Privacy Shield. The European Commission initiated the process to adopt an adequacy decision for the EU-U.S. Data Privacy Framework in December 2022, and the European Commission adopted the adequacy decision on July 10, 2023. The adequacy decision permits companies in the United States who self-certify to the EU-U.S. Data Privacy Framework to rely on it as a valid data transfer mechanism for data transfers from the European Union to the United States. However, some privacy advocacy groups have already suggested that they will be challenging the EU-U.S. Data Privacy Framework. If these challenges are successful, they may not only impact the EU-U.S. Data Privacy Framework, but also further limit the viability of the standard contractual clauses and other data transfer mechanisms. The uncertainty around this issue has the potential to impact our business internationally.

Following the withdrawal of the United Kingdom from the European Union, the United Kingdom's Data Protection Act 2018 applies to the processing of personal data that takes place in the United Kingdom and includes parallel obligations to those set forth by GDPR. In relation to data transfers, both the United Kingdom and the European Union have determined, through separate "adequacy" decisions, that data transfers between the two jurisdictions are in compliance with the United Kingdom's Data Protection Act 2018 and the GDPR, respectively. In October 2023, the United Kingdom and the United States implemented a US-UK "data bridge," which functions similarly to the EU-U.S. Data Privacy Framework and provides an additional legal mechanism for companies to transfer data from the United Kingdom to the United States. Any changes or updates to these developments have the potential to impact our business.

The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater, and confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. In addition, the GDPR provides that European Union member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric, or health data.

Given the breadth and depth of changes in data protection obligations, preparing for and complying with the GDPR's requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices, as well as those of any third-party collaborators, service providers, contractors, or consultants that process or transfer personal data collected in the European Union. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities and increase our cost of doing business, and could lead to government enforcement actions, private litigation, and significant fines and penalties against us, and could have a material adverse effect on our business, financial condition, or results of operations.

Similar privacy and data security requirements are either in place or underway in the United States. There are a broad variety of data protection laws that may be applicable to our activities, and a range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns. The Federal Trade

Commission, or FTC, and state Attorneys General are aggressive in reviewing privacy and data security protections for consumers. For example, the FTC has been particularly focused on the unpermitted processing of health and genetic data through its recent enforcement actions and is expanding the types of privacy violations that it interprets to be "unfair" under Section 5 of the Federal Trade Commission Act, as well as the types of activities it views to trigger the Health Breach Notification Rule (which the FTC also has the authority to enforce). The agency is also in the process of developing rules related to commercial surveillance and data security that may impact our business. We will need to account for the FTC's evolving rules and guidance for proper privacy and data security practices in order to mitigate our risk for a potential enforcement action, which may be costly. If we are subject to a potential FTC enforcement action, we may be subject to a settlement order that requires us to adhere to very specific privacy and data security practices, which may impact our business. We may also be required to pay fines as part of a settlement (depending on the nature of the alleged violations). If we violate any consent order that we reach with the FTC, we may be subject to additional fines and compliance requirements.

States are also active in creating specific rules relating to the processing of personal information. For example, the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020, is creating similar risks and obligations as those created by GDPR. Because of this, we may need to engage in additional activities (e.g., data mapping) to identify the personal information we are collecting and the purposes for which such information is collected. In addition, we will need to ensure that our policies recognize the rights granted to consumers (as that phrase is broadly defined in the CCPA and can include business contact information), including granting consumers the right to opt-out of the sale of their personal information. Many other states are considering similar legislation. In November 2020, California voters passed a ballot initiative for the California Privacy Rights Act, or the CPRA, which went into effect on January 1, 2023 and significantly expanded the CCPA to incorporate additional GDPR-like provisions including requiring that the use, retention, and sharing of personal information of California residents be reasonably necessary and proportionate to the purposes of collection or processing, granting additional protections for sensitive personal information, and requiring greater disclosures related to notice to residents regarding retention of information. In addition to California, a number of other states have passed comprehensive privacy laws similar to the CCPA and CPRA. These laws are either in effect or will go into effect sometime over the next few years. Like the CCPA and CPRA, these laws create obligations related to the processing of personal information, as well as special obligations for the processing of "sensitive" data (which includes health data in some cases). Some of the provisions of these laws may apply to our business activities. There are also states that are strongly considering privacy laws that will go into effect in 2025 and beyond. Other states will be considering these laws in the future, and at the same time, a broad range of legislative measures also have been introduced at the federal level. Accordingly, failure to comply with current and any future federal and state laws regarding privacy and security of personal information could expose us to fines and penalties. We also face a threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

We, and the collaborators who use our computational platform, may be subject to applicable anti-kickback, fraud and abuse, false claims, transparency, health information privacy and security, and other healthcare laws and regulations. Failure to comply with such laws and regulations, may result in substantial penalties.

We, and the collaborators who use our computational platform, may be subject to broadly applicable healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell, and distribute our software solutions and any products for which we obtain marketing approval. Such healthcare laws and regulations include, but are not limited to, the federal health care Anti-Kickback Statute; federal civil and criminal false claims laws, such as the federal False Claims Act; the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA; the Federal Food, Drug, and Cosmetic Act; the federal Physician Payments Sunshine Act; and analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws and transparency laws.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations, or case law involving applicable fraud and abuse or other healthcare laws and regulations. Violations of applicable healthcare laws and regulations may result in significant civil, criminal, and administrative penalties, damages, disgorgement, fines, imprisonment, exclusion of products from government funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements, and/or oversight if a corporate integrity agreement or similar agreement is executed to resolve allegations of non-compliance with these laws and the curtailment or restructuring of operations. In addition, violations may also result in reputational harm, diminished profits, and future earnings.

We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws, and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, be precluded from developing, manufacturing, and selling certain products outside the United States or be required to develop and implement costly compliance programs, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or Bribery Act, the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws that apply in countries where we do business and may do business in the future. The Bribery Act, FCPA, and these other laws generally prohibit us, our officers, and our employees and intermediaries from bribing, being bribed, or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. Compliance with the FCPA, in particular, is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the biopharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

We may in the future operate in jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the Bribery Act, FCPA, or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. If we further expand our operations outside of the United States, we will need to dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, and currency exchange regulations, collectively referred to as the Trade Control laws. In addition, various laws, regulations, and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA, or other legal requirements, including Trade Control laws. If we are not in compliance with the Bribery Act, the FCPA, and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations, and liquidity. The U.S. Securities and Exchange Commission, or SEC, also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions. Any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws or Trade Control laws by the United Kingdom, U.S., or other authorities could also have an adverse impact on our reputation, our business, results of operations, and financial condition.

Our employees, independent contractors, consultants, and vendors may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading laws, which could cause significant liability for us and harm our reputation.

We are exposed to the risk of fraud or other misconduct by our employees, independent contractors, consultants, and vendors. Misconduct by these partners could include intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, provide accurate information to the FDA or comparable foreign regulatory authorities, comply with manufacturing standards, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, report financial information or data accurately, or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. This could include violations of HIPAA, other U.S. federal and state law, and requirements of non-U.S. jurisdictions, including the European Union Data Protection Directive. We are also exposed to

risks in connection with any insider trading violations by employees or others affiliated with us. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards, regulations, guidance, or codes of conduct. Furthermore, our employees may, from time to time, bring lawsuits against us for employment issues, including injury, discrimination, wage and hour disputes, sexual harassment, hostile work environment, or other employment issues. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Our internal information technology systems, or those of our third-party vendors, contractors, or consultants, may fail or suffer security breaches, loss or leakage of data, and other disruptions, which could result in a material disruption of our services, compromise sensitive information related to our business, or prevent us from accessing critical information, potentially exposing us to liability or otherwise adversely affecting our business.

We are increasingly dependent upon information technology systems, infrastructure, and data to operate our business. In the ordinary course of business, we collect, store, and transmit confidential information (including but not limited to intellectual property, proprietary business information, and personal information). It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party vendors and other contractors and consultants who have access to our confidential information.

Despite the implementation of security measures, given the size and complexity of our internal information technology systems and those of our third-party vendors and other contractors and consultants, and the increasing amounts of confidential information that they maintain, our information technology systems are potentially vulnerable to breakdown or other damage or interruption from service interruptions, system malfunction, natural disasters, terrorism, war, and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our employees, third-party vendors, contractors, consultants, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information), which may compromise our system infrastructure, or that of our third-party vendors and other contractors and consultants or lead to data leakage. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. We may not be able to anticipate all types of security threats, and we may not be able to implement preventive measures effective against all such security threats. For example, third parties have in the past and may in the future illegally pirate our software and make that software publicly available on peer-to-peer file sharing networks or otherwise. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations, or hostile foreign governments or agencies. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or those of our third-party vendors and other contractors and consultants, or inappropriate disclosure of confidential or proprietary information, we could incur liability and reputational damage and the further development and commercialization of our software could be delayed. The costs related to significant security breaches or disruptions could be material and exceed the limits of the cybersecurity insurance we maintain against such risks. If the information technology systems of our third-party vendors and other contractors and consultants become subject to disruptions or security breaches, we may have insufficient recourse against such third parties and we may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring.

While we have not experienced any significant system failure, accident, or security breach to date, and believe that our data protection efforts and our investment in information technology reduce the likelihood of such incidents in the future, we cannot assure you that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages, breaches in our systems, or those of our third-party vendors and other contractors and consultants, or other cyber incidents that could have a material adverse effect upon our reputation, business, operations, or financial condition. For example, if such an event were to occur and cause interruptions in our operations, or those of our third-party vendors and other contractors and consultants, it could result in a material disruption of our programs and the development of our services and technologies could be delayed. Furthermore, significant disruptions of our internal information technology systems or those of our third-party vendors and other contractors and consultants, or security

breaches could result in the loss, misappropriation, and/or unauthorized access, use, or disclosure of, or the prevention of access to, confidential information (including trade secrets or other intellectual property, proprietary business information, and personal information), which could result in financial, legal, business, and reputational harm to us. For example, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding our customers or employees, could harm our reputation directly, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business. Further, sophisticated cyber attackers (including foreign adversaries engaged in industrial espionage) are skilled at adapting to existing security technology and developing new methods of gaining access to organizations' sensitive business data, which could result in the loss of sensitive information, including trade secrets. For example, attackers have used artificial intelligence and machine learning to launch more automated, targeted and coordinated attacks against targets. Additionally, actual, potential, or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants.

Climate change-related risks and uncertainties and legal or regulatory responses to climate change could negatively impact our business, financial condition, results of operations, prospects and reputation.

We are subject to increasing climate-related risks and uncertainties, many of which are outside of our control. Climate change may result in more frequent severe weather events, potential changes in precipitation patterns, and extreme variability in weather patterns, which can disrupt our operations as well as those of our vendors, suppliers, and collaborators.

Climate-related macroeconomic trends, including the transition to a lower carbon economy, the effects of carbon pricing, changes in public sentiment, and the potential enactment of climate-related rules and regulations, continue to evolve and may increase our legal, compliance and business costs. Further, increases in climate-related litigation instituted against companies, the cost of climate-related insurance premiums, and the implementation of a more robust business continuity plan and a disaster recovery plan could increase the costs necessary to maintain our operations or achieve any sustainability commitments we may make, which could harm our business.

We annually assess the impacts of our operations and of our customers on the climate. The execution and achievement of any future commitments that we may make or of any goals that we may set relating to climate change are subject to risks and uncertainties. Given the focus on sustainable investing and corporate sustainability, if we fail to adopt policies and practices to enhance environmental initiatives, our reputation and our customer and stakeholder relationships could be negatively impacted, which may make it more difficult for us to compete effectively or to gain access to financing on acceptable terms when needed, which would negatively affect our business, financial condition, results of operations, prospects, and reputation.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain key executives and to attract, retain, and motivate qualified personnel.

We are highly dependent on the research and development, clinical, financial, operational, scientific, software engineering, and other business expertise of our executive officers, as well as the other principal members of our management, scientific, clinical, and software engineering teams. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

The loss of the services of our executive officers or other key employees could impede the achievement of our development and sales goals in our software business and the achievement of our research, development, and commercialization objectives in our drug discovery business. In either case, the loss of the services of our executive officers or other key employees could seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals with the breadth of skills and experience required to successfully develop, gain regulatory approval of, and commercialize products in the life sciences industry.

Recruiting and retaining qualified scientific, clinical, manufacturing, accounting, legal, and sales and marketing personnel, as well as software engineers and computational chemists, will also be critical to our success. In the technology industry, there is substantial and continuous competition for engineers with high levels of expertise in designing, developing, and managing software and related services, as well as competition for sales executives, data scientists, and operations personnel. Competition to hire these individuals is intense, and we may be unable to hire, train, retain, or motivate these key personnel on acceptable terms given the competition among numerous biopharmaceutical and technology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors to assist us in formulating our research and development and commercialization strategy and advancing our computational platform. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited and our business would be adversely affected.

We are pursuing multiple business strategies and expect to expand our development and regulatory capabilities, and as a result, we may encounter difficulties in managing our multiple business units and our growth, which could disrupt our operations.

Currently, we are pursuing multiple business strategies simultaneously, including activities in research and development, software sales, and collaborative and proprietary drug discovery. We believe pursuing these multiple business strategies offers financial and operational synergies, but these diversified operations place increased demands on our limited resources. Furthermore, we have recently experienced, and we expect to continue to experience, significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, clinical and regulatory affairs. To manage our multiple business units and our ongoing and anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities, and continue to recruit and train additional qualified personnel. Due to our limited financial resources and our management team's limited attention and limited experience in managing a company with such ongoing and anticipated growth, we may not be able to effectively manage our multiple business units and the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations has led to and may continue to lead to significant costs and may divert our management and business development resources. Our management, personnel, and systems may not be adequate to support this future growth. Any inability to manage our multiple business units and growth could delay the execution of our business plans or disrupt our operations and the synergies we believe currently exist between our business units. In addition, adverse developments in one of these business units may disrupt these synergies.

Risks Related to Ownership of Our Common Stock

An active trading market for our common stock may not be sustained.

Our shares of common stock began trading on the Nasdaq Global Select Market on February 6, 2020. Prior to February 6, 2020, there was no public market for our common stock, and we cannot assure you that an active trading market for our shares will be sustained. As a result, it may be difficult for our stockholders to sell their shares without depressing the market price of our common stock, or at all.

Our executive officers, directors, and principal stockholders, if they choose to act together, have the ability to influence all matters submitted to stockholders for approval.

As of July 24, 2024, our executive officers and directors and our stockholders who beneficially owned more than 5% of our outstanding common stock, in the aggregate, beneficially owned shares representing approximately 37.8% of our common stock and all of our limited common stock, or, if the holder of our limited common stock exercised its right to convert each share of its limited common stock for one share of our common stock, approximately 45.6% of our common stock. As a result, if these stockholders were to choose to act together, they would be able to influence all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would influence the election of directors and approval of any merger, consolidation, or sale of all or substantially all of our assets.

This concentration of ownership control may:

- delay, defer, or prevent a change in control;
- entrench our management and board of directors; or

- delay or prevent a merger, consolidation, takeover, or other business combination involving us that other stockholders may desire.

This concentration of ownership may also adversely affect the market price of our common stock.

The price of our common stock is volatile and fluctuates substantially, which could result in substantial losses for our stockholders.

Our stock price has been, and is likely to continue to be, volatile. Since our initial public offering in February 2020 and through July 24, 2024, the intraday price of our common stock has fluctuated from a low of $15.85 to a high of $117.00. As a result of volatility, our stockholders may not be able to sell their common stock at or above the price paid for the shares. The market price for our common stock may be influenced by many factors, including:

- our investment in, and the success of, our software solutions;
- the success of our research and development efforts for our proprietary drug discovery programs;
- initiation and progress of preclinical studies and clinical trials for any product candidates that we may develop;
- results of or developments in preclinical studies and clinical trials of any product candidates we may develop or those of our competitors or potential collaborators;
- the success of our drug discovery collaborators and any milestone or other payments we receive from such collaborators;
- the success of competitive products or technologies;
- regulatory or legal developments in the United States and other countries;
- the recruitment or departure of key personnel;
- variations in our financial results or the financial results of companies that are perceived to be similar to us;
- guidance or announcements by us with respect to our anticipated financial or operational performance;
- sales of common stock by us, our executive officers, directors or principal stockholders, or others, or the anticipation of such sales;
- equity or debt financing;
- market conditions in the biopharmaceutical sector;
- general economic, industry, and market conditions;
- the societal and economic impact of public health epidemics, such as the recent COVID-19 pandemic; and
- the other factors described in this “Risk Factors” section.

In the past, following periods of volatility in the market price of a company’s securities, securities class-action litigation has often been instituted against that company. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation, or adverse changes to our offerings or business practices. Such litigation may also cause us to incur other substantial costs to defend such claims and divert management’s attention and resources.

Our actual operating results may differ significantly from our guidance.

We have released, and may in the future release, guidance in our annual or quarterly earnings conference calls, annual or quarterly earnings releases, or otherwise, regarding our future performance that represents our management’s estimates as of the date of such guidance. Our guidance, which includes forward-looking statements, is based on projections prepared by our management. Neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. The principal reason that we have released, and would continue to release, guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such third parties.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying any guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from our guidance and the variations may be material.

We and our collaborators may not achieve projected discovery and development milestones and other anticipated key events in the time frames that we or they announce, which could have an adverse impact on our business and could cause our stock price to decline.

From time to time, we expect that we will make public statements regarding the expected timing of certain milestones and key events, such as the commencement and completion of preclinical and IND-enabling studies and clinical trials in our proprietary drug discovery programs as well as developments and milestones under our collaborations. For example, Morphic and Structure Therapeutics have also made public statements regarding their expectations for the development of programs under collaboration with us and they and other collaborators may in the future make additional statements about their goals and expectations for collaborations with us. The actual timing of these events can vary dramatically due to a number of factors such as delays or failures in our or our current and future collaborators' drug discovery and development programs, the amount of time, effort, and resources committed by us and our current and future collaborators, and the numerous uncertainties inherent in the development of drugs. As a result, there can be no assurance that our or our current and future collaborators' programs will advance or be completed in the time frames we or they announce or expect. If we or any collaborators fail to achieve one or more of these milestones or other key events as planned, our business could be materially adversely affected and the price of our common stock could decline.

If securities analysts do not publish or cease publishing research or reports or publish misleading, inaccurate or unfavorable research about our business or if they publish negative evaluations of our stock, the price and trading volume of our stock could decline.

The market price and trading volume for our common stock relies, in part, on the research and reports that industry or financial analysts publish about us or our business. We do not have control over these analysts. There can be no assurance that existing analysts will continue to cover us or that new analysts will begin to cover us. There is also no assurance that any covering analyst will provide favorable coverage. Although we have obtained analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock or publish inaccurate or unfavorable research about our business, or provides more favorable relative recommendations about our competitors, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price and trading volume to decline.

We have broad discretion in the use of our cash, cash equivalents, and marketable securities and may not use them effectively.

Our management has broad discretion in the deployment and use of our cash, cash equivalents, and marketable securities and could use such funds in ways that do not improve our results of operations or enhance the value of our common stock or in ways that our stockholders may not agree with. The failure by our management to apply these funds effectively could harm our business, financial condition, results of operations, and prospects and could cause the price of our common stock to decline.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be the sole source of gain for our stockholders.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings to fund the development and expansion of our business. Any determination to pay dividends in the future

will be at the discretion of our board of directors. As a result, capital appreciation of our common stock, if any, will be the sole source of gain for our stockholders for the foreseeable future.

Sales of a substantial number of shares of our common stock in the public market could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock, impair our ability to raise capital through the sale of additional equity securities, and make it more difficult for our stockholders to sell their common stock at a time and price that they deem appropriate. As of July 24, 2024, we had outstanding 63,632,340 shares of common stock and 9,164,193 shares of limited common stock. All of our outstanding shares of common stock, including shares of common stock issuable upon the conversion of shares of our limited common stock, are available for sale in the public market, subject only to the restrictions of Rule 144 under the Securities Act of 1933, as amended, in the case of our affiliates. In addition, certain of our executive officers, directors and affiliated stockholders have entered or may enter into Rule 10b5-1 plans providing for sales of shares of our common stock from time to time. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the executive officer, director or affiliated stockholder when entering into the plan, without further direction from the executive officer, director or affiliated stockholder. A Rule 10b5-1 plan may be amended or terminated in some circumstances. Our executive officers, directors and affiliated stockholders also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

We have also filed a universal shelf registration statement on Form S-3 which allows us to offer and sell an indeterminate number of shares of common stock, preferred stock, depositary shares or warrants, or an indeterminate principal amount of debt securities, from time to time pursuant to one or more offerings at prices and terms to be determined at the time of the sale. Moreover, certain holders of our common stock and our limited common stock have rights, subject to specified conditions, to include their shares in registration statements that we may file for ourselves or other stockholders and may require us to file Form S-3 registration statements covering their shares.

We are party to an amended and restated sales agreement with Leerink Partners LLC (formerly SVB Securities LLC), or Leerink Partners, as sales agent, with respect to an "at the market" offering program, or the ATM, under which we could offer and sell, from time to time pursuant to our Form S-3, shares of our common stock having an aggregate offering price of up to $250.0 million, through Leerink Partners. The number of shares that are sold by Leerink Partners after we request that sales be made will fluctuate based on the market price of our common stock during the sales period and limits we set with Leerink Partners. Therefore, it is not possible to predict the number of shares that will be ultimately issued by us, if any, pursuant to the amended and restated sales agreement. As of June 30, 2024, we have sold 323,085 shares of common stock for total net proceeds of $8.7 million, and have $241.1 million of common stock remaining available for sale under the ATM.

We also have filed registration statements on Forms S-8 to register shares of common stock that we may issue under our equity compensation plans. Shares registered under such registration statements are available for sale in the public market upon issuance, subject to volume limitations applicable to affiliates, vesting arrangements and exercise of options.

We have incurred and will continue to incur increased costs as a result of operating as a public company, and our management has devoted and will continue to be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, we have incurred and will continue to incur significant legal, accounting, and other expenses that we did not incur as a private company. The Securities Exchange Act of 1934, as amended, or the Exchange Act, Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of Nasdaq, and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote and will need to continue to devote a substantial amount of time and resources to these compliance initiatives, potentially at the expense of other business concerns, which could harm our business, financial condition, results of operations, and prospects. Moreover, these rules and regulations have increased and will continue to increase our legal and financial compliance costs, and have made and will continue to make some activities more time-consuming and costly compared to when we were a private company.

We frequently evaluate our compliance with these rules and regulations, and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

As a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting. Any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to furnish a report by our management on our internal control over financial reporting on an annual basis. This assessment needs to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Pursuant to Section 404, we are also required to have our independent registered public accounting firm issue an opinion on the effectiveness of our internal control over financial reporting on an annual basis.

During our evaluation of our internal control, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective. In addition, if we have an unremediated material weakness, we would receive an adverse opinion regarding our internal control over financial reporting from our independent registered public accounting firm. For example, in connection with the audit of our consolidated financial statements for the year ended December 31, 2022, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. While we remediated this material weakness as of December 31, 2023, we cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. If in the future we again identify a material weakness, we cannot assure you that any measures we may take in the future will be sufficient to remediate such material weakness or avoid the identification of additional material weaknesses in the future. If the steps we take do not remediate a future material weakness in a timely manner, there could be a reasonable possibility that this control deficiency or others could result in a material misstatement of our annual or interim financial statements that would not be prevented or detected on a timely basis.

Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition, or results of operations. If we are unable to conclude in the future that our internal control over financial reporting is effective, or if we or our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, the market price of shares of our common stock could decline, and we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

As a public company, we are subject to certain reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current directors and members of management.

Provisions in our certificate of incorporation and our bylaws may discourage, delay, or prevent a merger, acquisition, or other change in control of our company that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that only one of three classes of directors is elected each year;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from our board of directors;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings to the board of directors or to the secretary at the request of the holders of at least 25% of the outstanding shares of our common stock and limited common stock; and
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or the DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our certificate of incorporation designates the state courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against the company and our directors, officers, and employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or stockholders to our company or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the DGCL or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (4) any action asserting a claim arising pursuant to any provision of our certificate of incorporation or bylaws (in each case, as they may be amended from time to time) or governed by the internal affairs doctrine. These choice of forum provisions will not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended, the Exchange Act or any other claim for which federal courts have exclusive jurisdiction.

This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers, or employees, which may discourage such lawsuits against us and our directors, officers, and employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and operating results.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Director and Officer Trading Arrangements

A significant portion of the compensation of our directors and officers (as defined in Rule 16a-1(f) under the Exchange Act) is in the form of equity awards and, from time to time, directors and officers engage in open-market transactions with respect to the securities acquired pursuant to such equity awards or our other securities, including to satisfy tax withholding obligations when equity awards vest or are exercised, and for diversification or other personal reasons.

Transactions in our securities by directors and officers are required to be made in accordance with our insider trading policy, which requires that the transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in our securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information.

The following table describes, for the quarterly period covered by this report, each trading arrangement for the sale or purchase of our securities adopted or terminated by our directors and officers that is either (1) a contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), or a Rule 10b5-1 trading arrangement, or (2) a “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K):

Name and Title	Action Taken (Date of Action)	Type of Trading Arrangement	Nature of Trading Arrangement	Duration of Trading Arrangement	Aggregate Number of Securities
Yvonne Tran, Executive Vice President, Chief Legal Officer and Chief People Officer	Adoption (May 9, 2024)	Rule 10b5-1 trading arrangement for exercise of stock options and sales of shares acquired upon exercise of options	Sale	Until August 1, 2025, or such earlier date upon which all transactions are completed or expire without execution	Up to 65,902 shares

Jenny Herman, Senior Vice President, Finance and Corporate Controller	Adoption (May 13, 2024)	Rule 10b5-1 trading arrangement for exercise of stock options, sales of shares acquired upon exercise of options and other sales of shares	Sale	Until May 8, 2026, or such earlier date upon which all transactions are completed or expire without execution	Indeterminable (1)
Richard Friesner, Director	Adoption (May 9, 2024)	Rule 10b5-1 trading arrangement for sales of shares	Sale	Until August 1, 2025, or such earlier date upon which all transactions are completed or expire without execution	Up to 100,000 shares

(1) This trading arrangement includes the sale of "net" shares that are issued to the officer upon vesting of RSUs following the automatic sale of shares in an amount sufficient to satisfy the applicable withholding obligation in connection with RSU vesting and settlement events. The maximum number of shares that will be sold under this trading arrangement is unknown as the “net” shares issued to the holder upon vesting of RSUs covered by the trading arrangement will be dependent on the extent to which vesting conditions are satisfied and the market price of our common stock at time of settlement.

Item 6. Exhibits.

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Restated Certificate of Incorporation, as amended					X
10.1	Consultant Agreement, dated July 1, 1999, between Schrödinger, Inc. and Richard A. Friesner, as amended					X
10.2	Second Amendment to Lease, dated June 13, 2024, by and between the Registrant and SPUSV5 1540 Broadway, LLC					X
10.3	2022 Equity Incentive Plan, as amended					X
10.4	2020 Employee Stock Purchase Plan, as amended					X
31.1	Certification of Principal Executive Officer 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.					X
31.2	Certification of Principal Financial Officer 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.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101					X

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Schrödinger, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

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.

Schrödinger, Inc.

Date: July 31, 2024

By: /s/ Ramy Farid, Ph.D.

President and Chief Executive Officer
(Principal Executive Officer)

Date: July 31, 2024

By: /s/ Geoffrey Porges, MBBS

Executive Vice President and Chief Financial Officer
(*Principal Financial Officer)*

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

SCHRÖDINGER, INC.

Schrödinger, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that the name of the corporation is Schrödinger, Inc. and the original certificate of incorporation of the corporation was filed with the Secretary of State of the State of Delaware on May 22, 1995. This Restated Certificate of Incorporation, having been duly adopted in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, restates, integrates and amends the certificate of Incorporation of the Corporation as follows:

FIRST: The name of the Corporation is Schrödinger, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock that the Corporation shall have authority to issue is 610,000,000 shares, consisting of (i) 500,000,000 shares of Common Stock, $0.01 par value per share ("Common Stock"), (ii) 100,000,000 shares of Limited Common Stock, $0.01 par value per share ("Limited Common Stock" and, together with the Common Stock, the "Combined Common Stock") and (iii) 10,000,000 shares of Preferred Stock, $0.01 par value per share ("Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation (which, as used herein, shall mean the certificate of incorporation of the Corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock), each share of Common Stock shall have the same powers, rights, preferences, privileges and qualifications and shall rank equally, share ratably and be identical in all respects as to all matters with each share of Limited Common Stock.

2. Voting. The holders of the Common Stock shall have voting rights on all matters submitted to a vote of stockholders of the Corporation generally, each such holder being entitled to one vote for each share thereof held by such holder; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or the General Corporation Law of the State of Delaware. There shall be no cumulative voting. Except as otherwise required by applicable law or as otherwise provided by this Certificate of Incorporation, the holders of Common Stock shall vote together as a single class with the holders of Limited Common Stock.

The number of authorized shares of Common Stock may be increased or decreased (but not below the sum of (i) the number of shares thereof then outstanding and (ii) the number of shares of Common Stock reserved pursuant to Section 5.2.2 of Part B of this Article FOURTH) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of this Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote thereon, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

3. Dividends. Dividends may be declared and paid on the Combined Common Stock from funds lawfully available therefor if, as and when determined by the Board of Directors and subject to any preferential dividend or other rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, holders of Combined Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential or other rights of any then outstanding Preferred Stock.

5. Mergers, Etc. In the event of any merger, consolidation, share exchange, reclassification or other similar transaction in which the shares of Limited Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Common Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of Limited Common Stock would be entitled to receive as a result of such transaction. In the event of any dividend or other distribution paid on the Limited Common Stock in additional shares of Limited Common Stock, a dividend or distribution, as applicable, will at the same time be similarly paid on the Common Stock in additional shares of Common Stock at the rate payable upon each share of Limited Common Stock. In the event of any dividend or other distribution paid on the Limited Common Stock not in additional shares of Limited Common Stock, a dividend or distribution, as applicable, will at the same time be similarly paid on the Common Stock at the rate payable upon each share of Limited Common Stock. In the event of any stock split, combination or other similar recapitalization splitting, combining or otherwise affecting the shares of Limited Common Stock, each share of Common Stock will at the same time be similarly split, combined or otherwise affected so each share of Limited Common Stock shall remain convertible into one share of Common Stock. In the event the holders of Limited Common Stock are provided the right to convert or exchange Limited Common Stock for stock or securities, cash and/or any other property, then the holders of the Common Stock shall be provided the same right as though such holders of shares of Common Stock were instead to hold an equal number of shares of Limited Common Stock. Notwithstanding the foregoing, (i) different treatment of the shares of each such class may be approved by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock and by the affirmative vote of the holders of a majority of the outstanding shares of Limited Common Stock, each voting separately as a class, and (ii) shares of Common Stock may receive, or have the right to elect to receive, different or disproportionate consideration in connection with such transactions if the only difference in the per share consideration to the holders of the Common Stock and Limited Common Stock is that any securities distributed to the holder of a share of Limited Stock have comparable limited voting rights or power.

B LIMITED COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Limited Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation, each share of Limited Common Stock shall have the same powers, rights, preferences, privileges and qualifications and shall rank equally, share ratably and be identical in all respects as to all matters with each share of Common Stock.

2. Voting. The holders of the Limited Common Stock shall have voting rights on all matters submitted to a vote of stockholders of the Corporation generally, each such holder being entitled to one vote for each

share thereof held by such holder; provided, however, that such holders of the Limited Common Stock shall not be entitled to vote such shares in any election of directors or on the removal of directors; provided, further, that, except as otherwise required by applicable law, holders of Limited Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or the General Corporation Law of the State of Delaware. Except as otherwise required by applicable law or as otherwise provided by this Certificate of Incorporation, the holders of Limited Common Stock shall vote together as a single class with the holders of Common Stock.

The number of authorized shares of Limited Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of this Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote thereon, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

3. Dividends. Dividends may be declared and paid on the Combined Common Stock from funds lawfully available therefor if, as and when determined by the Board of Directors and subject to any preferential dividend or other rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, holders of Combined Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential or other rights of any then outstanding Preferred Stock.

5. Optional Conversion.

5.1 Right to Convert. Each share of Limited Common Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into one (1) fully paid and nonassessable share of Common Stock.

5.2 Mechanics of Conversion.

5.2.1 Notice of Conversion. In order for a holder of Limited Common Stock to voluntarily convert shares of Limited Common Stock into shares of Common Stock, such holder shall (i) provide written notice (which notice may be electronic) to the Corporation's transfer agent at the office of the transfer agent for the Limited Common Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent) that such holder elects to convert all or any number of the shares of the Limited Common Stock and, if applicable, any event on which such conversion is contingent and (ii) if such holder's shares are certificated, surrender the certificate or certificates for such shares of Limited Common Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Limited Common Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent). Such notice shall state such holder's name or the names of the nominees (i) in which such holder wishes the certificate or certificates for shares of Common Stock to be issued (if such shares of Common Stock are certificated) or (ii) in which such shares of Common Stock are to be registered in book entry (if such shares of Common Stock are uncertificated). If required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The time that is immediately prior to the close of business on the date of delivery to the transfer agent (or to the Corporation if the Corporation serves as its own transfer agent) of, if applicable, such certificates (or lost certificate affidavit and agreement) and notice (or as applicable, the future occurrence of the event on which the effectiveness of the

conversion was contingent) shall be the time of conversion (as applicable, the "Limited Common Stock Conversion Time"), and the shares of Common Stock issuable upon conversion of the specified shares shall be automatically deemed to be outstanding of record as of such Limited Common Stock Conversion Time. The Corporation shall, as soon as practicable after the Limited Common Stock Conversion Time, (i) issue and deliver to such holder of Limited Common Stock, or to his, her or its nominees, a certificate or certificates (or a book entry or book entries, if the Common Stock is not certificated) for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate (or a book entry or book entries, if the Limited Common Stock is not certificated) for the number (if any) of the shares of Limited Common Stock represented by the surrendered certificate (or a book entry or book entries, if the Limited Common Stock is not certificated) that were not converted into Common Stock and (ii) pay all declared but unpaid dividends payable to holders of Limited Common Stock as of a record date prior to the Limited Common Stock Conversion Time, if any, on the shares of Limited Common Stock converted.

5.2.2 Reservation of Shares. The Corporation shall at all times when the Limited Common Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Limited Common Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Limited Common Stock into Common Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Limited Common Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Incorporation.

5.2.3 Effect of Conversion. All shares of Limited Common Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Limited Common Stock Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon in accordance with Section 5.2.1. Any shares of Limited Common Stock so converted shall become authorized but unissued shares and may be reissued.

5.2.4 Taxes. The Corporation shall pay any and all issuance and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Limited Common Stock pursuant to this Section 5 and Section 6. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Limited Common Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

6. Mandatory Conversion.

6.1 Mandatory Conversion and Procedures. Each share of Limited Common Stock shall automatically be converted into one (1) fully paid and non-assessable share of Common Stock upon (i) a Transfer, other than a Permitted Transfer, of such share of Limited Common Stock, or (ii) the date and time, or the occurrence of an event, specified by vote or, if stockholders are then permitted under this Certificate of Incorporation to take action by written consent in lieu of a meeting with respect to such event, by written consent of the holders of a majority of the voting power of the then outstanding shares of Limited Common Stock, voting together as a single class. Such conversion shall occur automatically without the need for any further action by the holders of such shares and if such shares are certificated, whether or not the certificates for such shares are surrendered to the transfer agent for the Limited Common Stock (or the Corporation if the Corporation serves as its own transfer agent); provided, however, that the Corporation shall not be obligated to issue certificates for the shares of Common Stock issuable upon such conversion unless the certificates for such shares of Limited Common Stock (if such shares of Limited Common Stock were certificated) are either delivered to the transfer agent (or the Corporation if the Corporation serves as its own transfer agent) as provided below, or the holder notifies the transfer agent (or the Corporation if the

Corporation serves as its own transfer agent) that such certificates have been lost, stolen or destroyed and executes a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate. Upon the occurrence of such automatic conversion of the Limited Common Stock, the holders of Limited Common Stock shall surrender the certificates for such shares (if such shares of Limited Common Stock are certificated) at the office of the transfer agent (or at the principal office of the Corporation if the Corporation serves as its own transfer agent). The Corporation shall, as soon as practicable thereafter, (i) issue and deliver to such holder of Limited Common Stock, or to his, her or its nominees, a certificate or certificates (or a book entry or book entries, if the Common Stock is not certificated) for the number of shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and (ii) pay all declared but unpaid dividends payable to holders of Limited Common Stock as of a record date prior to the date on which such automatic conversion occurred, if any, on the shares of Limited Common Stock converted.

6.2 Definitions. The following terms, where capitalized in this Section 6.2, shall have the following meanings ascribed to them:

6.2.1 "***Family Member***" means with respect to any natural person who is a beneficial owner of the Initial Stockholder (a) the spouse of such beneficial owner, (b) the parents, grandparents, lineal descendants, siblings or lineal descendants of siblings of such beneficial owner or (c) the parents, grandparents, lineal descendants, siblings or lineal descendants of siblings of the spouse of such beneficial owner. Lineal descendants shall include adopted persons, but only so long as they are adopted during minority. For the purpose of this Certificate of Incorporation "beneficial ownership" shall be determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

6.2.2 "***Initial Stockholder***" means the initial registered holder of any shares of Limited Common Stock.

6.2.3 "***Parent***" means, with respect to any entity, any other entity that directly or indirectly owns or controls a majority of (a) the voting power of the voting securities and (b) economic ownership interests of such entity.

6.2.4 "***Permitted Transfer***" means a Transfer by the Initial Stockholder to any of the persons or entities listed in clauses (a) through (e) below (each, a "Permitted Transferee") and from any such Permitted Transferee back to the Initial Stockholder and/or any other Permitted Transferee:

(a) a trust for the benefit of the Initial Stockholder or persons other than the Initial Stockholder or a trust established by the Initial Stockholder, in each case, so long as the Initial Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such trust; provided, that, in the event the Initial Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such trust, each share of Limited Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Common Stock;

(b) a trust under the terms of which the Initial Stockholder has retained a "qualified interest" within the meaning of Section 2702(b)(1) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and/or a reversionary interest so long as the Initial Stockholder has sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such trust; provided, however, that in the event the Initial Stockholder no longer has sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such trust, each share of Limited Common Stock then held by such trust shall automatically convert into one (1) fully paid and nonassessable share of Common Stock;

(c) a corporation, partnership or limited liability company in which the Initial Stockholder directly, or indirectly through one or more Permitted Transferees, owns shares, partnership interests or membership interests, as applicable, with sufficient Voting Control in the corporation, partnership or limited liability

company, as applicable, or otherwise has legally enforceable rights, such that the Initial Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such corporation, partnership or limited liability company; provided that in the event the Initial Stockholder no longer owns sufficient shares, partnership interests or membership interests, as applicable, or no longer has sufficient legally enforceable rights to ensure the Initial Stockholder retains sole dispositive power and exclusive Voting Control with respect to the shares of Limited Common Stock held by such corporation, partnership or limited liability company, as applicable, each share of Limited Common Stock then held by such corporation, partnership or limited liability company, as applicable, shall automatically convert into one (1) fully paid and nonassessable share of Common Stock;

(d) any other person or entity which (i) is a direct or indirect wholly owned subsidiary of the Initial Stockholder, (ii) is a Parent of the Initial Stockholder or (iii) is under common control with the Initial Stockholder; and

(e) any other person or entity which is a beneficial owner of the Initial Stockholder or a Family Member of a beneficial owner of the Initial Stockholder.

6.2.5 A "***Transfer***" of a share of Limited Common Stock means any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. The following shall not be considered a "Transfer": (a) the grant of a proxy to a natural person designated or approved by the Initial Stockholder with specific direction to vote the shares as directed by such holder, and without discretion, as such holder's proxy; (b) the grant of a proxy to officers or directors of the Corporation in connection with actions to be taken at an annual or special meeting of stockholders; or (c) the pledge of shares of Limited Common Stock by the Initial Stockholder that creates a mere security interest in such shares pursuant to a bona fide loan or indebtedness transaction so long as the Initial Stockholder continues to exercise Voting Control over such pledged shares; provided, however, that a foreclosure on such shares of Limited Common Stock or other similar action by the pledgee shall constitute a "Transfer".

6.2.6 "***Voting Control***" with respect to a share of Limited Common Stock, and with respect to any other share of capital stock, partnership interest, limited liability company interest, interest in a trust or any other security in any other entity, means the exclusive power (whether directly or indirectly) to vote or direct the voting of such share of Limited Common Stock (or the voting of such other share, interest or security) by proxy, voting agreement, or otherwise.

7. Mergers, Etc. In the event of any merger, consolidation, share exchange, reclassification or other similar transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, each share of Limited Common Stock will at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that each share of Common Stock would be entitled to receive as a result of such transaction. In the event of any dividend or distribution paid on the Common Stock in additional shares of Common Stock, a dividend or distribution, as applicable, will at the same time be similarly paid on the Limited Common Stock in additional shares of Limited Common Stock at the rate payable upon each share of Common Stock. In the event of any dividend or other distribution paid on the Common Stock not in additional shares of Common Stock, a dividend or distribution, as applicable, will at the same time be similarly paid on the Limited Common Stock at the rate payable upon each share of Common Stock. In the event of any stock split, combination or other similar recapitalization splitting, combining or otherwise affecting the shares of Common Stock, each share of Limited Common Stock will at the same time be similarly split, combined or otherwise affected so each share of Limited Common Stock shall remain convertible into one share of Common Stock. In the event the holders of Common Stock are provided the right to convert or exchange Common Stock for stock or securities, cash and/or any other property, then the holders of shares of Limited Common Stock shall be provided the same right based upon the number of shares of Common Stock such holders would be entitled to receive if such shares of Limited Common Stock were converted into an equal number of shares of Common Stock immediately prior to such offering. Notwithstanding the foregoing, (i) different treatment of the shares of each such class may be approved by

the affirmative vote of the holders of a majority of the outstanding shares of Common Stock and by the affirmative vote of the holders of a majority of the outstanding shares of Limited Common Stock, each voting separately as a class, and (ii) shares of Limited Common Stock may receive, or have the right to elect to receive, different or disproportionate consideration in connection with such transactions if the only difference in the per share consideration to the holders of the Common Stock and Limited Common Stock is that any securities distributed to the holder of a share of Limited Stock have comparable limited voting rights or power.

8. Restrictions. So long as any shares of Limited Common Stock remain outstanding, the Corporation shall not, without the approval by vote or, if stockholders are then permitted under this Certificate of Incorporation to take action by written consent in lieu of a meeting with respect hereto, by written consent, of the holders of a majority of the voting power of the then outstanding shares of Limited Common Stock, voting together as a single class, directly or indirectly, or by amendment (whether through merger, recapitalization, consolidation or otherwise) amend, alter, or repeal of any provision of this Certificate of Incorporation or the Bylaws of the Corporation (including any filing of a Certificate of Designation), in a manner that modifies the voting or other powers, preferences, or other special rights or privileges, or restrictions of the Limited Common Stock so as to adversely affect the Limited Common Stock.

C PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock that may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by adopting a resolution or resolutions providing for the issuance of the shares thereof and by filing a certificate of designations relating thereto in accordance with the General Corporation Law of the State of Delaware, to determine and fix the number of shares of such series and such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of the State of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to any other series of Preferred Stock to the extent permitted by law. The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares then outstanding) by the affirmative vote of the holders of a majority of the voting power of the capital stock of the Corporation entitled to vote thereon, voting as a single class, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware.

FIFTH: Except as otherwise provided herein, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

SIXTH: In furtherance and not in limitation of the powers conferred upon it by the General Corporation Law of the State of Delaware, and subject to the terms of any series of Preferred Stock, the Board of Directors shall have the power to adopt, amend, alter or repeal the Bylaws of the Corporation by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present. The stockholders may not adopt, amend, alter or repeal the Bylaws of the Corporation, or adopt any provision inconsistent therewith, unless such action is approved, in addition to any other vote required by this Certificate of

Incorporation, by the affirmative vote of the holders of at least a majority in voting power of the shares of capital stock of the Corporation entitled to vote thereon.

SEVENTH: Except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal. If the General Corporation Law of the State of Delaware is amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended.

EIGHTH: The Corporation shall provide indemnification and advancement of expenses as follows:

1. Actions, Suits and Proceedings Other than by or in the Right of the Corporation . The Corporation shall indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974), and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

2. Actions or Suits by or in the Right of the Corporation . The Corporation shall indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that Indemnitee is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) actually and reasonably incurred by or on behalf of Indemnitee in connection with such action, suit or proceeding and any appeal therefrom, if Indemnitee acted in good faith and in a manner which Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made under this Section 2 in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Corporation, unless, and only to the extent, that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of the State of Delaware or such other court shall deem proper.

3. Indemnification for Expenses of Successful Party . Notwithstanding any other provisions of this Article EIGHTH, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article EIGHTH, or in defense of any claim, issue or

matter therein, or on appeal from any such action, suit or proceeding, Indemnitee shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by or on behalf of Indemnitee in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnitee, (ii) an adjudication that Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by Indemnitee, (iv) an adjudication that Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that Indemnitee had reasonable cause to believe his or her conduct was unlawful, Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

4. Notification and Defense of Claim. As a condition precedent to an Indemnitee's right to be indemnified, such Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving such Indemnitee for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to Indemnitee. After notice from the Corporation to Indemnitee of its election so to assume such defense, the Corporation shall not be liable to Indemnitee for any legal or other expenses subsequently incurred by Indemnitee in connection with such action, suit, proceeding or investigation, other than as provided below in this Section 4. Indemnitee shall have the right to employ his or her own counsel in connection with such action, suit, proceeding or investigation, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized by the Corporation, (ii) counsel to Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and Indemnitee in the conduct of the defense of such action, suit, proceeding or investigation or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, suit, proceeding or investigation, in each of which cases the fees and expenses of counsel for Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article EIGHTH. The Corporation shall not be entitled, without the consent of Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above. The Corporation shall not be required to indemnify Indemnitee under this Article EIGHTH for any amounts paid in settlement of any action, suit, proceeding or investigation effected without its written consent. The Corporation shall not settle any action, suit, proceeding or investigation in any manner which would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Corporation nor Indemnitee will unreasonably withhold or delay its consent to any proposed settlement.

5. Advancement of Expenses. Subject to the provisions of Section 6 of this Article EIGHTH, in the event of any threatened or pending action, suit, proceeding or investigation of which the Corporation receives notice under this Article EIGHTH, any expenses (including attorneys' fees) incurred by or on behalf of Indemnitee in defending an action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by or on behalf of Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined by final judicial decision from which there is no further right to appeal that Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article EIGHTH; and provided further that no such advancement of expenses shall be made under this Article EIGHTH if it is determined (in the manner described in Section 6) that (i) Indemnitee did not act in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, or (ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe his or her conduct was unlawful. Such undertaking shall be accepted without reference to the financial ability of Indemnitee to make such repayment.

6. Procedure for Indemnification and Advancement of Expenses. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article EIGHTH, an Indemnitee shall submit to the Corporation a written request. Any such advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of Indemnitee, unless (i) the Corporation has

assumed the defense pursuant to Section 4 of this Article EIGHTH (and none of the circumstances described in Section 4 of this Article EIGHTH that would nonetheless entitle the Indemnitee to indemnification for the fees and expenses of separate counsel have occurred) or (ii) the Corporation determines within such 60-day period that Indemnitee did not meet the applicable standard of conduct set forth in Section 1, 2 or 5 of this Article EIGHTH, as the case may be. Any such indemnification, unless ordered by a court, shall be made with respect to requests under Section 1 or 2 of this Article EIGHTH only as authorized in the specific case upon a determination by the Corporation that the indemnification of Indemnitee is proper because Indemnitee has met the applicable standard of conduct set forth in Section 1 or 2 of this Article EIGHTH, as the case may be. Such determination shall be made in each instance (a) by a majority vote of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) by a committee of disinterested directors designated by majority vote of disinterested directors, whether or not a quorum, (c) if there are no disinterested directors, or if the disinterested directors so direct, by independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the Corporation) in a written opinion, or (d) by the stockholders of the Corporation.

7. Remedies. Subject to Article TWELFTH, the right to indemnification or advancement of expenses as granted by this Article EIGHTH shall be enforceable by Indemnitee in any court of competent jurisdiction. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 of this Article EIGHTH that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct. In any suit brought by Indemnitee to enforce a right to indemnification or advancement of expenses, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall have the burden of proving that Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article EIGHTH. Indemnitee's expenses (including attorneys' fees) reasonably incurred in connection with successfully establishing Indemnitee's right to indemnification or advancement of expenses, in whole or in part, in any such proceeding shall also be indemnified by the Corporation to the fullest extent permitted by applicable law. Notwithstanding the foregoing, in any suit brought by Indemnitee to enforce a right to indemnification or advancement of expenses hereunder it shall be a defense that the Indemnitee has not met any applicable standard for indemnification set forth in the General Corporation Law of the State of Delaware.

8. Limitations. Notwithstanding anything to the contrary in this Article EIGHTH, except as set forth in Section 7 of this Article EIGHTH, the Corporation shall not indemnify, or advance expenses to, an Indemnitee pursuant to this Article EIGHTH in connection with a proceeding (or part thereof) initiated by such Indemnitee unless the initiation thereof was approved by the Board of Directors. Notwithstanding anything to the contrary in this Article EIGHTH, the Corporation shall not indemnify or advance expenses to an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the Corporation makes any indemnification or advancement payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund indemnification or advancement payments to the Corporation to the extent of such insurance reimbursement.

9. Subsequent Amendment. No amendment, termination or repeal of this Article EIGHTH or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall adversely affect or diminish in any way the rights of any Indemnitee to indemnification or advancement of expenses under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

10. Other Rights. The indemnification and advancement of expenses provided by this Article EIGHTH shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of Indemnitee.

Nothing contained in this Article EIGHTH shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification and expense advancement rights and procedures different from those set forth in this Article EIGHTH. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification and expense advancement rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article EIGHTH.

11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article EIGHTH to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify Indemnitee for the portion of such expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) or amounts paid in settlement to which Indemnitee is entitled.

12. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

13. Savings Clause. If this Article EIGHTH or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), liabilities, losses, judgments, fines (including excise taxes and penalties arising under the Employee Retirement Income Security Act of 1974) and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article EIGHTH that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

NINTH: This Article NINTH is inserted for the management of the business and for the conduct of the affairs of the Corporation.

1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

2. Number of Directors; Election of Directors . Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of directors of the Corporation shall be established from time to time by the Board of Directors. Election of directors need not be by written ballot, except as and to the extent provided in the Bylaws of the Corporation.

3. Classes of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the Board of Directors shall be and is divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The Board of Directors is authorized to assign members of the Board of Directors already in office to Class I, Class II or Class III at the time such classification becomes effective.

4. Terms of Office. Subject to the rights of holders of any series of Preferred Stock to elect directors, each director shall serve for a term ending on the date of the third annual meeting of stockholders following the

annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I shall serve for a term expiring at the Corporation's first annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; each director initially assigned to Class II shall serve for a term expiring at the Corporation's second annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; and each director initially assigned to Class III shall serve for a term expiring at the Corporation's third annual meeting of stockholders held after the effectiveness of this Certificate of Incorporation; provided further, that the term of each director shall continue until the election and qualification of his or her successor and be subject to his or her earlier death, resignation or removal.

5. Quorum. The greater of (a) a majority of the directors at any time in office and (b) one-third of the number of directors fixed pursuant to Section 2 of this Article NINTH shall constitute a quorum of the Board of Directors. If at any meeting of the Board of Directors there shall be less than such a quorum, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

6. Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law or by this Certificate of Incorporation.

7. Removal. Subject to the rights of holders of any series of Preferred Stock, (i) prior to the Trigger Date (as defined below in Section 7.3), any director of the Corporation may be removed at any time with or without cause by the affirmative vote of the holders of at least a majority of the voting power of the outstanding shares of Common Stock, voting as a single class and (ii) on and after the Trigger Date, directors of the Corporation may be removed only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of Common Stock, voting as a single class.

7.1 "***Affiliate***" means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person; the term "control," as used in this definition, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and "controlled" and "controlling" have meanings correlative to the foregoing.

7.2 "***Person***" means an individual, any general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity.

7.3 "***Trigger Date***" shall mean the first date on which the Bill & Melinda Gates Foundation Trust, Schrodinger Equity Holdings, LLC, D. E. Shaw & Co., L.P., D. E. Shaw Technology Development, LLC and D. E. Shaw Valence Portfolios, L.L.C. and their respective successors and Affiliates cease collectively to beneficially own (directly or indirectly) more than forty percent (40%) of the outstanding shares of Common Stock and Limited Common Stock of the Corporation, on an as converted to Common Stock basis.

8. Vacancies. Subject to the rights of holders of any series of Preferred Stock, any vacancies or newly-created directorships on the Board of Directors, however occurring, shall be filled only by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director and shall not be filled by the stockholders. A director elected to fill a vacancy or to fill a position resulting from a newly-created directorship shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of a successor and to such director's earlier death, resignation or removal.

9. Stockholder Nominations and Introduction of Business, Etc . Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders before a meeting of stockholders shall be given in the manner provided by the Bylaws of the Corporation.

TENTH: Subject to the rights of holders of any series of Preferred Stock, stockholders of the Corporation may not take any action by written consent in lieu of a meeting; provided, however, that prior to the Trigger Date, the stockholders of the Corporation may take action by written consent in lieu of a meeting, without prior notice and without a vote, solely for the purpose of removing any director of the Corporation from office with or without cause if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares of capital stock of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of the Corporation's capital stock entitled to vote thereon were present and voted.

ELEVENTH: Special meetings of stockholders for any purpose or purposes may be called at any time only by (i) the Board of Directors or (ii) the Secretary of the Corporation at the request of the holders of at least twenty-five percent (25%) of the outstanding shares of Common Stock and Limited Common Stock, acting as a single class, in the manner provided in the Bylaws, and may not be called by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

TWELFTH: Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware or as to which the General Corporation Law of the State of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim arising pursuant to any provision of this Certificate of Incorporation or the Bylaws of the Corporation (in each case, as they may be amended from time to time) or governed by the internal affairs doctrine. This Article TWELFTH does not apply to suits brought to enforce any duty or liability created by the Securities Act of 1933 or the rules and regulations thereunder, the Securities Exchange Act of 1934 or the rules and regulations thereunder or any other claim for which the federal courts have exclusive jurisdiction. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article TWELFTH.

IN WITNESS WHEREOF, this Certificate of Incorporation, which restates, integrates and amends the certificate of incorporation of the Corporation, and which has been duly adopted in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, has been executed by its duly authorized officer this 10th day of February, 2020.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid
Name: Ramy Farid, Ph.D.
Title: President and Chief Executive Officer

[Signature Page to Certificate of Incorporation]

CERTIFICATE OF AMENDMENT

TO THE

RESTATED CERTIFICATE OF INCORPORATION

OF

SCHRÖDINGER, INC.

(Pursuant to Section 242 of the General Corporation Law of the State of Delaware)

Schrödinger, Inc. (the "**Corporation**"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "**General Corporation Law**"), does hereby certify as follows:

A resolution was duly adopted by the Board of Directors of the Corporation pursuant to Section 242 of the General Corporation Law setting forth a proposed amendment to the Corporation's Restated Certificate of Incorporation (the "**Certificate of Incorporation**"), and declaring said amendment to be advisable. The stockholders of the Corporation duly approved said proposed amendment in accordance with Section 242 of the General Corporation Law. Accordingly, to effect such proposed amendment, it is

RESOLVED: That Article SEVENTH of the Certificate of Incorporation be and hereby is deleted in its entirety and the following is inserted in lieu thereof:

> "SEVENTH: To the fullest extent permitted by the General Corporation Law of the State of Delaware, no director or officer of the Corporation shall be personally liable to the Corporation (in the case of directors) or its stockholders (in the case of directors and officers) for monetary damages for any breach of fiduciary duty as a director or officer. No amendment, repeal or elimination of this provision shall apply to or have any effect on its application with respect to any acts or omissions of a director or officer occurring prior to such amendment, repeal or elimination. If the General Corporation Law of the State of Delaware is amended to permit further elimination or limitation of the personal liability of directors or officers, then the liability of a director or officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware as so amended."

IN WITNESS WHEREOF, this Certificate of Amendment has been executed by a duly authorized officer of the Corporation on this 18th day of June, 2024.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid, Ph.D.

Title: President and Chief Executive Officer

Exhibit 10.1

CONSULTANT AGREEMENT

AGREEMENT made as of the 1st day of July, 1999 between SCHRÖDINGER, INC., having its place of business at 1500 SW First Avenue, Suite 1180, Portland, Oregon 97201-5881 ("Company") and RICHARD A. FRIESNER, residing at [**] ("Consultant").

RECITALS

A. Company is engaged in the business of designing, developing, distributing, selling, licensing, leasing and servicing Molecular Modeling computer software for use principally in the science and technology fields, and consulting in connection with using such software on biological chemical, and materials science applications.

B. Consultant is experienced and expert in the field of Molecular Modeling computer software and in the development and implementation of marketing and sales programs for such products as Company's.

C. Company desires to engage Consultant and Consultant desires to be engaged by Company, to assist the Company in enhancing, improving and further developing the Company's computer software and other products. The parties intend in this Agreement, to set forth the terms of such continued engagement.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

1. Company agrees to and does hereby engage consultant to render the services described herein on the terms and conditions set forth below.

2. Consultant accepts this engagement by the company and agrees to render consulting services pursuant to this Agreement and on the terms and conditions herein set forth.

3. Consultant shall perform his duties for Company directly or for subsidiaries or affiliates of Company, as Company may determine. Consultant shall be available to render services as a Consultant to the Company on such projects as he determines will be of use to the Company or as the Company reasonably requests, and on a schedule agreed on by the Company and Consultants and consistent with his obligations to any university with which he is affiliated. It is the expectation of the Company and the Consultant that the Consultant will devote the equivalent of one full day per week, on average, to his consulting services for the Company.

4. The initial term of Consultant's engagement shall be from July 1, 1999 through June 30, 2002. It shall automatically be renewed thereafter for further periods of one year each unless notice of non-renewal is given by either party to the other at least 120 days prior to the end of any term or renewal term.

5. So long as the Consultant continues to render consulting services to the Company hereunder, Consultant shall receive the following compensation from the Company, and the Company agrees to pay such compensation to Consultant:

(a) Consulting fees in the amount of $150,000 per year consisting of monetary compensation of $100,000 per year, payable in arrears in the amount of $8,333 per month, and such number of shares of the Common Stock of the Corporation to be issued and delivered at June 30th at the end of each year during the term of the Agreement or any renewal term, as shall equal $50,000 in value as of the date of issuance, which value shall be the price of the most recent prior sale of such shares at arms' length or negotiated price approved by the Company's directors. For the shares issued as of June 30, 2000, the price shall be $.2262 per share.

6. This Agreement and the obligations of Consultant to the Company shall be subject to certain contracts heretofore made between the Company on the one hand and the University of Texas or Columbia University on the other, and the obligations of Consultant to Columbia University or such other educational institutions with which Consultant may be affiliated hereafter.

7. Consultant shall be entitled to such benefits as are generally provided to executive employees of the Company other than health insurance coverage.

8. It is expressly understood that any methodology, programs, modifications of programs, systems, materials, manuals, forms or techniques constituting enhancements, improvements or developments of the Company's existing computer software programs and other products, and any new programs and products developed or produced by the Consultant, in whole or in part, in his consulting work for the Company, shall belong to the Company and shall be the property of the company subject to the agreements, rights and obligations referred to in paragraph 6 above, and further subject to the rights, if any, of the United States government and agencies thereof arising from Federal grants to the company or to the educational institutions with which Consultant is now or hereafter may be associated.

9. Consultant recognizes and acknowledges that through his association with the Company, he may have access to information of a technical or business nature relating to the Company's business, and proprietary to the Company. He further recognizes that such information (hereafter referred to as "Confidential Information") may without limitations concern computer programs, source code, object code, system documentation and any descriptive or instructive materials, manuals, specialized business methods, techniques, plans, and know-how relating to the trade secrets or the business of the Company. Subject to the agreements, rights and obligations referred to in Paragraph 6 above, and further subject to the rights, if any, of the United States government and agencies thereof arising from Federal grants to the Company or to the educational institutions with which Consultant is now or hereafter may be associated:

(a) Consultant recognizes that this Confidential Information constitutes valuable and unique assets of the Company, developed and perfected at substantial expense to the Company; and

(b) Consultant shall keep confidential and shall not modify, sell, transfer, publish, disclose, display or otherwise make available any such Confidential Information or any thing relating thereto to any third party without the Company's consent.

10. This Agreement constitutes the complete and exclusive agreement of the parties relative to the engagement of Consultant and supersedes the Consultant Agreement between the parties dated as of May 1, 1994 and all prior agreements and oral or written proposals or understandings concerning such subject matter. All compensation payable to Consultant for any period on or after July 1, 1999 under any prior Consultant Agreement shall be applied to and offset the compensation due under this Agreement.

11. This Agreement may be modified only by a writing signed by both parties. This Agreement requires the personal services of Consultant and may not be assigned by him without the prior written consent of the Company.

12. In the event any part of this Agreement is found to be invalid or unenforceable, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as through the void part was deleted.

13. Any notice required hereunder shall be by certified mail, return receipt requested, or by recognized overnight delivery service, to the parties at their addresses set forth above, or such other address as they may designate by notice. This Agreement shall bind and inure to the benefit of the successors and assigns of the Company and, where applicable, shall bind and inure to the benefit of Consultant's heirs, legal representatives and his permitted assigns, if any.

14. This Agreement shall be governed by and enforced in accordance with the laws of the State of New York. The parties hereby agree that the Courts of the State of New York shall have sole jurisdiction over any dispute arising under this Agreement or out of the subject matter hereof.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

SCHRÖDINGER, INC., Employer

By: /s/ Murco N. Ringnalda
MURCO N. RINGNALDA,
President

By: /s/ Richard A. Friesner
RICHARD A. FRIESNER,
Consultant

AMENDMENT NO. 1 TO CONSULTING AGREEMENT

This Amendment No. 1 ("Amendment"), dated as of November 4, 2002 and effective as of January 1, 2002 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation with an address at 120 West 45th Street, 32nd Floor, New York, NY 10036, and Richard A. Friesner ("Consultant"), an individual with an address at [**].

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement (the "Agreement"; unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement), dated as of July 1, 1999;

WHEREAS, the Agreement provides that on June 30, 2001 and June 30, 2002, the Company was to issue certain Common Stock of the Company to Consultant in consideration for consulting services ("Services") provided by Consultant to the Company;

WHEREAS, the Company did not issue such Common Stock to Consultant on June 30, 2001 or June 30, 2002;

WHEREAS, Company and Consultant have agreed that it is in the best interests of the Company not to issue such Common Stock; and

WHEREAS, Company desires to compensate Consultant for those Services previously provided by Consultant and to continue to engage Consultant to provide Services to the Company.

NOW THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. For each one (1) year period commencing on the Effective Date of this Amendment, Company shall pay Consultant a consulting fee of one hundred fifty thousand dollars ($150,000), to be paid on a schedule of twelve thousand five hundred dollars ($12,500) per month in arrears.

2. Stock Options. Subject to (a) approval by the Company's Stock Option Committee (the "Committee"), (b) the terms and conditions of the Schrödinger, Inc. Stock Incentive Plan, as amended from time to time (the "Plan"), and (c) the Company's standard Non-Qualified Stock Option Agreement (which shall be provided to Consultant following the date of grant), Company shall grant to Consultant a non-qualified option to purchase one million four hundred fifty three thousand nine hundred eleven (1,453,911) shares of Common Stock of the Company, at a purchase price equal to $0.08/share, which option shall be 100% vested and exercisable on the date of grant.

3. Common Stock Issuances. The Company shall not be required to issue Common Stock of the Company to the Consultant for the years ending June 30, 2001 and June 30, 2002.

4. Amendment to Control. Except as set forth in this Amendment, all provisions of the Agreement shall remain unchanged. In the event of any inconsistency between the Agreement and this Amendment, the terms of this Amendment shall control.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Charles Ardai

Name: Charles Ardai
Title: President

RICHARD A. FRIESNER

By: /s/ Richard Friesner

AMENDMENT NO. 2 TO CONSULTING AGREEMENT

This Amendment No. 2 ("Amendment") dated as of November __, 2012 and effective as of July 1, 2012 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1,1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002 and effective as of January 1, 2002 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement and to increase the consulting fees payable to Consultant for services to be performed for the duration of the term of the Agreement (as described below);

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Annual Consulting Fee. In consideration of Consultant's services, for each one (1) year period commencing on the Effective Date of this Amendment and continuing for the duration of the term of the Agreement, Company shall pay Consultant a consulting fee of Two Hundred Twenty Five Thousand Dollars ($225,000), which shall be paid on a schedule of Eighteen Thousand Seven Hundred and Fifty Dollars ($18,750) per month in arrears.

2. Summer Consulting Fee. In consideration of Consultant's services, for each period commencing on June 1 through and including August 31 during the term of the Agreement, Company shall pay Consultant an additional fee of Seventy Thousand Dollars ($70,000), which shall be paid on a schedule of Twenty Three Thousand Three Hundred Thirty Three Dollars and Thirty Three Cents ($23,333.33) per month in arrears.

3. Acknowledgement. Consultant acknowledges and agrees that Consultant has been compensated in full for his services through and including June 30, 2012 and that Company has no outstanding financial obligation to Consultant for the foregoing period.

4. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

5. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

6. Counterparts. This Amendment may he executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid, PhD
Title: President

RICHARD A. FRIESNER

By: /s/ Richard Friesner

AMENDMENT NO. 3 TO CONSULTING AGREEMENT

This Amendment No. 3 ("Amendment") dated as of October __, 2013 and effective as of July 1, 2013 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1, 1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002 and effective as of January 1, 2002 and that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012 and effective as of July 1, 2012 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement and to increase the consulting fees payable to Consultant for services to be performed for the duration of the term of the Agreement (as described below);

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Annual Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 2 to Consulting Agreement (referenced above) shall continue to apply. That is, in consideration of Consultant's services, for each one (1) year period commencing on the Effective Date of this Amendment and continuing for the duration of the term of the Agreement, Company shall pay Consultant a consulting fee of Two Hundred Twenty Five Thousand Dollars ($225,000), which shall be paid on a schedule of Eighteen Thousand Seven Hundred and Fifty Dollars ($18,750) per month in arrears.

2. Summer Consulting Fee. In consideration of Consultant's services, for each period commencing on June 1 through and including August 31 during the term of the Agreement, Company shall pay Consultant an additional fee of Seventy Two Thousand, Eight Hundred Dollars ($72,800), which shall be paid on a schedule of Twenty Four Thousand Two Hundred Sixty Six Dollars and Sixty Seven Cents ($24,266.67) per month in arrears.

3. Acknowledgement. Consultant acknowledges and agrees that Consultant has been compensated in full for his services through and including June 30, 2013 and that Company has no outstanding financial obligation to Consultant for the foregoing period.

4. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

5. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid
Title: President

RICHARD A. FRIESNER

/s/ Richard A. Friesner

AMENDMENT NO. 4 TO CONSULTING AGREEMENT

This Amendment No. 4 ("Amendment") effective as of January 1, 2017 (the " Effective Date") is entered into by and between Schrödinger, Inc. (" Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1, 1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002 and effective as of January 1, 2002 that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012 and effective as of July 1, 2012 and that certain Amendment No. 3 to Consulting Agreement dated July 1, 2013 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement and to increase the consulting fees payable to Consultant for services to be performed for the duration of the term of the Agreement (as described below);

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Annual Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 3 to the Consulting Agreement (referenced above) shall be replaced with the following

"In consideration of Consultant's services, for the one (1) year period commencing on the Effective Date of this Amendment (*i.e.*, January 1, 2017), Company shall pay Consultant a consulting fee of Three Hundred Thirty Thousand Dollars ($330,000), which shall be paid on a schedule of Twenty Seven Thousand Five Hundred Dollars ($27,500) per month in arrears.

2. Acknowledgement. Consultant acknowledges and agrees that Consultant has been compensated in full for his services through and including December 31, 2016 and that Company has no outstanding financial obligation to Consultant for the foregoing period.

3. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

4. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid
Title: President and CEO

RICHARD A. FRIESNER

By: /s/ Richard A. Friesner

AMENDMENT NO. 5 TO CONSULTING AGREEMENT

This Amendment No. 5 ("Amendment") effective as of January 1, 2018 (the "Effective Date") is entered into by and between Schrödinger, Inc. (" Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner (" Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1,1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002, that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012, that certain Amendment No. 3 to Consulting Agreement dated July 1, 2013 and that certain Amendment No. 4 dated January 1, 2017 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement and to increase the consulting fees payable to Consultant for services to be performed for the duration of the term of the Agreement (as described below);

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Annual Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 3 to the Consulting Agreement (referenced above) shall be replaced with the following:

"In consideration of Consultant's services, for the one (1) year period commencing on the Effective Date of this Amendment *(i.e.,* January 1, 2018), Company shall pay Consultant a consulting fee of Three Hundred Forty-Seven Thousand Dollars ($347,000), which shall be paid on a schedule of Eighty-Six Thousand Seven Hundred and Fifty Dollars ($86,750) per calendar quarter in arrears."

2. Acknowledgement. Consultant acknowledges and agrees that Consultant has been compensated in full for his services through and including December 31, 2017 and that Company has no outstanding financial obligation to Consultant for the foregoing period.

3. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

4. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid
Title: President and CEO

RICHARD A. FRIESNER

By: /s/ Richard Friesner

AMENDMENT NO. 6 TO CONSULTING AGREEMENT

This Amendment No. 6 ("Amendment") effective as of January 1, 2019 (the "Effective Date") is entered into by and between Schrödinger, Inc. (" Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1, 1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002, that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012, that certain Amendment No. 3 to Consulting Agreement dated July 1, 2013, that certain Amendment No. 4 dated January 1, 2017 and that certain Amendment No. 5 dated January 1, 2018 (collectively, the "Agreement"):

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 5 to the Consulting Agreement (referenced above) shall be replaced with the following

"In consideration of Consultant's services, for the six (6) month period commencing on the Effective Date of this Amendment (*i.e.,* January 1, 2019), Company shall pay Consultant a consulting fee of Three Hundred Forty Seven Thousand Dollars ($347,000), which shall be paid on a schedule of Twenty Eight Thousand Nine Hundred Sixteen Dollars and Sixty Seven Cents ($28,916.67) per month in arrears.

2. Acknowledgement. Consultant acknowledges and agrees that Consultant has been compensated in full for his services through and including December 31, 2018and that Company has no outstanding financial obligation to Consultant for the foregoing period.

3. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

4. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER INC.

By: /s/ Ramy Farid

Name: Ramy Farid
Title: President and CEO

RICHARD A. FRIESNER

By: /s/ Richard A. Friesner

AMENDMENT NO. 7 TO CONSULTING AGREEMENT

This Amendment No. 7 ("Amendment") effective as of July 1, 2019 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1, 1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002, that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012, that certain Amendment No. 3 to Consulting Agreement dated July 1, 2013,that certain Amendment No. 4 dated January 1, 2017, that certain Amendment No. 5 dated January 1, 2018 and that certain Amendment No. 6 dated January 1, 2019 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 6 to the Agreement (referenced above) shall be replaced with the following:

"In consideration of Consultant's services, for the twelve (12) month period commencing on the Effective Date of this Amendment (i.e., July 1, 2019) and concluding on June 30, 2020, Company shall pay Consultant a consulting fee of Three Hundred Forty Seven Thousand Dollars ($347,000), which shall be paid on a schedule of Twenty Eight Thousand Nine Hundred Sixteen Dollars and Sixty Seven Cents ($28,916.67) per month in arrears."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.

By: /s/ Ramy Farid

Name: Ramy Farid

Title: President and CEO

RICHARD A. FRIESNER

By: /s/ Richard A. Friesner

AMENDMENT NO. 8 TO CONSULTING AGREEMENT

This Amendment No. 8 ("Amendment") effective as of July 1, 2020 (the " Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or " Company"), a Delaware corporation, with an address at 120 West 45 th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated as of July 1, 1999, as amended by that certain Amendment No. 1 to Consulting Agreement dated November 4, 2002, that certain Amendment No. 2 to Consulting Agreement dated November 1, 2012, that certain Amendment No. 3 to Consulting Agreement dated July 1, 2013,that certain Amendment No. 4 dated January 1, 2017, that certain Amendment No. 5 dated January 1, 2018that certain Amendment No. 6 dated January 1, 2019 and that certain Amendment No. 7 effective as of July 1, 2020 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 7 to the Agreement (referenced above) shall be replaced with the following:

"*In consideration of Consultant's services, for the twelve {12} month period commencing on the Effective Date of this Amendment (i.e., July 1, 2020) and concluding on June 30, 2021, Company shall pay Consultant a consulting fee of Three Hundred Eighty Thousand, Five Hundred Dollars ($380,500), which shall be paid on a schedule of Thirty One Thousand, Seven Hundred and Eight Dollars and Thirty Four Cents ($31,708.34) per month in arrears*."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC. RICHARD A. FRIESNER

By: /s/ Ramy Farid By: /s/ Richard Friesner
Name: Ramy Farid
Title: President and CEO

AMENDMENT NO. 9 TO CONSULTING AGREEMENT

This Amendment No. 9 ("Amendment") effective as of July 1, 2021 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 120 West 45 th Street, 17th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated July 1, 1999, as amended by Amendment No. 1 to Consulting Agreement dated November 4, 2002, Amendment No. 2 to Consulting Agreement dated November 1, 2012, Amendment No. 3 to Consulting Agreement dated July 1, 2013, Amendment No. 4 dated January 1, 2017, Amendment No. 5 dated January 1, 2018, Amendment No. 6 dated January 1, 2019, Amendment No. 7 dated July 1, 2020 and Amendment No. 8 dated July 1, 2020 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 8 to the Agreement (referenced above) shall be replaced with the following:

"*In consideration of Consultant's services, for the twelve (12) month period commencing on the Effective Date of this Amendment (i.e., July 1, 2021) and concluding on June 30, 2022, Company shall pay Consultant a consulting fee of Four Hundred Thousand Dollars ($400,000), which shall be paid on a schedule of Thirty Three Thousand, Three Hundred and Thirty Three Dollars and Thirty Four Cents ($33,333.34) per month in arrears*."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement, Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC. RICHARD A. FRIESNER

By: /s/ Ramy Farid By: /s/ Richard Friesner
Name: Ramy Farid
Title: President and CEO

AMENDMENT NO. 10 TO CONSULTING AGREEMENT

This Amendment No. 10 ("Amendment") effective as of July 1, 2022 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 1540 Broadway, 24th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [***].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated July 1, 1999, as amended by Amendment No. 1 to Consulting Agreement dated November 4, 2002, Amendment No. 2 to Consulting Agreement dated November 1, 2012, Amendment No. 3 to Consulting Agreement dated July 1, 2013, Amendment No. 4 dated January 1, 2017, Amendment No. 5 dated January 1, 2018, Amendment No. 6 dated January 1, 2019, Amendment No. 7 dated July 1, 2020, Amendment No. 8 dated July 1, 2020 and Amendment No. 9 dated July 1, 2021 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 9 to the Agreement (referenced above) shall be replaced with the following:

"*In consideration of Consultant's services, for the twelve (12) month period commencing on the Effective Date of this Amendment (i.e., July 1, 2022) and concluding on June 30, 2023, Company shall pay Consultant a consulting fee of Four Hundred Twenty Thousand Dollars ($420,000), which shall be paid on a schedule of Thirty Five Thousand Dollars ($35,000) per month in arrears*."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement, Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.	RICHARD A. FRIESNER
By: /s/ Ramy Farid	By: /s/ Richard Friesner
Name: Ramy Farid	
Title: President and CEO	

AMENDMENT NO. 11 TO CONSULTING AGREEMENT

This Amendment No. 11 ("Amendment") effective as of July 1, 2023 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 1540 Broadway, 24th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated July 1, 1999, as amended by Amendment No. 1 to Consulting Agreement dated November 4, 2002, Amendment No. 2 to Consulting Agreement dated November 1, 2012, Amendment No. 3 to Consulting Agreement dated July 1, 2013, Amendment No. 4 dated January 1, 2017, Amendment No. 5 dated January 1, 2018, Amendment No. 6 dated January 1, 2019, Amendment No. 7 dated July 1, 2020, Amendment No. 8 dated July 1, 2020, Amendment No. 9 dated July 1, 2021, and Amendment No. 10 dated July 1, 2022 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 10 to the Agreement (referenced above) shall be replaced with the following:

"*In consideration of Consultant's services, for the twelve (12) month period commencing on the Effective Date of this Amendment (i.e., July 1, 2023) and concluding on June 30, 2024, Company shall pay Consultant a consulting fee of Four Hundred Twenty Thousand Dollars ($420,000), which shall be paid on a schedule of Thirty Five Thousand Dollars ($35,000) per month in arrears*."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement, Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC.	RICHARD A. FRIESNER
By: /s/ Ramy Farid	By: /s/ Richard Friesner
Name: Ramy Farid	
Title: President and CEO	

AMENDMENT NO. 12 TO CONSULTING AGREEMENT

This Amendment No. 12 ("Amendment") effective as of July 1, 2024 (the "Effective Date") is entered into by and between Schrödinger, Inc. ("Schrödinger" or "Company"), a Delaware corporation, with an address at 1540 Broadway, 24th Floor, New York, NY 10036 and Richard A. Friesner ("Consultant"), an individual with an address at [**].

Unless otherwise defined herein, all capitalized terms used in this Amendment shall be used as defined in the Agreement.

WHEREAS, Schrödinger and Consultant are parties to a Consulting Agreement dated July 1, 1999, as amended by Amendment No. 1 to Consulting Agreement dated November 4, 2002, Amendment No. 2 to Consulting Agreement dated November 1, 2012, Amendment No. 3 to Consulting Agreement dated July 1, 2013, Amendment No. 4 dated January 1, 2017, Amendment No. 5 dated January 1, 2018, Amendment No. 6 dated January 1, 2019, Amendment No. 7 dated July 1, 2020, Amendment No. 8 dated July 1, 2020, Amendment No. 9 dated July 1, 2021, Amendment No. 10 dated July 1, 2022, and Amendment No. 11 dated July 1, 2023 (collectively, the "Agreement");

WHEREAS, the Company and Consultant desire to amend certain terms and conditions of the Agreement as described below;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions contained in this Amendment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Schrödinger and Consultant hereby agree as follows:

1. Consulting Fee. The parties acknowledge and agree that the payment obligation regarding Consultant's annual consulting fee as set forth in Section 1 of Amendment No. 11 to the Agreement (referenced above) shall be replaced with the following:

"*In consideration of Consultant's services, for the twelve (12) month period commencing on the Effective Date of this Amendment (i.e., July 1, 2024) and concluding on June 30, 2025, Company shall pay Consultant a consulting fee of Four Hundred Thirty-Six Thousand, Eight Hundred Dollars ($436,800), which shall be paid on a schedule of Thirty Six Thousand, Four Hundred Dollars ($36,400) per month in arrears*."

2. No Conflict. Consultant acknowledges and agrees during the term of the Agreement not to accept work or enter into an agreement or accept an obligation, which is inconsistent or incompatible with Consultant's obligations hereunder. After the term of the Agreement, Consultant acknowledges and agrees not to accept work or enter into an agreement or accept an obligation which is inconsistent or incompatible with any obligations which survive termination of the Agreement. Consultant warrants that, to the best of his knowledge, Consultant is under no obligation, contract or duty, which is inconsistent or incompatible with Consultant's obligations hereunder or under the Agreement. Consultant further warrants and agrees not to disclose to Company or its employees, to bring to the Company's premises, or to induce the Company to use any third party confidential information without the appropriate authorization.

3. Full Force and Effect. Except as specifically modified or amended by the terms of this Amendment, all terms and conditions of the Agreement are unchanged and remain in full force and effect. In the event of any inconsistency between this Amendment and the Agreement, this Amendment will control.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed below by their duly authorized signatories.

SCHRÖDINGER, INC. RICHARD A. FRIESNER

By: /s/ Ramy Farid By: /s/ Richard A. Friesner
Name: Ramy Farid
Title: President and CEO

Exhibit 10.2

SECOND AMENDMENT TO LEASE

(Schrödinger, Inc. – 1540 Broadway)

THIS SECOND AMENDMENT TO LEASE (this " *Second Amendment*") is dated effective and for identification purposes as of June 13, 2024, and is made by and between SPUSV5 1540 BROADWAY, LLC, a Delaware limited liability company (" *Landlord*"), and SCHRÖDINGER, INC., a Delaware corporation ("*Tenant*").

RECITALS:

WHEREAS, pursuant to the terms of that certain Office Lease dated as of April 5, 2021 (the " *Original Lease*"), as amended by that certain Confirmation of Lease Terms and Dates dated as of September 29, 2021, and by that certain First Amendment to Lease dated as of May 19, 2022 (the Original Lease, as amended, the "*Existing Lease*"), Landlord has leased to Tenant and Tenant has leased from Landlord approximately 136,047 rentable square feet of office space, consisting of the entire rentable area located on the 21st, 22nd, 23rd, 24th and 25th floors at 1540 Broadway, New York, NY (the "*Building*"), as more particularly described in the Existing Lease;

WHEREAS, Landlord and Tenant desire, among other things, to amend the Existing Lease such that Tenant shall have an expansion right with respect to the 26th Floor in lieu of the 27th Floor on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant, intending to be legally bound, hereby agree as follows:

1. **Incorporation of Recitals**. The foregoing recitals are hereby incorporated in this Second Amendment and made a substantive part hereof by this reference.

2. **Definitions**. The capitalized terms used herein shall have the same definitions as set forth in the Existing Lease, unless otherwise defined herein. Upon execution of this Second Amendment, the term "*Lease*" as used in the Existing Lease and in this Second Amendment shall mean collectively the Existing Lease and this Second Amendment.

3. **Expansion Option Substitution**. Section 5 of the Rider to the Lease is hereby amended such that Tenant shall have the option to lease the 26th Floor in lieu of the 27th Floor, subject to and in accordance with the terms of such Section 5 and accordingly, all references therein to "27" or "27th" shall be deemed to refer to "26" or "26th", as applicable.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the foregoing Second Amendment is dated effective as of the date and year first written above.

LANDLORD:

SPUSV5 1540 BROADWAY, LLC,
a Delaware limited liability company

By: /s/ Tiffany Sanders
Name: Tiffany Sanders, Esq.
Title: President and General Counsel

TENANT:

SCHRÖDINGER, INC.,
a Delaware corporation

By: /s/ Ramy Farid
Name: Ramy Farid
Title: President and CEO

Exhibit 10.3

SCHRÖDINGER, INC.

2022 EQUITY INCENTIVE PLAN

1. Purpose

The purpose of this 2022 Equity Incentive Plan (the " ***Plan***") of Schrödinger, Inc., a Delaware corporation (the " ***Company***"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who are expected to make important contributions to the Company and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "***Company***" shall include any of the Company's present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Internal Revenue Code of 1986, as amended, and any regulations thereunder (the "***Code***") and any other business venture (including, without limitation, joint venture or limited liability company) in which the Company has a controlling interest, as determined by the Board of Directors of the Company (the "***Board***").

2. Eligibility

All of the Company's employees, officers and directors, as well as consultants and advisors to the Company (as the terms consultants and advisors are defined and interpreted for purposes of Form S-8 under the Securities Act of 1933, as amended (the "***Securities Act***"), or any successor form) are eligible to be granted Awards (as defined below) under the Plan. Each person who is granted an Award under the Plan is deemed a "***Participant***." The Plan provides for the following types of awards, each of which is referred to as an "***Award***": Options (as defined in Section 5), SARs (as defined in Section 6), Restricted Stock (as defined in Section 7), RSUs (as defined in Section 7), Other Stock-Based Awards (as defined in Section 8) and Cash-Based Awards (as defined in Section 8). Any type of Award may be granted as a Performance Award under Section 9. Except as otherwise provided by the Plan, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award need not be identical, and the Board need not treat Participants uniformly.

3. Administration and Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board. The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable. The Board may construe and interpret the terms of the Plan and any Award agreements entered into under the Plan. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award. All actions and decisions by the Board with respect to the Plan and any Awards shall be made in the Board's discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award.

(b) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "***Committee***"). All references in the Plan to the "***Board***" shall mean the Board or a Committee of the Board or the officers referred to in Section 3(c) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or officers.

(c) Delegation to Officers. Subject to any requirements of applicable law (including as applicable Sections 152 and 157(c) of the General Corporation Law of the State of Delaware), the Board may delegate to one or more officers of the Company the power to grant Awards (subject to any limitations under the Plan) to employees or officers of the Company and to exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the terms of Awards to be granted by such officers, the maximum number of shares subject to Awards that the officers may grant, and the time period in which such Awards may be granted; and provided further, that no officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) or to any "officer" of the Company (as defined by Rule 16a-1(f) under the Exchange Act).

(d) Awards to Non-Employee Directors. Awards to non-employee directors will be granted and administered by a Committee, all of the members of which are independent directors as defined by Section 5605(a)(2) of the Nasdaq Marketplace Rules.

4. Stock Available for Awards

(a) Number of Shares; Share Counting.

(1) Authorized Number of Shares. Subject to adjustment under Section 10, Awards may be made under the Plan (any or all of which Awards may be in the form of Incentive Stock Options, as defined in Section 5(b)) for up to a number of shares of common stock, $0.01 par value per share, of the Company (the "***Common Stock***"), as is equal to the sum of:

(A) 5,645,228 shares of Common Stock; plus

(B) such additional number of shares of Common Stock (up to 10,605,822 shares) as is equal to the sum of (x) the number of shares of Common Stock reserved for issuance under the Company's 2020 Equity Incentive Plan (the "***2020 Plan***") that remain available for grant under the 2020 Plan immediately prior to the date that the Plan is approved by the Company's stockholders (the "***Effective Date***") and (y) the number of shares of Common Stock subject to awards granted under the 2020 Plan and under the Company's 2010 Stock Plan that are outstanding as of the Effective Date and which awards expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, however, in the case of Incentive Stock Options to any limitations under the Code).

Shares of Common Stock issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(2) Share Counting. For purposes of counting the number of shares available for the grant of Awards under the Plan under this Section 4(a):

(A) all shares of Common Stock covered by SARs shall be counted against the number of shares available for the grant of Awards under the Plan; *provided, however*, that (i) SARs that may be settled only in cash shall not be so counted and (ii) if the Company grants an SAR in tandem with an Option for the same number of shares of Common Stock and provides that only one such Award may be exercised (a "***Tandem SAR***"), only the shares covered by the Option, and not the shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise will not restore shares to the Plan;

(B) to the extent that an RSU may be settled only in cash, no shares shall be counted against the shares available for the grant of Awards under the Plan;

(C) if any Award (i) expires or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of shares of Common Stock subject to such Award being repurchased by the Company at the original issuance price pursuant to a contractual repurchase right) or (ii) results in any Common Stock not being issued (including as a result of an SAR or an RSU that was settleable either in cash or in stock actually being settled in cash), the unused Common Stock covered by such Award shall again be available for the grant of Awards; *provided, however*, that (1) in the case of Incentive Stock Options, the foregoing shall be subject to any limitations under the Code, (2) in the case of the exercise of an SAR, the number of shares counted against the shares available under the Plan shall be the full number of shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of shares actually used to settle such SAR upon exercise and (3) the shares covered by a Tandem SAR shall not again become available for grant upon the expiration or termination of such Tandem SAR;

(D) shares of Common Stock delivered (either by actual delivery, attestation or net exercise) to the Company by a Participant to (i) purchase shares of Common Stock upon the exercise of an Award or (ii) satisfy tax withholding obligations with respect to Awards (including shares retained from the Award creating the tax obligation) shall not be added back to the number of shares available for the future grant of Awards; and

(E) shares of Common Stock repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of shares available for future grant of Awards.

(b) Limit on Awards to Non-Employee Directors. The maximum aggregate amount of cash and value of Awards (calculated based on grant date fair value for financial reporting purposes) granted in any calendar year to any individual non-employee director shall not exceed $750,000 in the case of an incumbent director; provided, however, that such maximum aggregate amount shall not exceed $1,000,000 in any calendar year for any individual non-employee director in such non-employee director's initial year of election or appointment; and provided, further, however, that fees paid by the Company on behalf of any non-employee director in connection with regulatory compliance and any amounts paid to a non-employee director as reimbursement of an expense shall not count against the foregoing limit. The Board may make exceptions to this limit for individual non-employee directors in extraordinary circumstances, as the Board may determine in its discretion, provided that the non-employee director receiving such additional compensation may not participate in the decision to award such compensation. For the avoidance of doubt, this limitation shall not apply to cash or Awards granted to a non-employee director in his or her capacity as an advisor or consultant to the Company.

(c) Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute Awards may be granted on such terms as the Board deems appropriate in the circumstances, notwithstanding any limitations on Awards contained in the Plan. Substitute Awards shall not count against the overall share limit set forth in Section 4(a)(1), except as may be required by reason of Section 422 and related provisions of the Code.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an "***Option***") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as the Board considers necessary or advisable.

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "***Incentive Stock Option***") shall only be granted to employees of Schrödinger, Inc., any of Schrödinger, Inc.'s present or future parent or subsidiary corporations as defined in Sections 424(e) or (f) of the Code, and any other entities the employees of which are eligible to receive Incentive Stock Options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. An Option that is not intended to be an Incentive Stock Option shall be designated a "***Nonstatutory Stock Option***." The Company shall have no liability to a Participant, or any other person, if an Option (or any part thereof) that is intended to be an Incentive Stock Option is not an Incentive Stock Option or if the Company converts an Incentive Stock Option to a Nonstatutory Stock Option.

(c) Exercise Price. The Board shall establish the exercise price of each Option or the formula by which such exercise price will be determined. The exercise price shall be specified in the applicable Option agreement. The exercise price shall be not less than 100% of the Grant Date Fair Market Value (as defined below) of the Common Stock on the date the Option is granted; *provided* that if the Board approves the grant of an Option with an exercise price to be determined on a future date, the exercise price shall be not less than 100% of the Grant Date Fair Market Value on such future date. "***Grant Date Fair Market Value***" of a share of Common Stock for purposes of the Plan will be determined as follows:

(1) if the Common Stock trades on a national securities exchange, the closing sale price (for the primary trading session) on the date of grant; or

(2) if the Common Stock does not trade on any such exchange, the average of the closing bid and asked prices on the date of grant as reported by an over-the-counter marketplace designated by the Board; or

(3) if the Common Stock is not publicly traded, the Board will determine the Grant Date Fair Market Value for purposes of the Plan using any measure of value it determines to be appropriate (including, as it considers appropriate, relying on appraisals) in a manner consistent with the valuation principles under Code Section 409A of the Code or any successor provision thereto, and the regulations thereunder ("***Section 409A***"), except as the Board may expressly determine otherwise.

For any date that is not a trading day, the Grant Date Fair Market Value of a share of Common Stock for such date will be determined by using the closing sale price or average of the bid and asked prices, as appropriate, for the immediately preceding trading day and with the timing in the formulas above adjusted accordingly. The Board can substitute a particular time of day or other measure of "closing sale price" or "bid and asked prices" if appropriate because of exchange or market procedures or can, use weighted averages either on a daily basis or such longer period, in each case to the extent permitted by Section 409A.

The Board shall determine the Grant Date Fair Market Value for purposes of the Plan, and all Awards are conditioned on the Participant's agreement that the Board's determination is conclusive and binding even though others might make a different determination.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable Option agreement; *provided, however*, that no Option will be granted with a term in excess of 10 years.

(e) Exercise of Options. Options may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with payment in full (in the manner specified in Section 5(f)) of the exercise price for the number of shares for which the Option is exercised. Shares of Common Stock subject to the Option will be delivered by the Company as soon as practicable following exercise.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as may otherwise be provided in the applicable Option agreement or approved by the Board, by (i) delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price and any required tax withholding or (ii) delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company funds sufficient to pay the exercise price and any required tax withholding;

(3) to the extent provided for in the applicable Option agreement or approved by the Board, by delivery (either by actual delivery or attestation) of shares of Common Stock owned by the Participant valued at their fair market value (valued in the manner determined or approved by the Board), provided (i) such method of payment is then permitted under applicable law, (ii) such Common Stock, if acquired directly from the Company, was owned by the Participant for such minimum period of time, if any, as may be established by the Board and (iii) such Common Stock is not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements;

(4) to the extent provided for in the applicable Nonstatutory Stock Option agreement or approved by the Board, by delivery of a notice of "net exercise" to the Company, as a result of which the Participant would receive (i) the number of shares underlying the portion of the Option being exercised, less (ii) such number of shares as is equal to (A) the aggregate exercise price for the portion of the Option being exercised divided by (B) the fair market value of the Common Stock (valued in the manner determined or approved by the Board) on the date of exercise;

(5) to the extent permitted by applicable law and provided for in the applicable Option agreement or approved by the Board, by payment of such other lawful consideration as the Board may determine; or

(6) by any combination of the above permitted forms of payment.

(g) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding Option granted under the Plan to provide an exercise price per share that is lower than the then-current exercise price per share of such outstanding Option; (2) cancel any outstanding option (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise or measurement price per share lower than the then-current exercise price per share of the cancelled option; (3) cancel in exchange for a cash payment any outstanding Option with an exercise price per share above the then-current fair market value of the Common Stock (valued in the manner determined or approved by the Board); or (4) take any other action under the

Plan that constitutes a "repricing" within the meaning of the rules of the Nasdaq Stock Market or any other exchange or marketplace on which the Company's stock is listed or traded (the "***Exchange***").

(h) No Reload Options. No Option granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional Options in connection with any exercise of the original Option.

(i) No Dividend Equivalents. No Option shall provide for the payment or accrual of dividend equivalents.

6. Stock Appreciation Rights

(a) General. The Board may grant Awards consisting of stock appreciation rights ("***SARs***") entitling the holder, upon exercise, to receive an amount of Common Stock or cash or a combination thereof (such form to be determined by the Board) determined by reference to appreciation, from and after the date of grant, in the fair market value of a share of Common Stock (valued in the manner determined or approved by the Board) over the measurement price established pursuant to Section 6(b). The date as of which such appreciation is determined shall be the exercise date.

(b) Measurement Price. The Board shall establish the measurement price of each SAR and specify it in the applicable SAR agreement. The measurement price shall not be less than 100% of the Grant Date Fair Market Value of the Common Stock on the date the SAR is granted; *provided* that if the Board approves the grant of an SAR effective as of a future date, the measurement price shall be not less than 100% of the Grant Date Fair Market Value on such future date.

(c) Duration of SARs. Each SAR shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable SAR agreement; *provided, however*, that no SAR will be granted with a term in excess of 10 years.

(d) Exercise of SARs. SARs may be exercised by delivery to the Company of a notice of exercise in a form (which may be electronic) approved by the Company, together with any other documents required by the Board.

(e) Limitation on Repricing. Unless such action is approved by the Company's stockholders, the Company may not (except as provided for under Section 10): (1) amend any outstanding SAR granted under the Plan to provide a measurement price per share that is lower than the then-current measurement price per share of such outstanding SAR; (2) cancel any outstanding SAR (whether or not granted under the Plan) and grant in substitution therefor new Awards under the Plan (other than Awards granted pursuant to Section 4(c)) covering the same or a different number of shares of Common Stock and having an exercise or measurement price per share lower than the then-current measurement price per share of the cancelled SAR; (3) cancel in exchange for a cash payment any outstanding SAR with a measurement price per share above the then-current fair market value of the Common Stock (valued in the manner determined or approved by the Board); or (4) take any other action under the Plan that constitutes a "repricing" within the meaning of the rules of the Exchange.

(f) No Reload SARs. No SAR granted under the Plan shall contain any provision entitling the Participant to the automatic grant of additional SARs in connection with any exercise of the original SAR.

(g) No Dividend Equivalents. No SAR shall provide for the payment or accrual of dividend equivalents.

7. Restricted Stock; RSUs

(a) General. The Board may grant Awards entitling recipients to acquire shares of Common Stock ("***Restricted Stock***"), subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award. The Board may also grant Restricted Stock Units, entitling the recipient to receive shares of Common Stock or cash to be delivered at the time such Award vests or on a deferred basis ("***RSUs***").

(b) Terms and Conditions for Restricted Stock and RSUs . The Board shall determine the terms and conditions of Restricted Stock and RSUs, including the conditions for vesting and repurchase (or forfeiture) and the issue price, if any.

(c) Additional Provisions Relating to Restricted Stock .

(1) Dividends. Any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Restricted Stock ("***Unvested Dividends***") shall be paid to the Participant only if and when such shares become free from the restrictions on transferability and forfeitability that apply to such shares. Each payment of Unvested Dividends will be made no later than the end of the calendar year in which the dividends are paid to stockholders of that class of stock or, if later, the 15th day of the third month following the lapsing of the restrictions on transferability and the forfeitability provisions applicable to the underlying shares of Restricted Stock. No interest will be paid on Unvested Dividends.

(2) Stock Certificates/Issuance. The Company may require that any stock certificates issued in respect of shares of Restricted Stock, as well as dividends or distributions paid on such Restricted Stock, shall be deposited in escrow by the Participant, together with a stock power endorsed in blank, with the Company (or its designee) or, alternatively, that such shares be issued in book entry only, in the name of the Participant with appropriate transfer and forfeiture restrictions. At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions (or, to the extent the Restricted Stock was issued in book entry, remove the restrictions) to the Participant or if the Participant has died, to his or her Designated Beneficiary (as defined below).

(d) Additional Provisions Relating to RSUs .

(1) Settlement. Upon the vesting of and/or lapsing of any other restrictions with respect to each RSU, the Participant shall be entitled to receive from the Company (i.e., settlement) the number of shares of Common Stock specified in the Award agreement or (if so provided in the applicable Award agreement or otherwise determined by the Board) an amount of cash equal to the fair market value (valued in the manner determined or approved by the Board) of such number of shares or a combination thereof. The Board may provide that settlement of RSUs shall be deferred, on a mandatory basis or at the election of the Participant, in a manner that complies with Section 409A.

(2) Voting Rights. A Participant shall have no voting rights with respect to any RSUs.

(3) Dividend Equivalents. The Award agreement for RSUs may provide Participants with the right to receive an amount equal to any dividends or other distributions declared and paid on an equal number of outstanding shares of Common Stock ("***Dividend Equivalents***"). Dividend Equivalents may be credited to an

account for the Participant and may be settled in cash and/or shares of Common Stock, in each case to the extent provided in the applicable Award agreement. Dividend Equivalents with respect to RSUs will be subject to the same restrictions on transfer and forfeitability as the RSUs with respect to which paid. No interest will be paid on Dividend Equivalents.

8. Other Stock-Based and Cash-Based Awards

(a) General. The Board may grant other Awards of shares of Common Stock, and other Awards that are valued in whole or in part by reference to, or are otherwise based on, shares of Common Stock or other property ("***Other Stock-Based Awards***"). Such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may be paid in shares of Common Stock or cash, as the Board shall determine. The Company may also grant Awards denominated in cash rather than shares of Common Stock ("***Cash-Based Awards***").

(b) Terms and Conditions. Subject to the provisions of the Plan, the Board shall determine the terms and conditions of each Other Stock-Based Award or Cash-Based Award, including any purchase price applicable thereto.

(c) Dividend Equivalents. The Award agreement for an Other Stock-Based Award may provide Participants with the right to receive Dividend Equivalents. Dividend Equivalents may be credited to an account for the Participant and may be settled in cash and/or shares of Common Stock, in each case to the extent provided in the applicable Award agreement. Dividend Equivalents with respect to Other-Stock Based Awards will be subject to the same restrictions on transfer and forfeitability as the Other Stock-Based Award with respect to which paid. No interest will be paid on Dividend Equivalents.

9. Performance Awards.

(a) Grants. Awards under the Plan may be made subject to the achievement of performance goals pursuant to this Section 9 ("***Performance Awards***").

(b) Performance Measures. The Board may specify that the degree of granting, vesting and/or payout of any Performance Award shall be subject to the achievement of one or more performance measures established by the Board, which may be based on the relative or absolute attainment of specified levels of one or any combination of the following, and which may be determined pursuant to generally accepted accounting principles ("GAAP") or on a non-GAAP basis, as determined by the Board: (i) the entry into an arrangement or agreement with a third party for the development, commercialization, marketing or distribution of products, services or technologies, or for conducting a research program to discover and develop a product, service or technology, and/or the achievement of milestones under such arrangement or agreement, including events that trigger an obligation or payment right; (ii) achievement of domestic and international regulatory milestones, including the submission of filings required to advance products, services and technologies in clinical development and the achievement of approvals by regulatory authorities relating to the commercialization of products, services and technologies; (iii) the achievement of discovery, preclinical and clinical stage scientific objectives, discoveries or inventions for products, services and technologies under research and development; (iv) the entry into or completion of a phase of clinical development for any product, service or technology, such as the entry into or completion of phase 1, 2 and/or 3 clinical trials; (v) the consummation of debt or equity financing transactions, or acquisitions of business, technologies and assets; (vi) new product or service releases; (vii) the achievement of qualitative or quantitative performance measures set forth

in operating plans approved by the Board from time to time; (viii) specified levels of product sales, net income, earnings before or after discontinued operations, interest, taxes, depreciation and/or amortization, operating profit before or after discontinued operations and/or taxes, sales, sales growth, earnings growth, cash flow or cash position, gross margins, stock price, market share, return on sales, assets, equity or investment; (ix) improvement of financial ratings; (x) achievement of balance sheet or income statement objectives; (xi) total stockholder return or stock price; (xii) other comparable measures of financial and operational performance; and/ or (xiii) any other measure selected by the Board. Such goals may reflect absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. The Board may specify that such performance measures shall be adjusted to exclude any one or more of: (I) extraordinary items; (II) gains or losses on the dispositions of discontinued operations; (III) the cumulative effects of changes in accounting principles; (IV) the writedown of any asset; (V) fluctuation in foreign currency exchange rates; (VI) charges for restructuring and rationalization programs; (VII) non-cash, mark-to-market adjustments on derivative instruments; (VIII) amortization of purchased intangibles; (IX) the net impact of tax rate changes; (X) non-cash asset impairment charges; (XI) gains on extinguishment of the tax receivable agreement; and (XII) any other factors as the Board may determine. Such performance measures: (A) may vary by Participant and may be different for different Awards; (B) may be particular to a Participant or the department, branch, line of business, subsidiary or other unit in which the Participant works and may cover such period as may be specified by the Board; and (C) may cover such period as may be specified by the Board. The Board shall have the authority to make equitable adjustments to the performance goals in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company, in response to changes in applicable laws or regulations or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles.

(c) Adjustments. The Board may adjust the cash or number of shares payable pursuant to such Performance Award, and the Board may, at any time, waive the achievement of the applicable performance measures.

(d) Dividends; Dividend Equivalents. Notwithstanding its designation as a Performance Award, no Option or SAR shall provide for the payment or accrual of dividend equivalents in accordance with Sections 5(i) and 6(g), as applicable, any dividends declared and paid by the Company with respect to shares of Restricted Stock shall be subject to Section 7(c)(i), and any right to receive Dividend Equivalents on an award of RSUs and Other Stock-Based Awards shall be subject to Sections 7(d)(1) and 8(c), as applicable.

10. Adjustments for Changes in Common Stock and Certain Other Events

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under the Plan, (ii) the share counting rules set forth in Section 4(a), (iii) the number and class of securities and exercise price per share of each outstanding Option, (iv) the share and per-share provisions and the measurement price of each outstanding SAR, (v) the number of shares subject to and the repurchase price per share subject to each outstanding award of Restricted Stock and (vi) the share and per-share-related provisions and the purchase price, if any, of each outstanding RSU and each Other Stock-Based Award, shall be equitably adjusted by the Company (or substituted Awards may be made, if applicable) in the manner determined by the Board. Without limiting the generality of the foregoing, in the event the Company effects a split of the Common Stock by means of a stock dividend and the exercise price of and the number of shares subject to an

outstanding Option are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an optionee who exercises an Option between the record date and the distribution date for such stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such Option exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

(b) Reorganization Events.

(1) Definition. A "***Reorganization Event***" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is canceled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Awards Other than Restricted Stock.

(A) In connection with a Reorganization Event, the Board may take any one or more of the following actions as to all or any (or any portion of) outstanding Awards other than Restricted Stock on such terms as the Board determines (except to the extent specifically provided otherwise in an applicable Award agreement or another agreement between the Company and the Participant):

(i) provide that such Awards shall be assumed, or substantially equivalent Awards shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof);

(ii) upon written notice to a Participant, provide that all of the Participant's unvested Awards will be forfeited immediately prior to the consummation of such Reorganization Event and/ or that all of the Participant's unexercised Awards will terminate immediately prior to the consummation of such Reorganization Event unless exercised by the Participant (to the extent then exercisable) within a specified period following the date of such notice;

(iii) provide that outstanding Awards shall become exercisable, realizable or deliverable, or restrictions applicable to an Award shall lapse, in whole or in part prior to or upon such Reorganization Event;

(iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "***Acquisition Price***"), make or provide for a cash payment to Participants with respect to each Award held by a Participant equal to (A) the number of shares of Common Stock subject to the vested portion of the Award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such Reorganization Event) multiplied by (B) the excess, if any, of (I) the Acquisition Price over (II) the exercise, measurement or purchase price of such Award and any applicable tax withholdings, in exchange for the termination of such Award, *provided,* that if the Acquisition Price per share (as determined by the Board) does not exceed the exercise price of such Award, then the Award shall be canceled without any payment of consideration therefor;

(v) provide that, in connection with a liquidation or dissolution of the Company, Awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise, measurement or purchase price thereof and any applicable tax withholdings); and

(vi) any combination of the foregoing.

In taking any of the actions permitted under this Section 10(b)(2)(A), the Board shall not be obligated by the Plan to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically.

(B) Notwithstanding the terms of Section 10(b)(2)(A)(i), in the case of outstanding RSUs that are subject to Section 409A: (i) if the applicable RSU agreement provides that the RSUs shall be settled upon a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i), and the Reorganization Event constitutes such a "change in control event", then no assumption or substitution shall be permitted pursuant to Section 10(b)(2)(A)(i) and the RSUs shall instead be settled in accordance with the terms of the applicable RSU agreement; and (ii) the Board may only undertake the actions set forth in clauses (iii), (iv) or (v) of Section 10(b)(2)(A) if the Reorganization Event constitutes a "change in control event" as defined under Treasury Regulation Section 1.409A-3(i)(5)(i) and such action is permitted or required by Section 409A; if the Reorganization Event is not a "change in control event" as so defined or such action is not permitted or required by Section 409A, and the acquiring or succeeding corporation does not assume or substitute the RSUs pursuant to clause (i) of Section 10(b)(2)(A), then the unvested RSUs shall terminate immediately prior to the consummation of the Reorganization Event without any payment in exchange therefor.

(C) For purposes of Section 10(b)(2)(A)(i), an Award (other than Restricted Stock) shall be considered assumed if, following consummation of the Reorganization Event, such Award confers the right to purchase or receive pursuant to the terms of such Award, for each share of Common Stock subject to the Award immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); *provided, however*, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise or settlement of the Award to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determined to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

(D) The Board may impose a limitation on the ability of Participants holding Options and/or SARs to exercise their Awards for the minimum number of days prior to the closing of the Reorganization Event as is reasonably necessary to facilitate the orderly closing of the Reorganization Event. The Company shall provide reasonable notice to Participants of any such limitation on exercise.

(3) Consequences of a Reorganization Event on Restricted Stock. Upon the occurrence of a Reorganization Event other than a liquidation or dissolution of the Company, the repurchase and other rights of the Company with respect to outstanding Restricted Stock shall inure to the benefit of the Company's successor and shall, unless the Board determines otherwise, apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such Reorganization Event in the same manner and to the same extent as they applied to such Restricted Stock; *provided, however*, that the Board may either provide for termination or deemed satisfaction of such repurchase or other rights under the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, either initially or by amendment, or provide for forfeiture of such Restricted Stock if issued at no cost. Upon the occurrence of a Reorganization Event involving the liquidation or dissolution of the Company, except to the extent specifically provided to the contrary in the instrument evidencing any Restricted Stock or any other agreement between a Participant and the Company, all

restrictions and conditions on all Restricted Stock then outstanding shall automatically be deemed terminated or satisfied.

11. General Provisions Applicable to Awards

(a) Transferability of Awards. Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by a Participant, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an Incentive Stock Option, pursuant to a qualified domestic relations order, and, during the life of the Participant, shall be exercisable only by the Participant; *provided, however*, that, except with respect to Awards subject to Section 409A and Incentive Stock Options, the Board may permit or provide in an Award for the gratuitous transfer of the Award by the Participant to or for the benefit of any immediate family member, family trust or other entity established for the benefit of the Participant and/or an immediate family member thereof if the Company would be eligible to use a Form S-8 under the Securities Act for the registration of the sale of the Common Stock subject to such Award to such proposed transferee; *provided further*, that the Company shall not be required to recognize any such permitted transfer until such time as such permitted transferee shall, as a condition to such transfer, deliver to the Company a written instrument in form and substance satisfactory to the Company confirming that such transferee shall be bound by all of the terms and conditions of the Award. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees. For the avoidance of doubt, nothing contained in this Section 11(a) shall be deemed to restrict a transfer to the Company.

(b) Documentation. Each Award shall be evidenced in such form (written, electronic or otherwise) as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Termination of Status. The Board shall determine the effect on an Award of the disability, death, termination or other cessation of employment or service, authorized leave of absence or other change in the employment or other service status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights, or receive any benefits, under an Award. "***Designated Beneficiary***" means (i) the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death or (ii) in the absence of an effective designation by a Participant, the Participant's estate.

(d) Withholding. The Participant must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of Common Stock under an Award. The Company may elect to satisfy the withholding obligations through additional withholding on salary or wages. If the Company elects not to or cannot withhold from other compensation, the Participant must pay the Company the full amount, if any, required for withholding or have a broker tender to the Company cash equal to the withholding obligations. Payment of withholding obligations is due before the Company will issue any shares on exercise, vesting or release from forfeiture of an Award or at the same time as payment of the exercise or purchase price, unless the Company determines otherwise. If provided for in an Award or approved by the Board, a Participant may satisfy the tax obligations in whole or in part by delivery (either by actual delivery or attestation) of shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their fair market value (valued in the manner determined or approved by the Company); *provided, however*, except as otherwise provided by the Board, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company's minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll

taxes, that are applicable to such supplemental taxable income), except that, to the extent that the Company is able to retain shares of Common Stock having a fair market value (determined or approved by the Company) that exceeds the statutory minimum applicable withholding tax without financial accounting implications or the Company is withholding in a jurisdiction that does not have a statutory minimum withholding tax, the Company may retain such number of shares of Common Stock (up to the number of shares having a fair market value equal to the maximum individual statutory rate of tax (determined or approved by, the Company)) as the Company shall determine to be necessary to satisfy the tax liability associated with any Award. Shares used to satisfy tax withholding requirements cannot be subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

(e) Amendment of Award. Except as otherwise provided in Sections 5(g) and 6(e) with respect to repricings and Section 12(d) with respect to amendments to the Plan, the Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option. The Participant's consent to such action shall be required unless (i) the Board determines that the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Plan or (ii) the change is permitted under Section 10.

(f) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously issued or delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and regulations and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(g) Acceleration. The Board may at any time provide that any Award shall become immediately exercisable in whole or in part, free from some or all restrictions or conditions or otherwise realizable in whole or in part, as the case may be.

12. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award by virtue of the adoption of the Plan, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder; Clawback. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be issued with respect to an Award until becoming the record holder of such shares. In accepting an Award under the Plan, the Participant agrees to be bound by any clawback policy that the Company has in effect or may adopt in the future.

(c) Effective Date and Term of Plan. The Plan shall become effective on the Effective Date. No Awards shall be granted under the Plan after the expiration of 10 years from the Effective Date, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time provided that (i) neither Section 5(g) nor Section 6(e) requiring stockholder approval of any Option or SAR repricing may be amended without stockholder approval; (ii) no amendment that would require stockholder approval under the rules of the national securities exchange on which the Company then maintains its primary listing will be effective unless and until the Company's stockholders approve such amendment; and (iii) if the national securities exchange on which the Company then maintains its primary listing does not have rules regarding when stockholder approval of amendments to equity compensation plans is required (or if the Company's Common Stock is not then listed on any national securities exchange), then no amendment to the Plan (A) materially increasing the number of shares authorized under the Plan (other than pursuant to Section 4(c) or 10), (B) expanding the types of Awards that may be granted under the Plan, or (C) materially expanding the class of participants eligible to participate in the Plan shall be effective unless and until the Company's stockholders approve such amendment. In addition, if at any time the approval of the Company's stockholders is required as to any other modification or amendment under Section 422 of the Code or any successor provision with respect to Incentive Stock Options, the Board may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any amendment to the Plan adopted in accordance with this Section 12(d) shall apply to, and be binding on the holders of, all Awards outstanding under the Plan at the time the amendment is adopted, provided the Board determines that such amendment, taking into account any related action, does not materially and adversely affect the rights of Participants under the Plan. No Award shall be made that is conditioned upon stockholder approval of any amendment to the Plan unless the Award provides that (i) it will terminate or be forfeited if stockholder approval of such amendment is not obtained within no more than 12 months from the date of grant and (2) it may not be exercised or settled (or otherwise result in the issuance of Common Stock) prior to such stockholder approval.

(e) Authorization of Sub-Plans (including for Grants to non-U.S. Employees) . The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable securities, tax or other laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan containing (i) such limitations on the Board's discretion under the Plan as the Board deems necessary or desirable or (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction which is not the subject of such supplement.

(f) Compliance with Section 409A. If and to the extent (i) any portion of any payment, compensation or other benefit provided to a Participant in connection with his or her employment termination constitutes "nonqualified deferred compensation" within the meaning of Section 409A and (ii) the Participant is a specified employee as defined in Section 409A(a)(2)(B)(i) of the Code, in each case as determined by the Company in accordance with its procedures, by which determinations the Participant (through accepting the Award) agrees that to be bound, such portion of the payment, compensation or other benefit shall not be paid before the day that is six months plus one day after the date of "separation from service" (as determined under Section 409A) (the "***New Payment Date***"), except as Section 409A may then permit. The aggregate of any payments that otherwise would have been paid to the Participant during the period between the date of separation from service and the New Payment Date shall be paid to the Participant in a lump sum on such New Payment Date, and any remaining payments will be paid on their original schedule.

The Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions of or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A but do not to satisfy the conditions of that section.

(g) Limitations on Liability. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer, employee or agent of the Company will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan, nor will such individual be personally liable with respect to the Plan because of any contract or other instrument such individual executes in his or her capacity as a director, officer, employee or agent of the Company. The Company will indemnify and hold harmless each director, officer, employee or agent of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been or will be delegated, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Board's approval) arising out of any act or omission to act concerning the Plan unless arising out of such person's own fraud or bad faith.

(h) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, excluding choice-of-law principles of the law of such state that would require the application of the laws of a jurisdiction other than the State of Delaware.

Schrödinger, Inc.

AMENDMENT NO. 1 TO 2022 EQUITY INCENTIVE PLAN

This Amendment No. 1 (this "Amendment") is made to the 2022 Equity Incentive Plan (the "Plan") of Schrödinger, Inc. (the "Company").

1. Section 4(a)(1)(A) of the Plan is replaced in its entirety with the following:

"10,000,000 shares of Common Stock; and"

Except as set forth above, all other terms of the Plan shall remain unchanged and in full force and effect. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to them in the Plan.

This Amendment was adopted by the Board of Directors of the Company on March 18, 2024 and was approved by the stockholders of the Company on June 18, 2024.

Exhibit 10.4

Schrödinger, Inc.

2020 EMPLOYEE STOCK PURCHASE PLAN

The purpose of this 2020 Employee Stock Purchase Plan (this " ***Plan***") is to provide eligible employees of Schrödinger, Inc. (the " ***Company***") and certain of its subsidiaries with opportunities to purchase shares of the Company's common stock, $0.01 par value per share (the "***Common Stock***"), commencing at such time and on such dates as the Board of Directors of the Company (the "***Board***") shall determine. Subject to adjustment under Section 15 hereof, the number of shares of Common Stock that have been approved for this purpose 586,845 shares of Common Stock. This Plan is intended to qualify as an "employee stock purchase plan" as defined in Section 423 of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the regulations issued thereunder, and shall be interpreted consistent therewith.

1. Administration. The Plan will be administered by the Board or by a Committee appointed by the Board (the " ***Committee***"). The Board or the Committee has authority to make rules and regulations for the administration of the Plan and its interpretation and decisions with regard thereto shall be final and conclusive.

2. Eligibility. All employees of the Company and all employees of any subsidiary of the Company (as defined in Section 424(f) of the Code) designated by the Board or the Committee from time to time (a "***Designated Subsidiary***"), are eligible to participate in any one or more of the offerings of Options (as defined in Section 9) to purchase Common Stock under the Plan provided that:

(a) they are customarily employed by the Company or a Designated Subsidiary for more than 20 hours a week and for more than five months in a calendar year;

(b) they have been employed by the Company or a Designated Subsidiary for at least three (3) months prior to the first day of the applicable Plan Period (as defined below); and

(c) they are employees of the Company or a Designated Subsidiary on the first day of the applicable Plan Period (as defined below).

No employee may be granted an Option hereunder if such employee, immediately after the Option is granted, owns 5% or more of the total combined voting power or value of the stock of the Company or any subsidiary. For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of an employee, and all stock that the employee has a contractual right to purchase shall be treated as stock owned by the employee.

The Company retains the discretion to determine which eligible employees may participate in an offering pursuant to and consistent with Treasury Regulation Sections 1.423-2(e) and (f).

3. Offerings. The Company will make one or more offerings (" ***Offerings***") to employees to purchase stock under this Plan. Offerings will begin at such time and on such dates as the Board shall determine, or the first business day thereafter (such dates, the "***Offering Commencement Dates***"). Each Offering Commencement Date will begin a six (6) month period (a "***Plan Period***") during which payroll deductions will be made and held for the purchase of Common Stock at the end of the Plan Period. However, the Board or the Committee may, at its discretion, choose a different Plan Period of not more than twenty-seven (27) months for Offerings.

4. Participation. An employee eligible on the Offering Commencement Date of any Offering may participate in such Offering by completing and forwarding either a written or electronic payroll deduction authorization form to the employee's appropriate payroll office at least 15 days (or such other number of days as is determined by the Company) prior to the applicable Offering Commencement Date. The form will authorize a regular payroll deduction from the Compensation received by the employee during the Plan Period. Unless an employee files a new form or withdraws from the Plan, his or her deductions and purchases will continue at the same rate for future Offerings under the Plan as long as the Plan remains in effect. The term "***Compensation***" means the amount of money reportable on the employee's Federal Income Tax Withholding Statement (or analogous non-U.S. statement), excluding overtime, shift premium, incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances for travel expenses, income or gains associated with the grant or vesting of restricted stock, income or gains on the exercise of Company stock options or stock appreciation rights, and similar items, whether or not shown or separately identified on the employee's Federal Income Tax Withholding Statement (or analogous non-U.S. statement), but including, in the case of salespersons, sales commissions to the extent determined by the Board or the Committee.

5. Deductions. The Company will maintain payroll deduction accounts for all participating employees. With respect to any Offering made under this Plan, an employee may authorize a payroll deduction in any percentage amount (in whole percentages) up to a maximum of 15% of the Compensation he or she receives during the Plan Period or such shorter period during which deductions from payroll are made. The Board or the Committee may, at its discretion, designate a lower maximum contribution rate. The minimum payroll deduction is such percentage of Compensation as may be established from time to time by the Board or the Committee.

6. Deduction Changes. An employee may decrease or discontinue his or her payroll deduction once during any Plan Period, by filing either a written or electronic new payroll deduction authorization form, as determined by the Company. However, an employee may not increase his or her payroll deduction during a Plan Period. If an employee elects to discontinue his or her payroll deductions during a Plan Period, but does not elect to withdraw his or her funds pursuant to Section 8 hereof, funds deducted prior to his or her election to discontinue will be applied to the purchase of Common Stock on the Exercise Date (as defined below).

7. Interest. Interest will not be paid on any employee accounts, except to the extent that the Board or the Committee, in its sole discretion, elects to credit employee accounts with interest at such rate as it may from time to time determine.

8. Withdrawal of Funds. An employee may at any time prior to the close of business on the fifteenth business day (or such other number of days as is determined by the Company) prior to the end of a Plan Period and for any reason permanently draw out the balance accumulated in the employee's account and thereby withdraw from participation in an Offering. Partial withdrawals are not permitted. The employee may not begin participation again during the remainder of the Plan Period during which the employee withdrew his or her balance. The employee may participate in any subsequent Offering in accordance with terms and conditions established by the Board or the Committee.

9. Purchase of Shares.

(a) Number of Shares. On the Offering Commencement Date of each Plan Period, the Company will grant to each eligible employee who is then a participant in the Plan an option (an "***Option***") to purchase on the last business day of such Plan Period (the " ***Exercise Date***") at the applicable purchase price (the "***Option Price***") up to a whole number of shares of Common Stock determined by multiplying $2,083 by the number of full months in the

Plan Period and dividing the result by the closing price (as determined below) on the Offering Commencement Date; provided, however, that no employee may be granted an Option which permits his or her rights to purchase Common Stock under this Plan and any other employee stock purchase plan (as defined in Section 423(b) of the Code) of the Company and its subsidiaries, to accrue at a rate which exceeds $25,000 of the fair market value of such Common Stock (determined at the date such Option is granted) for each calendar year in which the Option is outstanding at any time; and, provided, further, however, that the Committee may, in its discretion, set a fixed maximum number of shares of Common Stock that each eligible employee may purchase per Plan Period which number may not be greater than the number of shares of Common Stock determined by using the formula in the first clause of this Section 9(a) and which number shall be subject to the second clause of this Section 9(a).

(b) Option Price. The Board or the Committee shall determine the Option Price for each Plan Period, including whether such Option Price shall be determined based on the lesser of the closing price of the Common Stock on (i) the first business day of the Plan Period or (ii) the Exercise Date, or shall be based solely on the closing price of the Common Stock on the Exercise Date; provided, however, that such Option Price shall be at least 85% of the applicable closing price. In the absence of a determination by the Board or the Committee, the Option Price will be 85% of the lesser of the closing price of the Common Stock on (i) the first business day of the Plan Period or (ii) the Exercise Date. The closing price shall be (a) the closing price (for the primary trading session) on any national securities exchange on which the Common Stock is listed or (b) the average of the closing bid and asked prices in the over-the-counter-market, whichever is applicable, as published in The Wall Street Journal or another source selected by the Board or the Committee. If no sales of Common Stock were made on such a day, the price of the Common Stock shall be the reported price for the next preceding day on which sales were made.

(c) Exercise of Option. Each employee who continues to be a participant in the Plan on the Exercise Date shall be deemed to have exercised his or her Option at the Option Price on such date and shall be deemed to have purchased from the Company the number of whole shares of Common Stock reserved for the purpose of the Plan that his or her accumulated payroll deductions on such date will pay for, but not in excess of the maximum numbers determined in the manner set forth above.

(d) Return of Unused Payroll Deductions. Any balance remaining in an employee's payroll deduction account at the end of a Plan Period will be automatically refunded to the employee, except that any balance that is less than the purchase price of one share of Common Stock will be carried forward into the employee's payroll deduction account for the following Offering, unless the employee elects not to participate in the following Offering under the Plan, in which case the balance in the employee's account shall be refunded.

10. Issuance of Certificates. Certificates representing shares of Common Stock purchased under the Plan may be issued only in the name of the employee, in the name of the employee and another person of legal age as joint tenants with rights of survivorship, or (in the Company's sole discretion) in the name of a brokerage firm, bank, or other nominee holder designated by the employee. The Company may, in its sole discretion and in compliance with applicable laws, authorize the use of book entry registration of shares in lieu of issuing stock certificates.

11. Rights on Retirement, Death or Termination of Employment. If a participating employee's employment ends before the last business day of a Plan Period, no payroll deduction shall be taken from any pay then due and owing to the employee and the balance in the employee's account shall be paid to the employee. In the event of the employee's death before the last business day of a Plan Period, the Company shall, upon notification of such death, pay the balance of the employee's account (a) to the executor or administrator of the employee's estate or (b) if no such executor or administrator has been appointed to the knowledge of the Company, to such other person(s) as the Company may, in its discretion, designate. If, before the last business day of the Plan Period, the Designated

Subsidiary by which an employee is employed ceases to be a subsidiary of the Company, or if the employee is transferred to a subsidiary of the Company that is not a Designated Subsidiary, the employee shall be deemed to have terminated employment for the purposes of this Plan.

12. Optionees Not Stockholders. Neither the granting of an Option to an employee nor the deductions from his or her pay shall make such employee a stockholder of the shares of Common Stock covered by an Option under this Plan until he or she has purchased and received such shares.

13. Options Not Transferable. Options under this Plan are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during the employee's lifetime only by the employee.

14. Application of Funds. All funds received or held by the Company under this Plan may be combined with other corporate funds and may be used for any corporate purpose.

15. Adjustment for Changes in Common Stock and Certain Other Events.

(a) Changes in Capitalization. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the share limitations set forth in Section 9, and (iii) the Option Price shall be equitably adjusted to the extent determined by the Board or the Committee.

(b) Reorganization Events.

(1) Definition. A "***Reorganization Event***" shall mean: (a) any merger or consolidation of the Company with or into another entity as a result of which all of the Common Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any transfer or disposition of all of the Common Stock of the Company for cash, securities or other property pursuant to a share exchange or other transaction or (c) any liquidation or dissolution of the Company.

(2) Consequences of a Reorganization Event on Options. In connection with a Reorganization Event, the Board or the Committee may take any one or more of the following actions as to outstanding Options on such terms as the Board or the Committee determines: (i) provide that Options shall be assumed, or substantially equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), (ii) upon written notice to employees, provide that all outstanding Options will be terminated immediately prior to the consummation of such Reorganization Event and that all such outstanding Options will become exercisable to the extent of accumulated payroll deductions as of a date specified by the Board or the Committee in such notice, which date shall not be less than ten (10) days preceding the effective date of the Reorganization Event, (iii) upon written notice to employees, provide that all outstanding Options will be cancelled as of a date prior to the effective date of the Reorganization Event and that all accumulated payroll deductions will be returned to participating employees on such date, (iv) in the event of a Reorganization Event under the terms of which holders of Common Stock will receive upon consummation thereof a cash payment for each share surrendered in the Reorganization Event (the "***Acquisition Price***"), change the last day of the Plan Period to be the date of the consummation of the Reorganization Event and make or provide for a cash payment to each employee equal to (A) (1) the Acquisition Price times (2) the number of shares of Common Stock that the employee's accumulated payroll deductions as of immediately prior to the Reorganization Event could purchase at the Option Price, where the Acquisition Price is treated as the fair market value of the Common Stock on the last day of the applicable Plan Period for purposes of

determining the Option Price under Section 9(b) hereof, and where the number of shares that could be purchased is subject to the limitations set forth in Section 9(a), minus (B) the result of multiplying such number of shares by such Option Price, (v) provide that, in connection with a liquidation or dissolution of the Company, Options shall convert into the right to receive liquidation proceeds (net of the Option Price thereof) and (vi) any combination of the foregoing.

For purposes of clause (i) above, an Option shall be considered assumed if, following consummation of the Reorganization Event, the Option confers the right to purchase, for each share of Common Stock subject to the Option immediately prior to the consummation of the Reorganization Event, the consideration (whether cash, securities or other property) received as a result of the Reorganization Event by holders of Common Stock for each share of Common Stock held immediately prior to the consummation of the Reorganization Event (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if the consideration received as a result of the Reorganization Event is not solely common stock of the acquiring or succeeding corporation (or an affiliate thereof), the Company may, with the consent of the acquiring or succeeding corporation, provide for the consideration to be received upon the exercise of Options to consist solely of such number of shares of common stock of the acquiring or succeeding corporation (or an affiliate thereof) that the Board determines to be equivalent in value (as of the date of such determination or another date specified by the Board) to the per share consideration received by holders of outstanding shares of Common Stock as a result of the Reorganization Event.

16. Amendment of the Plan. The Board may at any time, and from time to time, amend or suspend this Plan or any portion thereof, except that (a) if the approval of any such amendment by the shareholders of the Company is required by Section 423 of the Code, such amendment shall not be effected without such approval, and (b) in no event may any amendment be made that would cause the Plan to fail to comply with Section 423 of the Code.

17. Insufficient Shares. If the total number of shares of Common Stock specified in elections to be purchased under any Offering plus the number of shares purchased under previous Offerings under this Plan exceeds the maximum number of shares issuable under this Plan, the Board or the Committee will allot the shares then available on a pro-rata basis.

18. Termination of the Plan. This Plan may be terminated at any time by the Board. Upon termination of this Plan all amounts in the accounts of participating employees shall be promptly refunded.

19. Governmental Regulations. The Company's obligation to sell and deliver Common Stock under this Plan is subject to listing on a national stock exchange (to the extent the Common Stock is then so listed or quoted) and the approval of all governmental authorities required in connection with the authorization, issuance or sale of such stock.

20. Governing Law. The Plan shall be governed by Delaware law except to the extent that such law is preempted by federal law.

21. Issuance of Shares. Shares may be issued upon exercise of an Option from authorized but unissued Common Stock, from shares held in the treasury of the Company, or from any other proper source.

22. Notification upon Sale of Shares. Each employee agrees, by participating in the Plan, to promptly give the Company notice of any disposition of shares purchased under the Plan where such disposition occurs within two years after the date of grant of the Option pursuant to which such shares were purchased.

23. Grants to Employees in Foreign Jurisdictions. The Company may, to comply with the laws of a foreign jurisdiction, grant Options to employees of the Company or a Designated Subsidiary who are citizens or residents of such foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) with terms that are less favorable (but not more favorable) than the terms of Options granted under the Plan to employees of the Company or a Designated Subsidiary who are resident in the United States. Notwithstanding the preceding provisions of this Plan, employees of the Company or a Designated Subsidiary who are citizens or residents of a foreign jurisdiction (without regard to whether they are also citizens of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from eligibility under the Plan if (a) the grant of an Option under the Plan to a citizen or resident of the foreign jurisdiction is prohibited under the laws of such jurisdiction or (b) compliance with the laws of the foreign jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code. The Company may add one or more appendices to this Plan describing the operation of the Plan in those foreign jurisdictions in which employees are excluded from participation or granted less favorable Options.

24. Authorization of Sub-Plans. The Board may from time to time establish one or more sub-plans under the Plan with respect to one or more Designated Subsidiaries, provided that such sub-plan complies with Section 423 of the Code.

25. Withholding. If applicable tax laws impose a tax withholding obligation, each affected employee shall, no later than the date of the event creating the tax liability, make provision satisfactory to the Board for payment of any taxes required by law to be withheld in connection with any transaction related to Options granted to or shares acquired by such employee pursuant to the Plan. The Company may, to the extent permitted by law, deduct any such taxes from any payment of any kind otherwise due to an employee.

26. Effective Date and Approval of Shareholders. The Plan shall take effect as of immediately prior to the effectiveness of the Company's registration statement with respect to its initial public offering, subject to approval by the shareholders of the Company as required by Section 423 of the Code, which approval must occur within twelve months of the adoption of the Plan by the Board.

Schrödinger, Inc.

AMENDMENT NO. 1 TO 2020 EMPLOYEE STOCK PURCHASE PLAN

This Amendment No. 1 (this "Amendment") is made to the 2020 Employee Stock Purchase Plan (the "Plan") of Schrödinger, Inc. (the "Company").

1. The second sentence of the first paragraph of the Plan is replaced in its entirety with the following:

   "Subject to adjustment under Section 15 of the Plan, the number of shares of Common Stock that have been approved for issuance under the Plan is 1,000,000 shares of Common Stock."

Except as set forth above, all other terms of the Plan shall remain unchanged and in full force and effect. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to them in the Plan.

This Amendment was adopted by the Board of Directors of the Company on March 18, 2024 and was approved by the stockholders of the Company on June 18, 2024.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
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, Ramy Farid, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Schrödinger, 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: July 31, 2024

/s/ Ramy Farid

Ramy Farid
President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
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, Geoffrey Porges, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Schrödinger, 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: July 31, 2024

/s/ Geoffrey Porges

Geoffrey Porges
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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

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

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: July 31, 2024

/s/ Ramy Farid

Ramy Farid
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

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

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

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: July 31, 2024

/s/ Geoffrey Porges

Geoffrey Porges
Executive Vice President and Chief Financial Officer (Principal Financial Officer)