

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q**

(Mark one)

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

For the quarterly period ended **September 30, 2024**

or

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

For the transition period from to

Commission file number **001-15771**

ABEONA THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

83-0221517

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

**6555 Carnegie Avenue, 4th Floor
Cleveland, OH 44103**

(Address of principal executive offices, zip code)

(646) 813-4701

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ABEO	Nasdaq Capital Market

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

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☐

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

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

The number of shares outstanding of the registrant's common stock as of November 12, 2024 was 43,471,030 shares.

**ABEONA THERAPEUTICS INC.
Form 10-Q
For the Quarter Ended September 30, 2024**

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (including information incorporated by reference) contains statements that express management's opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "expects," "anticipates," "intends," "plans," "believes," "could," "would," "seeks," "estimates," and variations of such words and similar expressions, and the negatives thereof, are intended to identify such forward-looking statements. Such "forward-looking statements" speak only as of the date made and are not guarantees of future performance and involve certain risks, uncertainties, estimates, and assumptions by management that are difficult to predict. Various factors, some of which are beyond the Company's control, could cause actual results to differ materially from those expressed in, or implied by, such forward-looking statements. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this report, except as may otherwise be required by the federal securities laws.

Forward-looking statements necessarily involve risks and uncertainties, and our actual results could differ materially from those anticipated in forward-looking statements due to a number of factors. These statements include statements about, among other things: the timing and outcome of the FDA's review of our Biologics License Application resubmission for pz-cel; our plans to continue development of AAV-based gene therapies designed to treat ophthalmic diseases; the achievement of or expected timing, progress and results of clinical development, clinical trials and potential regulatory approvals; our pipeline of product candidates; our belief that pz-cel could potentially benefit patients with RDEB; our belief in the adequacy of the clinical trial data from our VIITAL™ clinical trial, together with the data generated in the program to date, to support regulatory approvals; our dependence upon our third-party customers and vendors and their compliance with regulatory bodies; our estimates regarding expenses, future revenues, capital requirements, and needs for additional financing; our intellectual property position and our ability to obtain, maintain and enforce intellectual property protection and exclusivity for our proprietary assets; our estimates regarding the size of the potential markets for our product candidates, the strength of our commercialization strategies and our ability to serve and supply those markets; and future economic conditions or performance.

Important factors that could affect performance and cause results to differ materially from management's expectations are described in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as updated from time to time in the Company's SEC filings, including this Quarterly Report on Form 10-Q. These factors include: the timing and outcome of the FDA's review of our resubmission of the Biologics License Application for pz-cel; our ability to access our existing at-the-market sale agreement; our ability to access additional financial resources and/or our financial flexibility to reduce operating expenses if required; our ability to obtain additional equity funding from current or new stockholders; the potential impacts of global healthcare emergencies, such as pandemics, on our business, operations, and financial condition; our ability to out-license technology and/or other assets, deferring and/or eliminating planned expenditures, restructuring operations and/or reducing headcount, and sales of assets; the dilutive effect that raising additional funds by selling additional equity securities would have on the relative equity ownership of our existing investors, including under our existing at-the-market sale agreement; the outcome of any interactions with the U.S. Food and Drug Administration ("FDA") or other regulatory agencies relating to any of our products or product candidates; our ability to continue to secure and maintain regulatory designations for our product candidates; our ability to develop manufacturing capabilities compliant with current good manufacturing practices for our product candidates; our ability to manufacture cell and gene therapy products and produce an adequate product supply to support clinical trials and potential future commercialization; the rate and degree of market acceptance of our product candidates for any indication once approved; and our ability to meet our obligations contained in license agreements to which we are party.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Abeona Therapeutics Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(\$ in thousands, except share and per share amounts)
(Unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,726	\$ 14,473
Short-term investments	93,975	37,753
Restricted cash	338	338
Other receivables	1,613	2,444
Prepaid expenses and other current assets	1,005	729
Total current assets	112,657	55,737
Property and equipment, net	4,058	3,533
Operating lease right-of-use assets	3,789	4,455
Other assets	88	277
Total assets	\$ 120,592	\$ 64,002
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,789	\$ 1,858
Accrued expenses	5,210	5,985
Current portion of long-term debt	4,444	—
Current portion of operating lease liability	1,057	998
Current portion payable to licensor	4,921	4,580
Other current liabilities	1	1
Total current liabilities	18,422	13,422
Long-term operating lease liabilities	3,402	4,402
Long-term debt	14,206	—
Warrant liabilities	38,789	31,352
Total liabilities	74,819	49,176
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$0.01 par value; authorized 2,000,000 shares; No shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Common stock - \$0.01 par value; authorized 200,000,000 shares; 43,404,706 and 26,523,878 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	434	265
Additional paid-in capital	849,388	764,151
Accumulated deficit	(803,965)	(749,524)
Accumulated other comprehensive loss	(84)	(66)
Total stockholders' equity	45,773	14,826
Total liabilities and stockholders' equity	\$ 120,592	\$ 64,002

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

Abeona Therapeutics Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss
(\$ in thousands, except share and per share amounts)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Revenues:				
License and other revenues	\$ —	\$ —	\$ —	\$ 3,500
Expenses:				
Royalties	—	30	—	1,605
Research and development	8,941	7,148	25,366	23,712
General and administrative	6,404	4,156	22,173	13,174
Gain on operating lease right-of-use assets	—	—	—	(1,065)
Total expenses	15,345	11,334	47,539	37,426
Loss from operations	(15,345)	(11,334)	(47,539)	(33,926)
Interest income	1,189	593	3,223	1,374
Interest expense	(1,102)	(105)	(3,126)	(309)
Change in fair value of warrant and derivative liabilities	(15,156)	(1,101)	(7,530)	(7,465)
Other income	145	111	531	2,729
Net Loss	\$ (30,269)	\$ (11,836)	\$ (54,441)	\$ (37,597)
Basic and diluted loss per common share	\$ (0.63)	\$ (0.48)	\$ (1.41)	\$ (1.89)
Weighted average number of common shares outstanding - basic and diluted	48,081,758	24,797,564	38,504,273	19,942,613
Other comprehensive income (loss):				
Change in unrealized gains (losses) related to available-for-sale debt securities	50	(33)	(18)	1
Foreign currency translation adjustments	—	29	—	29
Comprehensive loss	\$ (30,219)	\$ (11,840)	\$ (54,459)	\$ (37,567)

Abeona Therapeutics Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(\$ in thousands, except share amounts)
(Unaudited)

Three months ended September 30, 2024

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance at June 30, 2024	41,661,993	\$ 417	\$ 846,654	\$ (773,696)	\$ (134)	\$ 73,241
Stock-based compensation expense	—	—	1,804	—	—	1,804
Issuance of common stock in connection with restricted share awards, net of cancellations and shares settled for tax withholding settlement	1,742,713	17	(205)	—	—	(188)
Reclassification of derivative liability	—	—	1,135	—	—	1,135
Net loss	—	—	—	(30,269)	—	(30,269)
Other comprehensive income	—	—	—	—	50	50
Balance at September 30, 2024	<u>43,404,706</u>	<u>\$ 434</u>	<u>\$ 849,388</u>	<u>\$ (803,965)</u>	<u>\$ (84)</u>	<u>\$ 45,773</u>

Nine months ended September 30, 2024

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance at December 31, 2023	26,523,878	\$ 265	\$ 764,151	\$ (749,524)	\$ (66)	\$ 14,826
Stock-based compensation expense	—	—	4,673	—	—	4,673
Issuance of common stock in connection with restricted share awards, net of cancellations and shares settled for tax withholding settlement	1,693,417	17	(534)	—	—	(517)
Issuance of common stock, net of offering costs under open market sale agreement (ATM)	1,902,376	19	9,943	—	—	9,962
Issuance of common stock in connection with underwritten offering, net of offering costs	12,285,056	123	70,030	—	—	70,153
Issuance of common stock upon exercise of pre-funded warrants, net of shares settled	999,979	10	(10)	—	—	—
Reclassification of derivative liability	—	—	1,135	—	—	1,135
Net loss	—	—	—	(54,441)	—	(54,441)
Other comprehensive loss	—	—	—	—	(18)	(18)
Balance at September 30, 2024	<u>43,404,706</u>	<u>\$ 434</u>	<u>\$ 849,388</u>	<u>\$ (803,965)</u>	<u>\$ (84)</u>	<u>\$ 45,773</u>

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

Abeona Therapeutics Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity, Continued
(\$ in thousands, except share amounts)
(Unaudited)

Three months ended September 30, 2023

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	Stockholders' Equity
Balance at June 30, 2023	21,478,157	\$ 215	\$ 730,322	\$ (721,097)	\$ (95)	\$ 9,345
Stock-based compensation expense	—	—	1,557	—	—	1,557
Issuance of common stock in connection with restricted share awards, net of cancellations and shares settled for tax withholding settlement	(48,656)	—	(4)	—	—	(4)
Issuance of common stock, net of offering costs under direct placement offering	3,284,407	32	22,948	—	—	22,980
Net loss	—	—	—	(11,836)	—	(11,836)
Other comprehensive loss	—	—	—	—	(4)	(4)
Balance at September 30, 2023	<u>24,713,908</u>	<u>\$ 247</u>	<u>\$ 754,823</u>	<u>\$ (732,933)</u>	<u>\$ (99)</u>	<u>\$ 22,038</u>

Nine months ended September 30, 2023

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit	Other Comprehensive Loss	Stockholders' Equity

Balance at December 31, 2022	17,719,720	\$ 177	\$ 722,049	\$ (695,336)	\$ (129)	\$ 26,761
Stock-based compensation expense	—	—	3,254	—	—	3,254
Issuance of common stock in connection with restricted share awards, net of cancellations and shares settled for tax withholding settlement	1,719,460	18	(31)	—	—	(13)
Issuance of common stock, net of offering costs under open market sale agreement (ATM)	1,990,321	20	6,603	—	—	6,623
Issuance of common stock, net of offering costs under direct placement offering	3,284,407	32	22,948	—	—	22,980
Net loss	—	—	—	(37,597)	—	(37,597)
Other comprehensive income	—	—	—	—	30	30
Balance at September 30, 2023	<u>24,713,908</u>	<u>\$ 247</u>	<u>\$ 754,823</u>	<u>\$ (732,933)</u>	<u>\$ (99)</u>	<u>\$ 22,038</u>

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

Abeona Therapeutics Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(\$ in thousands)
(Unaudited)

	For the nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (54,441)	\$ (37,597)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	1,465	1,797
Stock-based compensation expense	4,673	3,254
Change in fair value of warrant and derivative liabilities	7,530	7,465
Gain of right-of-use lease assets	—	(1,065)
Accretion and interest on short-term investments	54	134
Amortization of right-of-use lease assets	666	680
Non-cash interest	1,146	309
(Gain) loss on disposal of property and equipment	(2)	52
Change in operating assets and liabilities:		
Other receivables	831	(2,021)
Prepaid expenses and other current assets	(426)	(539)
Other assets	189	(96)
Accounts payable and accrued expenses	(200)	762
Lease liabilities	(941)	(904)
Other current liabilities	—	(5)
Net cash used in operating activities	(39,456)	(27,774)
Cash flows from investing activities:		
Capital expenditures	(1,840)	(294)
Proceeds from disposal of property and equipment	18	187
Purchases of short-term investments	(146,527)	(48,219)
Proceeds from maturities of short-term investments	90,233	37,005
Net cash used in investing activities	(58,116)	(11,321)
Cash flows from financing activities:		
Proceeds from ATM sales of common stock, net of issuance costs	9,962	6,623
Proceeds from sales of common stock under direct placement offering, net of issuance costs	—	22,980
Payments related to net settlement of restricted share awards	(327)	(13)
Proceeds from underwritten sales of common stock, net of issuance costs	70,153	—
Proceeds from issuance of long-term debt	20,000	—
Payment of debt issuance costs	(963)	—
Net cash provided by financing activities	98,825	29,590
Net increase (decrease) in cash, cash equivalents and restricted cash	1,253	(9,505)
Cash, cash equivalents and restricted cash at beginning of period	14,811	14,555
Cash, cash equivalents and restricted cash at end of period	<u>\$ 16,064</u>	<u>\$ 5,050</u>
Supplemental cash flow information:		
Cash and cash equivalents	\$ 15,726	\$ 4,712
Restricted cash	338	338
Total cash, cash equivalents and restricted cash	<u>\$ 16,064</u>	<u>\$ 5,050</u>
Supplemental non-cash flow information:		
Right-of-use asset obtained in exchange for new operating lease liabilities	\$ —	\$ 419
Derivative and warrant additions associated with loan and security agreement	\$ 1,042	\$ —
Reclassification of derivative liability to equity	\$ 1,135	\$ —
Changes in accrued property and equipment	\$ 166	\$ —
Cash paid for interest	\$ 1,980	\$ —
Cash paid for taxes	\$ 7	\$ 7

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

ABEONA THERAPEUTICS INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Background

Abeona Therapeutics Inc. (together with the Company's subsidiaries, "Abeona" or the "Company"), a Delaware corporation, is a clinical-stage biopharmaceutical company developing cell and gene therapies for life-threatening diseases. The Company's lead clinical program is for pz-cel, an autologous, cell-based gene therapy currently in development for recessive dystrophic epidermolysis bullosa ("RDEB"). The Company's development portfolio also features adeno-associated virus ("AAV")-based gene therapies designed to treat ophthalmic diseases with high unmet need using novel AIM™ capsids that the Company has exclusively licensed from the University of North Carolina at Chapel Hill and developed internally through its AAV vector research programs.

Basis of Presentation

The Company's unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, except as otherwise disclosed, necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made. These unaudited interim condensed consolidated financial statement results are not necessarily indicative of results to be expected for the full fiscal year or any future period. Certain information that is normally required by U.S. GAAP has been condensed or omitted in accordance with rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The December 31, 2023 condensed consolidated balance sheet was derived from the audited statements but does not include all disclosures required by U.S. GAAP.

Therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on March 18, 2024.

Liquidity

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the accompanying unaudited interim condensed consolidated financial statements were issued.

As a biopharmaceutical organization, the Company has devoted substantially all of its resources since inception to research and development activities for pz-cel and other product candidates, business planning, raising capital, establishing its intellectual property portfolio, acquiring or discovering product candidates, and providing general and administrative support for these operations. As a result, the Company has incurred significant operating losses and negative cash flows from operations since its inception and anticipates such losses and negative cash flows will continue for the foreseeable future.

Since its inception, the Company has funded its operations primarily with proceeds from sales of shares of its stock. The Company has incurred recurring losses since its inception, including net losses of \$54.4 million and \$37.6 million for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the Company had an accumulated deficit of approximately \$804.0 million. To date the Company has not generated any significant revenues and expects to continue to generate operating losses for the foreseeable future. As of the issuance date of these unaudited interim condensed consolidated financial statements, the Company expects that its existing cash, cash equivalents, restricted cash and short-term investments of \$110.0 million as of September 30, 2024, will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the issuance date of these condensed consolidated financial statements.

While the Company believes its capital resources are sufficient to fund the Company's on-going operations for the next 12 months from the issuance date of these unaudited condensed consolidated financial statements, the Company's liquidity could be materially affected over this period by: (1) its ability to raise additional capital through equity offerings, debt financings, or other non-dilutive third-party funding; (2) costs associated with new or existing strategic alliances, or licensing and collaboration arrangements; (3) negative regulatory events or unanticipated costs related to pz-cel; (4) any other unanticipated material negative events or costs. One or more of these events or costs could materially affect the Company's liquidity. If the Company is unable to meet its obligations when they become due, the Company may have to delay expenditures, reduce the scope of its research and development programs, or make significant changes to its operating plan. The accompanying unaudited interim condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Use of Estimates

The preparation of unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates and assumptions.

Other receivables

Other receivables include employee retention credits ("ERC"), sublease rent receivables and other miscellaneous receivables. As of September 30, 2024 and December 31, 2023, the Company had ERC receivables of \$1.6 million and \$2.1 million, respectively.

Summary of Significant Accounting Policies

There have been no new or material changes to the significant accounting policies discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 that are of significance, or potential significance, to the Company.

Credit Losses

The Company reviews its available-for-sale investments for credit losses on a collective basis by major security type and in line with the Company's investment policy. As of September 30, 2024, the Company's available-for-sale investments were in certificates of deposits and securities that are issued

by the U.S. treasury and U.S. federal agencies, are highly rated, and have a history of zero credit losses. The Company reviews the credit quality of its accounts receivables by monitoring the aging of its accounts receivable, the history of write offs for uncollectible accounts, and the credit quality of its significant customers, the current economic environment/macroeconomic trends, supportable forecasts, and other relevant factors. The Company's accounts receivable are with customers that do not have a history of uncollectibility nor a history of significantly aged accounts receivables. As of September 30, 2024, the Company did not recognize a credit loss allowance for its investments or accounts receivable.

Net Loss Per Share

Basic and diluted net loss per share is computed by dividing net loss attributable to common shareholders by the weighted-average number of shares of common stock outstanding during the period. The weighted average number of shares of common stock includes the weighted average effect of outstanding pre-funded warrants for the purchase of shares of common stock for which the remaining unfunded exercise price is \$0.0001 or less per share. The Company does not include the potential impact of dilutive securities in diluted net loss per share, as the impact of these items is anti-dilutive. Potential dilutive securities result from outstanding restricted stock, stock options, conversion features of loan agreements, and stock purchase warrants.

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The following table sets forth the potential securities that could potentially dilute basic loss per share in the future that were not included in the computation of diluted net loss per share because to do so would have been anti-dilutive for the periods presented:

	For the three and nine months ended September 30,	
	2024	2023
Shares of common stock issuable upon exercise of stock options	177,138	223,323
Shares of common stock underlying restricted stock	3,268,414	2,308,924
Shares of common stock issuable upon exercise of conversion feature of loan agreement	614,251	—
Shares of common stock issuable upon exercise of warrants	9,987,560	9,397,879
Total	14,047,363	11,930,126

In January 2024 as part of the Loan and Security Agreement, see Note 8, the Company issued warrants to purchase \$ 2,400,000 worth of shares of the Company's stock which have an exercise price equal to the lesser of (i) \$4.75 and (ii) the price per share of the Company's net bona fide round of equity financing before September 30, 2024 (the "2024 Loan Agreement Warrants"). In connection with the underwritten common stock offering consummated on May 7, 2024, pursuant to the terms of the 2024 Loan Agreement Warrants, the exercise price was reduced to \$4.07 per share and the shares issuable was calculated at 589,681 shares. On September 30, 2024, per the terms of the 2023 Loan Agreement Warrants, the exercise price and the number of shares became set at \$4.07 per share and 589,681 shares, respectively. The Company included these shares in the three and nine months ended September 30, 2024 as shares of common stock issuable upon exercise of warrants in the table above and no shares for the three and nine months ended September 30, 2023.

Recently Adopted Accounting Pronouncements

The Company did not adopt any new accounting pronouncements during the three and nine months ended September 30, 2024.

Recently Issued Accounting Pronouncements

In November 2024, the FASB issued Accounting Standards Update ("ASU") No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): *Disaggregation of Income Statement Expenses*. The amendments in ASU 2024-03 address investor requests for more detailed expense information and require additional disaggregated disclosures in the notes to financial statements for certain categories of expenses that are included on the face of the income statement. This guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*. ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The standard is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted. The requirements of this ASU are disclosure related and will not have an impact on the Company's financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of adopting this ASU on its income tax disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*, which expands disclosures about a public entity's reportable segments and requires more enhanced information about a reportable segment's expenses, interim segment profit or loss, and how a public entity's chief operating decision maker uses reported segment profit or loss information in assessing segment performance and allocating resources. The standard is effective for annual reporting periods beginning after December 15, 2023, and interim periods within years beginning after December 15, 2024, with early adoption permitted. The requirements of this ASU are disclosure related and will not have an impact on the Company's financial condition, results of operations, or cash flows. The Company is currently evaluating the impact of adopting this ASU on its reportable segment disclosures.

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NOTE 2 – SHORT-TERM INVESTMENTS

The following table provides a summary of the short-term investments (in thousands):

	September 30, 2024			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale, short-term investments:				
U.S. treasury securities	\$ 43,561	11	—	\$ 43,572
U.S. federal agency securities	36,998	—	(135)	36,863
Certificates of deposit	13,500	40	—	13,540
Total available-for-sale, short-term investments	\$ 94,059	51	(135)	\$ 93,975
	December 31, 2023			

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale, short-term investments:				
U.S. treasury securities	\$ 8,406	—	(13)	\$ 8,393
U.S. federal agency securities	29,413	—	(53)	29,360
Total available-for-sale, short-term investments	<u>\$ 37,819</u>	<u>—</u>	<u>(66)</u>	<u>\$ 37,753</u>

As of September 30, 2024, the available-for-sale securities classified as short-term investments mature in one year or less. The Company carries its available-for-sale securities at fair value in the unaudited condensed consolidated balance sheets. Unrealized losses on available-for-sale securities as of September 30, 2024, were not significant and were primarily due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. None of the short-term investments have been in a continuous unrealized loss position for more than 12 months. Accordingly, no other-than-temporary impairment was recorded for the three and nine months ended September 30, 2024.

There were no significant realized gains or losses recognized on the sale or maturity of available-for-sale investments for the three and nine months ended September 30, 2024 or 2023.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at cost and depreciated or amortized using the straight-line method based on useful lives as follows (in thousands):

	Useful lives (years)	September 30, 2024	December 31, 2023
Laboratory equipment	5	\$ 8,581	\$ 6,935
Furniture, software and office equipment	3 to 5	1,113	986
Leasehold improvements	Shorter of remaining lease term or useful life	8,805	8,603
Subtotal		18,499	16,524
Less: accumulated depreciation		(14,441)	(12,991)
Total property and equipment, net		<u>\$ 4,058</u>	<u>\$ 3,533</u>

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Depreciation and amortization are reflected in research and development and general and administrative expenses in the consolidated statements of operations and comprehensive loss, as determined by the underlying activities. Depreciation and amortization on property and equipment was \$0.5 million and \$0.5 million for the three months ended September 30, 2024 and 2023, respectively and \$ 1.5 million and \$1.8 million for the nine months ended September 30, 2024 and 2023, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

The Company calculates the fair value of the Company's assets and liabilities that qualify as financial instruments and includes additional information in the notes to the consolidated financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of other receivables, prepaid expenses and other current assets, other assets, accounts payable, accrued expenses, and payables to licensor approximate their carrying amounts due to the relatively short maturity of these instruments.

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar valuation techniques that use significant unobservable inputs.

The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

The following table provides a summary of financial assets measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 (in thousands):

Description	Fair Value at September 30, 2024	Level 1	Level 2	Level 3
Recurring Assets				
Cash equivalents				
Money market funds	\$ 15,193	\$ 15,193	\$ —	\$ —
Short-term investments				
U.S. treasury securities	43,572	43,572	—	—
U.S. federal agency securities	36,863	—	36,863	—
Certificates of deposit	13,540	13,540	—	—
Total assets measured at fair value	<u>\$ 109,168</u>	<u>\$ 72,305</u>	<u>\$ 36,863</u>	<u>\$ —</u>
Liabilities				
Payable to licensor	\$ 4,921	\$ —	\$ —	\$ 4,921
Warrant liabilities	38,789	—	—	38,789
Total liabilities measured at fair value	<u>43,710</u>	<u>—</u>	<u>—</u>	<u>43,710</u>

Description	Fair Value at December 31, 2023	Level 1	Level 2	Level 3
Recurring Assets				
Cash equivalents				
Money market fund	\$ 1,034	\$ 1,034	\$ —	\$ —
Short-term investments				
U.S. treasury securities	8,393	8,393	—	—
U.S. federal agency securities	29,360	—	29,360	—
Total assets measured at fair value	<u>\$ 38,787</u>	<u>\$ 9,427</u>	<u>\$ 29,360</u>	<u>\$ —</u>
Liabilities				
Payable to licensor	\$ 4,580	\$ —	\$ —	\$ 4,580
Warrant liabilities	31,352	—	—	31,352
Total liabilities measured at fair value	<u>\$ 35,932</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 35,932</u>

Warrant Liabilities

As of September 30, 2024 and December 31, 2023, the Company had the following outstanding warrant liabilities:

	September 30, 2024	December 31, 2023
Warrants issued as part of the 2021 public offering, expiration date December 2026, exercise price of \$9.75 per share	1,788,000	1,788,000
Warrants issued as part of the 2022 Private Placement Offering, expiration date November 2027, exercise price \$4.75 per share	7,609,879	7,609,879
Warrants issued as part of the 2024 Loan Agreement, expiration date January 2029, exercise price \$4.07 per share	589,681	—

The common stock warrants related to the 2021 Public Offering and the 2022 Private Placement are not indexed to the Company's own stock and therefore have been classified as liabilities at their estimated fair value. The common stock warrants issued in connection with the Loan Agreement issuance were determined to be liability classified under ASC 815 as the common stock warrants were not considered indexed to the Company's stock. Changes in the estimated fair value of the warrant liabilities is recorded as changes in fair value of warrant liabilities in the consolidated statement of operations and comprehensive loss.

In January 2024 as part of the Loan and Security Agreement, see Note 8, the Company issued warrants to purchase \$ 2,400,000 worth of shares of the Company's stock which have an exercise price equal to the lesser of (i) \$4.75 and (ii) the price per share of the Company's next bona fide round of equity financing before September 30, 2024 (the "2024 Loan Agreement Warrants"). In connection with the underwritten common stock offering consummated on May 7, 2024, pursuant to the terms of the 2024 Loan Agreement Warrants, the exercise price of was reduced to \$4.07 per share and the shares issuable was calculated at 589,681 shares. On September 30, 2024, per the terms of the 2023 Loan Agreement Warrants, the exercise price and the number of shares became set at \$4.07 per share and 589,681 shares, respectively.

The following table provides a summary of the activity on the warrant liabilities (in thousands):

Warrant liabilities as of December 31, 2023	\$ 31,352
Fair value of warrants issued in connection with the Loan Agreement	220
Loss recognized in earnings from change in fair value	7,217
Warrant liabilities as of September 30, 2024	<u>\$ 38,789</u>

The warrant liabilities are valued using significant inputs not observable in the market. Accordingly, the warrant liability is measured at fair value on a recurring basis using unobservable inputs and are classified as Level 3 inputs within the fair value hierarchy. Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. The Company's valuation of the common stock warrants utilized the Black-Scholes option-pricing model, which incorporated assumptions and estimates to value the common stock warrants. The Company assessed these assumptions and estimates at the end of each reporting period.

The following table outlines the key inputs for the Black-Scholes option-pricing model:

	September 30, 2024	December 31, 2023
Common share price	\$6.32	\$5.01
Expected term (years)	2.21 – 4.27	2.96 – 3.84
Risk-free interest rate (%)	3.51% – 3.57%	3.84% – 3.92%
Volatility (%)	96.51% - 100.00%	100.00%
Expected dividend yield (%)	0%	0%

Derivative Liabilities

The Conversion Right embedded within the Loan Agreement (see Note 8 below) required bifurcation as certain adjustments to the conversion price were not indexed to the Company's own stock and therefore the Conversion Right was recorded as a derivative liability. The derivative liability is remeasured at each reporting period with the change in fair value recorded to changes in fair value of warrants and derivative liabilities in the condensed consolidated statement of operations until the derivative is exercised, expired, reclassified, or otherwise settled.

On September 30, 2024, pursuant to the Loan Agreement, the conversion price was fixed at \$ 4.88 and is considered indexed to the Company's own stock. At September 30, 2024, the Conversion Right no longer met the criteria of a derivative liability and the derivative liability was reclassified to equity.

The following table provides a summary of the activity on the derivative liabilities (in thousands):

Derivative liabilities as of December 31, 2023	\$	—
Fair value of derivatives issued in connection with Loan Agreement		822
Loss recognized in earnings from change in fair value		313
Reclassification of derivative liability in connection with the Loan Agreement		(1,135)
Derivative liabilities as of September 30, 2024	\$	—

The derivative liabilities are valued using significant inputs not observable in the market. Accordingly, the derivative liability is measured at fair value on a recurring basis using unobservable inputs and are classified as Level 3 inputs within the fair value hierarchy. Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. The Company's valuation of the derivatives utilized the Monte Carlo simulation model, which incorporated assumptions and estimates to value the derivatives. The Company assessed these assumptions and estimates at the end of each reporting period.

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The following table outlines the key inputs for the Monte Carlo simulation model:

	September 30, 2024	December 31, 2023
Common share price	\$6.32	—
Expected term (years)	2.75	—
Risk-free interest rate (%)	3.53%	—
Volatility (%)	93.79%	—

NOTE 5 – SETTLEMENT LIABILITY

On November 12, 2021, the Company entered into a settlement agreement ("Settlement Agreement") with the Company's prior licensor REGENXBIO Inc. ("REGENXBIO") to resolve all existing disputes between the parties. In accordance with the Settlement Agreement, the Company agreed to pay REGENXBIO a total of \$30.0 million, payable as follows: (1) \$20.0 million paid in November 2021 after execution of the Settlement Agreement, (2) \$5.0 million on the first anniversary of the effective date of the Settlement Agreement (paid in November 2022), and (3) \$5.0 million upon the earlier of (i) the third anniversary of the effective date of the Settlement Agreement or (ii) the closing of a Strategic Transaction, as defined in the Settlement Agreement.

As of September 30, 2024, the Company recorded the payable due to REGENXBIO in the condensed consolidated balance sheets based on the present value of the remaining payments due to REGENXBIO under the Settlement Agreement using an effective interest rate of 9.6%. The present value of the amount due in November 2024 was \$4.9 million and \$4.6 million as of September 30, 2024 and December 31, 2023, respectively. On November 13, 2024, the Company subsequently paid the remaining \$5.0 million amount due per the Settlement Agreement.

NOTE 6 – ACCRUED EXPENSES

The following table provides a summary of the components of accrued expenses (in thousands):

	September 30, 2024	December 31, 2023
Accrued employee compensation	\$ 3,736	\$ 3,688
Accrued contracted services and other	1,474	2,297
Total accrued expenses	\$ 5,210	\$ 5,985

NOTE 7 – LEASES

The Company leases space under operating leases for administrative, manufacturing and laboratory facilities in Cleveland, Ohio. The Company also leases office space in New York, New York, that the Company sublets. The Company also leases certain office equipment under operating leases, which have a non-cancelable lease term of less than one year and the Company has elected the practical expedient to exclude these short-term leases from the Company's right-of-use assets and lease liabilities.

The Company has entered into two sublease agreements with unrelated third parties to occupy the Company's administrative offices in New York, New York. The Company expects to receive \$0.6 million in future sublease income through September 2025 from the two subleases noted above.

The following table provides a summary of the Company's operating lease liabilities (in thousands):

	September 30, 2024	December 31, 2023
Current operating lease liability	\$ 1,057	\$ 998
Non-current operating lease liability	3,402	4,402
Total operating lease liability	\$ 4,459	\$ 5,400

Lease costs and rent are reflected in general and administrative expenses and research and development expenses in the consolidated statements of operations and comprehensive loss, as determined by the underlying activities. The following table provides a summary of the components of lease costs and rent (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 312	\$ 340	\$ 974	\$ 1,048
Variable lease cost	96	66	292	281
Short-term lease cost	8	19	42	50
Total operating lease costs	\$ 416	\$ 425	\$ 1,308	\$ 1,379

Cash paid for amounts included in the measurement of operating lease liabilities was \$ 0.3 million for the three months ended September 30, 2024 and 2023 and \$0.9 million for the nine months ended September 30, 2024 and 2023, respectively.

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Future minimum lease payments and obligations, which do not include short-term leases, related to the Company's operating lease liabilities as of September 30, 2024 were as follows (in thousands):

Future minimum lease payments and obligations	Operating Leases
2024, remainder	\$ 450
2025	853
2026	791
2027	807
2028	823
Thereafter	1,693
Total undiscounted operating lease payments	5,417
Less: imputed interest	958
Present value of operating lease liabilities	\$ 4,459

The weighted-average remaining term of the Company's operating leases was 61 months, and the weighted-average discount rate used to measure the present value of the Company's operating lease liabilities was 7.1% as of September 30, 2024.

The Company received sublease income, which is recorded in other income on the condensed consolidated statement of operations and comprehensive loss, of \$0.1 million during the three months ended September 30, 2024 and 2023 and \$ 0.4 million during the nine months ended September 30, 2024 and 2023. Future cash receipts from the Company's sublease agreements as of September 30, 2024 are as follows (in thousands):

Future cash receipts	Operating Subleases
2024, remainder	\$ 160
2025	485
Total future cash receipts	\$ 645

NOTE 8 – DEBT

The following table provides a summary of the Company's debt, net of debt issuance costs and discounts (in thousands):

	September 30, 2024	December 31, 2023
Loan Agreement Principal	\$ 20,000	\$ —
Accreted final payment fee	255	—
Unamortized debt issuance costs and discounts	(1,605)	—
Total long-term debt	18,650	—
Less: current maturities	4,444	—
Long-term debt, net of current maturities	\$ 14,206	\$ —

Loan and Security Agreement

On January 8, 2024 (the "Closing Date"), the Company entered into a Loan and Security Agreement (the "Agreement") with Avenue Venture Opportunities Fund, L.P., a Delaware limited partnership, as administrative agent and collateral agent ("Avenue" and the "Agent") and Avenue Venture Opportunities Fund II, L.P., a Delaware limited partnership ("Avenue 2" and, together with Avenue, the "Lenders"). Also on January 8, 2024, the Company entered into a Supplement to the Agreement (collectively with the Agreement, the "Loan Agreement") with the Agent and the Lenders. The Loan Agreement provides for senior secured term loans (the "Loans") in an aggregate principal amount up to \$50 million, with (i) a committed tranche of \$20 million advanced on the Closing Date ("Tranche 1"), (ii) a committed tranche of up to \$10 million which may be advanced upon the request of the Company between June 30, 2024 and September 30, 2024, subject to the Company obtaining FDA approval of pz-cel in recessive dystrophic epidermolysis bullosa, with the issuance of a Priority Review Voucher ("Tranche 2"), and (iii) a discretionary tranche of up to \$20 million which may be advanced between March 31, 2025 and March 31, 2026 (the "Discretionary Tranche") provided at the discretion of the Lenders. The Loans are due and payable on July 1, 2027 (the "Maturity Date"). As of September 30, 2024, the Tranche 2 is no longer available as the Company did not meet the Tranche 2 criteria.

The Loan principal is repayable in equal monthly installments beginning on April 8, 2025, with the possibility of deferring principal payments an additional nine to fifteen months contingent upon (i) the Company obtaining FDA approval of pz-cel in recessive dystrophic epidermolysis bullosa, with the issuance of a Priority Review Voucher and (ii) the Company raising \$90 million of cumulative equity and/or non-dilutive capital subsequent to the Closing Date. The Loans bear interest at a rate per annum (subject to increase during an event of default) equal to the greater of (i) the prime rate, as published by the Wall Street Journal from time to time, plus 5.00% and (ii) 13.50%. The stated interest rate and effective interest rate as of September 30, 2024 was 13.50% and 22.09%, respectively.

The Company may, subject to certain parameters, voluntarily prepay the Loans, in whole, at any time. If prepayment occurs on or before the one-year anniversary of the Closing Date, the Company is required to pay a prepayment fee equal to 3.00% of the principal amount of the Loans prepaid; if prepayment occurs after the one-year anniversary of the Closing Date and on or before the two-year anniversary of the Closing Date, the Company is required to pay a fee equal to 2.00% of the principal amount of the Loans; if prepayment occurs after the two-year anniversary of the Closing Date, the Company is required to pay a fee equal to 1.00% of the principal amount of the Loans. A final payment fee of 5.00% of the principal amount of the funded Tranche 1, Tranche 2 Loans and Discretionary Tranche Loans is also due upon the Maturity Date or any earlier date of prepayment.

The Company's obligations under the Loan Agreement are secured by a pledge of substantially all of the Company's assets. Pursuant to the Loan Agreement, the Company is subject to a financial covenant requiring the Company to maintain at all times \$5 million in unrestricted cash. The Loan Agreement also contains affirmative and negative covenants customary for financings of this type that, among other things, limit the ability of the Company and its subsidiaries to (i) incur additional debt, guarantees or liens; (ii) pay dividends; (iii) enter into certain change of control transactions; (iv) sell, transfer, lease, license, or otherwise dispose of certain assets; (v) make certain investments or loans; and (vi) engage in certain transactions with related persons, in each case, subject to certain exceptions. The Loan Agreement also includes events of default customary for financings of this type, in certain cases subject to customary periods to cure, following which the Agent may accelerate all amounts outstanding under the Loans.

Pursuant to the Supplement to the Loan and Security Agreement, Avenue also has the right to convert up to \$ 3 million of the outstanding principal of the

Loans into shares of Company common stock (the "Conversion Right") at a price per share equal to 120% of the exercise price of the Warrants (further discussed below) at any time while the Loans are outstanding, subject to certain terms and conditions, including ownership limitations. The Conversion Right required bifurcation as certain adjustments to the conversion price were not indexed to the Company's own stock and therefore the Conversion Right was recorded as a derivative liability. On January 8, 2024, the Conversion Right was recorded at the closing date fair value of \$0.8 million which was based on a Monte Carlo simulation model. The derivative liability is remeasured at each reporting period with the change in fair value recorded to change in fair value of warrants and derivative liabilities in the condensed consolidated statement of operations until the derivative is exercised, expired, reclassified, or otherwise settled. On September 30, 2024, pursuant to the Loan Agreement, the conversion price was fixed at \$4.88 and is considered indexed to the Company's own stock. At September 30, 2024, the Conversion Right no longer met the criteria of a derivative liability and the derivative liability was reclassified to equity.

In addition, subject to applicable law and specified provisions set forth in the Supplement to the Loan and Security Agreement and solely to the extent permitted under applicable stock exchange rules without requiring stockholder approval, the Lenders may participate in certain equity financing transactions of the Company in an aggregate amount of up to \$1 million on the same terms, conditions and pricing offered by the Company to other investors participating in such financing transactions (such right, the "Participation Right"). The Participation Right automatically terminates upon the earliest of (i) July 1, 2027, (ii) such time that the Lenders have purchased \$1 million of the Company's equity securities in the aggregate pursuant to the Participation Right, and (iii) the repayment in full of all of the obligations under the Loan Agreement.

On the Closing Date and pursuant to the funding of Tranche 1 of the Loan Agreement, the Company issued to each of Avenue and Avenue 2 (collectively, the "Warrantholders") warrants to purchase up to \$480,000 and \$1,920,000 of Company common stock, respectively which is more fully described in Note 9 below.

The future payment obligations of the principal are as follows (in thousands):

2024, remainder	\$	—
2025		6,667
2026		8,889
2027		4,444
Total principal	\$	<u>20,000</u>

NOTE 9 – EQUITY

Public Offerings

On December 21, 2021, the Company closed an underwritten public offering of 1,788,000 shares of common stock at a public offering price of \$ 9.75 per share and stock purchase warrants to purchase 1,788,000 shares of common stock at an exercise price of \$ 9.75. The net proceeds to the Company were \$16.0 million, after deducting \$1.5 million of underwriting discounts and commissions and offering expenses payable by the Company. The net proceeds were allocated to the warrant liability as noted below with the remainder of \$7.0 million recorded in common stock and additional paid-in capital. In the event of certain fundamental transactions involving the Company, the holders of the stock purchase warrants may require the Company to make a payment based on a Black-Scholes valuation, using specific inputs that are not considered indexed to the Company's stock in accordance with ASC 815, *Derivatives and Hedging* ("ASC 815"). Therefore, the Company accounted for the stock purchase warrants as liabilities, which were recorded at the closing date fair value of \$9.0 million which was based on a Black-Scholes option pricing model. The remainder of the proceeds were allocated to common stock issued and recorded as a component of equity.

As of September 30, 2024, there were 1,788,000 stock purchase warrants outstanding related to this public offering. These stock purchase warrants expire on December 21, 2026. During such time as each warrant is outstanding, the holder of the warrant is entitled to participate in any dividends or other distribution of assets to holders of shares of common stock. There was no warrant activity during the nine months ended September 30, 2024, other than the change in fair value of the warrants for the stock purchase warrants issued as part of this public offering.

Open Market Sale Agreement

On August 17, 2018, the Company entered into an open market sale agreement (as amended, the "ATM Agreement") with Jefferies LLC ("Jefferies") pursuant to which, the Company may sell from time to time, through Jefferies, shares of its common stock for an aggregate sales price of up to \$75.0 million. Any sales of shares pursuant to this agreement are made under the Company's effective "shelf" registration statement on Form S-3 that is on file with and has been declared effective by the SEC.

The Company sold 1,902,376 and 1,990,321 shares of its common stock under the ATM Agreement during the nine months ended September 30, 2024 and 2023, respectively, resulting in net proceeds of \$10.0 million and \$6.6 million during the nine months ended September 30, 2024 and 2023, respectively. There were no sales under the ATM Agreement during the three months ended September 30, 2024 and 2023. Subsequent to September 30, 2024 and through November 12, 2024, the Company sold 309,075 shares of common stock under the ATM Agreement resulting in \$ 1.9 million of net proceeds.

Private Placement Offerings

On November 3, 2022, the Company sold 7,065,946 shares of its common stock, and in lieu of shares of common stock, pre-funded warrants exercisable for 543,933 shares of common stock and accompanying warrants to purchase 7,609,879 shares of its common stock to a group of new and existing institutional investors in a private placement. The offering price for each share of common stock and accompanying warrant was \$4.60, and the offering price for each pre-funded warrant and accompanying warrant was \$4.59, which equalled the offering price per share of the common stock and accompanying warrant, less the \$0.01 per share exercise price of each pre-funded warrant. Each accompanying warrant represents the right to purchase one share of the Company's common stock at an exercise price of \$4.75 per share of common stock. The pre-funded warrants were exercised in December 2022 and converted to 543,933 shares of common stock. Total shares sold or converted during the year ended December 31, 2022 were 7,609,879 for an aggregate purchase price of \$35.0 million gross, or \$32.6 million net of related costs of \$ 1.5 million which was expensed to general and administrative expenses and \$0.9 million which was recorded as a reduction to additional paid-in-capital. The net proceeds were allocated to the warrant liability as noted below with the remainder of \$12.9 million and \$0.1 million recorded in additional paid-in capital and common stock, respectively.

In the event of certain fundamental transactions involving the Company, the holders of the stock purchase warrants may require the Company to make a payment based on a Black-Scholes valuation, using specific inputs that are not considered indexed to the Company's stock in accordance with ASC 815. Therefore, the Company is accounting for the stock purchase warrants as liabilities. On November 3, 2022, the stock purchase warrants were recorded at the closing date fair value of \$22.0 million which was based on a Black-Scholes option pricing model. The remainder of the proceeds were allocated to common stock issued and recorded as a component of equity.

As of September 30, 2024, there were 7,609,879 warrants outstanding related to this private placement offering. The warrants expire on November 3, 2027. During such time as each warrant is outstanding, the holder of the warrant is entitled to participate in any dividends or other distribution of assets to holders of shares of common stock. There was no warrant activity during the nine months ended September 30, 2024, other than the change in fair value of the warrants related to warrants issued as part of this private placement offering.

Direct Placement Offering

On July 6, 2023, the Company sold 3,284,407 shares of its common stock, and in lieu of shares of common stock, pre-funded warrants exercisable for 2,919,140 shares of common stock (the "2023 Pre-Funded Warrants"), to a group of existing institutional investors for an aggregate purchase price of \$25.0 million gross, or \$23.0 million net of related costs. The offering price for each share of common stock was \$ 4.03, and the offering price for the 2023 Pre-Funded Warrants was \$4.0299, which represents the per share offering price for the Company's common stock less a \$ 0.0001 per share exercise price for each such 2023 Pre-Funded Warrant. The 2023 Pre-Funded Warrants are immediately exercisable at a nominal exercise price of \$0.0001 per share, may be exercised at any time and do not have an expiration date. On May 9, 2024, 300,000 of the 2023 Pre-Funded Warrants were exercised, leaving 2,619,140 2023 Pre-Funded Warrants outstanding as of September 30, 2024. The 2023 Pre-Funded Warrants are classified as equity in accordance with ASC 815, *Derivatives and Hedging*, given the 2023 Pre-Funded Warrants are indexed to the Company's own shares of common stock and meet the requirements to be classified in equity. The 2023 Pre-Funded Warrants were recorded at their relative fair value at issuance in the stockholders' equity section of the consolidated balance sheet and the 2023 Pre-Funded Warrants are considered outstanding shares in the basic and diluted earnings per share calculation for the three and nine months ended September 30, 2024 given their nominal exercise price.

Underwritten Offering

On May 7, 2024, the Company sold 12,285,056 shares of its common stock and, in lieu of common stock, pre-funded warrants to purchase 6,142,656 shares of its common stock (the "2024 Pre-Funded Warrants"), for an aggregate purchase price of \$75.0 million gross, or \$70.2 million net of related costs. The offering price for each share of common stock was \$4.07, and the offering price for the 2024 Pre-Funded Warrants was \$ 4.0699, which represents the per share offering price for the Company's common stock less a \$0.0001 per share exercise price for each 2024 Pre-Funded Warrant. The 2024 Pre-Funded Warrants are immediately exercisable at a nominal exercise price of \$0.0001 per share and may be exercised at any time until the pre-funded warrants are exercised in full. On June 24, 2024, 700,000 of the 2024 Pre-Funded Warrants were exercised, leaving 5,442,656 2024 Pre-Funded Warrants outstanding as of September 30, 2024. The 2024 Pre-Funded Warrants are classified as equity in accordance with ASC 815, *Derivatives and Hedging*, given the prefunded warrants are indexed to the Company's own shares of common stock and meet the requirements to be classified in equity. The 2024 Pre-Funded warrants were recorded at their relative fair value at issuance in the stockholders' equity section of the consolidated balance sheet and the 2024 Pre-Funded Warrants are considered outstanding shares in the basic and diluted earnings per share calculation for the three and nine months ended September 30, 2024 given their nominal exercise price.

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Common Stock Warrants related to the Loan and Security Agreement

On January 8, 2024, in connection with entering into the Loan and Security Agreement, the Company issued to each of Avenue and Avenue 2 (collectively, the "Warrantholders") warrants to purchase up to \$480,000 and \$1,920,000 worth of shares, respectively, of Company common stock (collectively, the "January Warrants"). The Warrants expire on January 8, 2029 (the "Expiration Date") and upon issuance, had an exercise price per share equal to the lesser of (i) \$4.75 and (ii) the price per share of the Company's next bona fide round of equity financing before September 30, 2024 in which the Company sells or issues shares of its common stock, excluding certain excluded issuances as defined in the Supplement. In connection with the underwritten common stock offering consummated on May 7, 2024, and pursuant to the term of the January Warrants, the exercise price of the January Warrants was reduced to \$4.07 per share for 589,681 shares. In addition, upon a change of control where the per share price of the Company common stock is less than or equal to two times that of the exercise price, the Warrantholders would be entitled to receive the shares of common stock underlying the January Warrants without payment of the exercise price. On January 8, 2024, the January Warrants did not include an explicit share limit and the number of shares issuable under the warrant agreements were variable based on the exercise price and therefore the January Warrants were liability classified based on a Black-Scholes valuation in accordance with ASC 815 and were recorded at the closing date fair value of \$0.2 million which was based on a Black-Scholes option pricing model. On September 30, 2024, per the terms of the January Warrants, the exercise price and the number of shares issuable became set at \$4.07 per share and 589,681 shares, respectively.

The Warrantholders may exercise the January Warrants at any time, or from time to time up to and including the Expiration Date, by making a cash payment equal to the exercise price multiplied by the quantity of shares. The Warrantholders may also exercise the January Warrants on a cashless basis by receiving a net number of shares calculated pursuant to the formula set forth in the January Warrants. The January Warrants are subject to anti-dilution adjustments for stock dividends, stock splits, and reverse stock splits.

NOTE 10 – STOCK-BASED COMPENSATION

The Company previously granted stock options under its 2005 Equity Incentive Plan (the "2005 Incentive Plan"), under which no further grants can be made. In addition, prior to May 17, 2023, the Company had previously granted stock options and stock awards under the Abeona Therapeutics Inc. 2015 Equity Incentive Plan (the "2015 Incentive Plan"). As of May 17, 2023, no further grants can be made under the 2015 Incentive Plan. The Company now grants stock options and stock awards under the Amended and Restated Abeona Therapeutics Inc. 2023 Equity Incentive Plan (the "2023 Incentive Plan") which was initially approved by stockholders on May 17, 2023 and amended and restated to increase the number of shares of Common Stock reserved for issuance thereunder, which amendment and restatement was approved by stockholders on April 24, 2024. As of September 30, 2024, there were 40,473 shares available to be granted under the 2023 Incentive Plan. In addition, in 2023, the Company's board of directors approved various restricted stock awards granted to certain new hires as inducement grants. On October 10, 2023, the Company's board of directors approved the Abeona Therapeutics Inc. 2023 Employment Inducement Equity Incentive Plan (the "Inducement Plan"). As of September 30, 2024, there were 685,500 shares available to be granted under the Inducement Plan.

The following table summarizes stock-based compensation expense for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	For the three months ended September 30, 2024		For the nine months ended September 30,	
	2024	2023	2024	2023
Research and development	\$ 485	\$ 339	\$ 1,055	\$ 743
General and administrative	1,319	1,218	3,618	2,511
Total stock-based compensation expense	\$ 1,804	\$ 1,557	\$ 4,673	\$ 3,254

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Stock Options

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option-pricing model. The Company then recognize the grant date fair value of each option as compensation expense ratably using the straight-line attribution method over the service period (generally the vesting period). The Black-Scholes model incorporates the following assumptions:

- Expected volatility – the Company estimates the volatility of the share price at the date of grant using a “look-back” period which coincides with the expected term, defined below. The Company believes using a “look-back” period which coincides with the expected term is the most appropriate measure for determining expected volatility.
- Expected term – the Company estimates the expected term using the “simplified” method, as outlined in SEC Staff Accounting Bulletin No. 107, “Share-Based Payment.”
- Risk-free interest rate – the Company estimates the risk-free interest rate using the U.S. Treasury yield curve for periods equal to the expected term of the options in effect at the time of grant.
- Dividends – the Company uses an expected dividend yield of zero because the Company has not declared nor paid a cash dividend, nor are there any plans to declare a dividend.

The Company did not grant any stock options in the nine months ended September 30, 2024 and 2023.

The Company accounts for forfeitures as they occur, which may result in the reversal of compensation costs in subsequent periods as the forfeitures arise.

The following table summarizes stock option activity during the nine months ended September 30, 2024:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2023	179,001	\$ 38.58	6.83	\$ 3
Granted	—	\$ —	—	\$ —
Cancelled/forfeited	(1,863)	\$ 34.45	—	\$ —
Exercised	—	\$ —	—	\$ —
Outstanding at September 30, 2024	177,138	\$ 38.62	6.09	\$ 8
Exercisable	157,029	\$ 38.91	5.99	\$ 5
Unvested	20,109	\$ 36.35	6.83	\$ 3

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the underlying options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock. As of September 30, 2024, the total compensation cost related to non-vested option awards not yet recognized was approximately \$0.5 million with a weighted average remaining vesting period of 0.7 years.

Restricted Stock

The following table summarizes restricted stock award activity during the nine months ended September 30, 2024:

	Number of Awards	Weighted Average Grant Date Fair Value Per Unit
Outstanding at December 31, 2023	2,448,169	\$ 4.25
Granted	1,964,254	\$ 4.89
Cancelled/forfeited	(169,860)	\$ 3.73
Vested	(974,149)	\$ 4.62
Outstanding at September 30, 2024	3,268,414	\$ 4.56

As of September 30, 2024, there was \$13.1 million of total unrecognized compensation expense related to unvested restricted stock awards, which is expected to be recognized over a weighted average vesting period of 2.3 years. The total fair value of restricted stock awards that vested during the nine months ended September 30, 2024 was \$4.5 million.

NOTE 11 – LICENSE/SUPPLIER AGREEMENT

Sublicense and Inventory Purchase Agreements Relating to CLN1 Disease

In August 2020, the Company entered into sublicense and inventory purchase agreements with Taysha Gene Therapies (“Taysha”) relating to a potential gene therapy for CLN1 disease. Under the sublicense agreement, Taysha received worldwide exclusive rights to intellectual property and know-how relating to the research, development, and manufacture of the potential gene therapy, which the Company had referred to as ABO-202. Under the inventory purchase agreement, the Company sold to Taysha certain inventory and other items related to ABO-202. The Company assessed the nature of the promised license to determine whether the license has significant stand-alone functionality and evaluated whether such functionality can be retained without ongoing activities by the Company and determined that the license has significant stand-alone functionality. Furthermore, the Company has no ongoing activities associated with the license to support or maintain the license's utility. Based on this, the Company determined that the pattern of transfer of control of the license to Taysha was at a point in time.

The transaction price of the contract includes (i) \$7.0 million of fixed consideration, (ii) up to \$26.0 million of variable consideration in the form of event-based milestone payments, (iii) up to \$30.0 million of variable consideration in the form of sales-based milestone payments, and (iv) other royalty-based payments based on net sales. The event-based milestone payments are based on certain development and regulatory events occurring. At inception, the Company evaluated whether the milestone conditions had been achieved and if it was probable that a significant cumulative revenue reversal would not occur before recognizing the associated revenue and determined that these milestone payments were not within the Company's control or the licensee's control, such as regulatory approvals, and were not considered probable of being achieved until those approvals were received. Accordingly, at inception, the Company fully constrained the \$26.0 million of event-based milestone payments until such time that it is probable that significant cumulative revenue

reversal would not occur. The sales-based milestone payments and other royalty-based payments are based on a level of sales for which the license is deemed to be the predominant item to which the royalties relate. The Company will recognize revenue for these payments at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied. To date, the Company has not recognized any sales-based or royalty revenue resulting from this licensing arrangement.

Under this arrangement, the Company recognized no revenue for the three and nine months ended September 30, 2024 and 2023. As of September 30, 2024 and December 31, 2023, the Company does not have any contract assets or contract liabilities as a result of this transaction.

Sublicense Agreement Relating to Rett Syndrome

In October 2020, the Company entered into a sublicense agreement with Taysha for a gene therapy for Rett syndrome, including intellectual property related to MECP2 gene constructs and regulation of their expression. The agreement grants Taysha worldwide exclusive rights to intellectual property developed by scientists at the University of North Carolina at Chapel Hill, the University of Edinburgh and the Company, and the Company's know-how relating to the research, development, and manufacture of the gene therapy for Rett syndrome and MECP2 gene constructs and regulation of their expression.

The Company assessed the nature of the promised license to determine whether the license has significant stand-alone functionality and evaluated whether such functionality can be retained without ongoing activities by the Company and determined that the license has significant stand-alone functionality. Furthermore, the Company has no ongoing activities associated with the license to support or maintain the license's utility. Based on this, the Company determined that the pattern of transfer of control of the license to Taysha was at a point in time.

The transaction price of the contract includes (i) \$ 3.0 million of fixed consideration, (ii) up to \$26.5 million of variable consideration in the form of event-based milestone payments, (iii) up to \$30.0 million of variable consideration in the form of sales-based milestone payments, and (iv) other royalty-based payments based on net sales. The event-based milestone payments are based on certain development and regulatory events occurring. The Company evaluated whether the milestone conditions have been achieved and if it is probable that a significant cumulative revenue reversal would not occur before recognizing the associated revenue. The Company determined that these milestone payments are not within the Company's control or the licensee's control, such as regulatory approvals, and are not considered probable of being achieved until those approvals are received. Accordingly, the Company has fully constrained the \$26.5 million in event-based milestone payments until such time that it is probable that a significant cumulative revenue reversal would not occur. The sales-based milestone payments and other royalty-based payments are based on a level of sales for which the license is deemed to be the predominant item to which the royalties relate. The Company will recognize revenue for these payments at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied. To date, the Company has not recognized any sales-based or royalty revenue resulting from this licensing arrangement.

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Under this arrangement, the Company recognized nil and \$3.5 million in revenue during the three and nine months ended September 30, 2024 and 2023, respectively based on event-based-milestone payments. The Company has no contract assets or contract liabilities as of September 30, 2024 and December 31, 2023 as a result of this transaction.

Ultragenyx License Agreement

On May 16, 2022, the Company and Ultragenyx Pharmaceutical Inc. ("Ultragenyx") entered into an exclusive license agreement (the "License Agreement") for AAV gene therapy, ABO-102, for the treatment of Sanfilippo syndrome type A ("MPS IIIA"). Under the License Agreement, Ultragenyx assumed responsibility for the ABO-102 program from the Company, with the exclusive right to develop, manufacture, and commercialize ABO-102 worldwide. Also pursuant to the License Agreement, following regulatory approval, the Company is eligible to receive tiered royalties from mid-single-digit up to 10% on net sales and up to \$30.0 million in commercial milestone payments. Both forms of consideration comprise the transaction price to which the Company expects to be entitled in exchange for transferring the related intellectual property and certain, contractually-specified, transition services to Ultragenyx. The sales-based royalty and milestone payments are subject to the royalty recognition constraint. As such, these fees are not recognized as revenue until the later of: (a) the occurrence of the subsequent sale, and (b) the performance obligation to which they relate has been satisfied.

Additionally, pursuant to the License Agreement, Ultragenyx will reimburse the Company for certain development and transition costs actually incurred by the Company. These costs are passed through to Ultragenyx without mark-up. The Company has determined that these costs are not incurred for the purpose of satisfying any performance obligation under the License Agreement. Accordingly, the reimbursement of these costs is recognized as a reduction of research and development costs. As of September 30, 2024 and December 31, 2023, the Company does not have any contract assets or contract liabilities as a result of this transaction.

NOTE 12 – SUBSEQUENT EVENTS

Biologic License Application

On October 28, 2024, the Company resubmitted its Biologics License Application ("BLA") to the U.S. Food and Drug Administration ("FDA") for pz-cel, the Company's investigational autologous cell-based gene therapy, as a potential new treatment for patients with RDEB. The FDA notified the Company on November 8, 2024 that the BLA was accepted for review, with an assigned Prescription Drug User Fee Act ("PDUFA") target action date of April 29, 2025.

The BLA resubmission follows the Company's Type A meeting in August 2024, where the Company aligned with the FDA on the content of the resubmission, including additional information to satisfy all Chemistry Manufacturing and Controls ("CMC") requirements outlined in the Complete Response Letter (CRL) received in April 2024. In the CRL, the FDA required that certain additional information needed to satisfy CMC requirements be provided before the application could be approved. The CRL did not identify any deficiencies related to the clinical efficacy or clinical safety data in the BLA, and the FDA did not request any new clinical trials or clinical data to support the approval of pz-cel. The BLA resubmission is supported by clinical efficacy and safety data from the pivotal Phase 3 VIITAL™ study (NCT04227106) and a Phase 1/2a study (NCT01263379).

Lease Agreement

On October 18, 2024, the Company signed a lease for 16,566 square feet of office space at 6700 Euclid Avenue, Cleveland, Ohio. The lease commences on January 1, 2025 and the lease term matches the term for the Company's existing 6555 Carnegie Avenue facility. The additional space at the 6700 Euclid Avenue facility will allow the Company to convert office space at the 6555 Carnegie Avenue facility into additional manufacturing space to increase pz-cel manufacturing capacity.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis together with our unaudited condensed consolidated financial statements and accompanying

notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report"). This discussion and analysis contains forward-looking statements, which involve risks and uncertainties. As a result of many factors, such as those described under "Forward-Looking Statements," "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report, our actual results may differ materially from those anticipated in these forward-looking statements.

OVERVIEW

Abeona is a clinical-stage biopharmaceutical company developing cell and gene therapies for life-threatening diseases. Our lead clinical program is pz-cel, investigational autologous, COL7A1 gene-corrected epidermal sheets, currently in development for recessive dystrophic epidermolysis bullosa ("RDEB"). In 2022, we announced positive data from the VIITAL™ study evaluating the efficacy, safety and tolerability of pz-cel. The VIITAL™ study met both its two co-primary efficacy endpoints demonstrating statistically significant, clinically meaningful improvements in wound healing and pain reduction in large chronic RDEB wounds. On September 25, 2023, we submitted a Biologics License Application ("BLA") for pz-cel to the U.S. Food and Drug Administration ("FDA").

In November 2023, the FDA accepted and granted priority review for our BLA for pz-cel, and subsequently, under the Prescription Drug User Fee Act ("PDUFA"), the FDA set a target action date of May 25, 2024. In April 2024, the FDA issued a Complete Response Letter ("CRL") in response to the BLA. The CRL noted that certain additional information needed to satisfy the Chemistry Manufacturing and Controls ("CMC") requirements of the pz-cel BLA must be satisfactorily resolved before the application can be approved. The CRL did not identify any deficiencies related to the clinical efficacy or clinical safety data in the BLA, and the FDA did not request any new clinical trials or clinical data to support the approval of pz-cel. On August 8, 2024, we completed a Type A Meeting with the FDA to discuss our forthcoming resubmission of our BLA and on October 28, 2024, we resubmitted our BLA. The FDA notified the Company on November 8, 2024 that the BLA was accepted for review, with an assigned Prescription Drug User Fee Act ("PDUFA") target action date of April 29, 2025.

We have continued to prepare our current Good Manufacturing Practices ("cGMP") commercial facility in Cleveland, Ohio for manufacturing pz-cel drug product to support our planned commercial launch of pz-cel, if approved. Pz-cel study drug product for all our VIITAL™ study participants has been manufactured at our Cleveland facility. As part of our commercial planning, we continue to engage with stakeholders across the healthcare system, including public and private payors, and healthcare providers to better understand market access and potential pricing for pz-cel. We have also begun discussions with high volume treatment centers of excellence to onboard them for pz-cel application upon potential FDA approval.

Our development portfolio also features adeno-associated virus ("AAV") based gene therapies designed to treat ophthalmic diseases using the novel AIM™ capsids that we have exclusively licensed from the University of North Carolina at Chapel Hill and developed internally through our AAV vector research programs.

Preclinical Pipeline

Our preclinical programs are investigating the use of novel AAV capsids in AAV-based therapies for serious genetic eye diseases, including ABO-504 for Stargardt disease, ABO-503 for X-linked retinoschisis ("XLRS") and ABO-505 for autosomal dominant optic atrophy ("ADOA"). We completed pre-Investigational New Drug Application ("pre-IND") meetings with the FDA regarding the preclinical development plans and regulatory requirements to support first-in-human trials.

Other Recent Developments

On October 18, 2024, we signed a lease for 16,566 square feet of office space at 6700 Euclid Avenue, Cleveland, Ohio. The lease commences on January 1, 2025 and the lease term matches the term for our existing 6555 Carnegie Avenue facility. The additional space at the 6700 Euclid Avenue facility will allow us to convert office space at the 6555 Carnegie Avenue facility into additional manufacturing space to increase pz-cel manufacturing capacity.

RESULTS OF OPERATIONS

Comparison of Three Months Ended September 30, 2024 and September 30, 2023

(\$ in thousands)	For the three months ended September 30,		Change	
	2024	2023	\$	%
Expenses:				
Royalties	\$ —	\$ 30	\$ (30)	(100)%
Research and development	8,941	7,148	1,793	25%
General and administrative	6,404	4,156	2,248	54%
Total expenses	15,345	11,334	4,011	35%
Loss from operations	(15,345)	(11,334)	(4,011)	35%
Interest income	1,189	593	596	101%
Interest expense	(1,102)	(105)	(997)	950%
Change in fair value of warrant and derivative liabilities	(15,156)	(1,101)	(14,055)	1,277%
Other income	145	111	34	31%
Net loss	\$ (30,269)	\$ (11,836)	\$ (18,433)	156%

Royalties

Total royalty expenses for the three months ended September 30, 2024 was nil as compared to \$30,000 for the same period of 2023. The decrease in expense was due to royalties owed to our licensors.

Research and development

Research and development expenses include, but are not limited to, payroll and personnel expense, lab supplies, preclinical and development costs, clinical trial costs, manufacturing and manufacturing facility costs, costs associated with regulatory approvals, depreciation on lab supplies and manufacturing facilities, and consultant-related expenses.

Total research and development spending for the three months ended September 30, 2024 was \$8.9 million, as compared to \$7.1 million for the same

period of 2023, an increase of \$1.8 million. The increase in expenses was primarily due to:

- increased salary and related costs of \$0.7 million;
- increased clinical and development work for our cell and gene therapy product candidates of \$0.7 million which was due to the work on our BLA resubmission; and
- increased other costs of \$0.4 million.

We expect our research and development activities to continue as we work towards advancing our product candidates towards potential regulatory approval, reflecting costs associated with the following:

- employee and consultant-related expenses;
- preclinical and developmental costs;
- clinical trial costs;
- the cost of acquiring and manufacturing clinical trial materials; and
- costs associated with regulatory approvals.

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General and administrative

General and administrative expenses primarily consist of payroll and personnel costs, office facility costs, public reporting company related costs, professional fees (e.g., legal expenses), pre-commercial launch activity costs and other general operating expenses not otherwise included in research and development expenses.

Total general and administrative expenses were \$6.4 million for the three months ended September 30, 2024, as compared to \$4.2 million for the same period of 2023, an increase of \$2.2 million. The increase in expenses was primarily due to:

- increased salary and related costs of \$0.9 million;
- increased pre-commercial preparation costs of \$0.6 million;
- increased non-cash stock-based compensation of \$0.1 million; and
- increased other costs such as professional fees and recruiting of \$0.6 million.

Interest income

Interest income was \$1.2 million for the three months ended September 30, 2024, as compared to \$0.6 million in the same period of 2023. The increase resulted from higher earnings on short-term investments driven by higher interest rates and increased average short-term investment balances.

Interest expense

Interest expense was \$1.1 million for the three months ended September 30, 2024, as compared to \$0.1 million in the same period of 2023. The increase was primarily due to the credit facility entered into by the Company in January 2024, resulting in recognized interest expense of \$1.0 million.

Change in fair value of warrant and derivative liabilities

The change in fair value of warrant and derivative liabilities was a loss of \$15.2 million for the three months ended September 30, 2024, as compared to a loss of \$1.1 million for the same period in 2023.

We issued stock purchase warrants that are required to be classified as a liability and valued at fair market value at each reporting period. In addition, the conversion feature in our loan agreement is required to be classified as a liability and valued at fair market value at each reporting period. The change in the fair value of warrant and derivative liabilities was primarily due to the increase in our stock price year over the year offset by a reduced term of each of the warrants and derivative liabilities.

Other income

Other income was \$0.1 million for the three months ended September 30, 2024, as compared to \$0.1 million in the same period of 2023. There was no change in period over period.

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Comparison of Nine Months Ended September 30, 2024 and September 30, 2023

(\$ in thousands)	For the nine months ended September 30,		Change	
	2024	2023	\$	%
Revenues:				
License and other revenues	\$ —	\$ 3,500	\$ (3,500)	(100)%
Expenses:				
Royalties	—	1,605	(1,605)	(100)%
Research and development	25,366	23,712	1,654	7%
General and administrative	22,173	13,174	8,999	68%
Gain on right-of-use lease assets	—	(1,065)	1,065	(100)%
Total expenses	47,539	37,426	10,113	27%
Loss from operations	(47,539)	(33,926)	(13,613)	40%
Interest income	3,223	1,374	1,849	135%
Interest expense	(3,126)	(309)	(2,817)	912%
Change in fair value of warrant and derivative liabilities	(7,530)	(7,465)	(65)	1%
Other income	531	2,729	(2,198)	(81)%

Net loss	\$	(54,441)	\$	(37,597)	\$	(16,844)	45%
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License and other revenues

License and other revenues for the nine months ended September 30, 2024 was nil as compared to \$3.5 million for the same period of 2023. The revenue in 2023 consists of revenue resulting from achieving clinical milestones under a sublicense agreement we entered into with Taysha in October 2020 relating to an investigational AAV-based gene therapy for Rett syndrome.

Royalties

Total royalty expenses for the nine months ended September 30, 2024 was nil as compared to \$1.6 million for the same period of 2023. The royalty expense in 2023 was due to royalties owed to our licensors resulting from the milestones due from Taysha related to Rett.

Research and development

Total research and development spending for the nine months ended September 30, 2024 was \$25.4 million, as compared to \$23.7 million for the same period of 2023, an increase of \$1.7 million. The increase in expenses was primarily due to:

- increased salary and related costs of \$3.6 million, partially offset by:
- decreased costs of clinical, development and regulatory work for our pz-cel product candidate and its associated BLA submission and resubmission and other related costs of \$1.9 million.

General and administrative

Total general and administrative expenses were \$22.2 million for the nine months ended September 30, 2024, as compared to \$13.2 million for the same period of 2023, an increase of \$9.0 million. The increase in expenses was primarily due to:

- increased salary and related costs of \$2.9 million;
- increased pre-commercial preparation costs of \$3.1 million;
- increased non-cash stock-based compensation of \$1.1 million; and
- increased other costs such as professional fees, legal and recruiting of \$1.9 million.

Gain of right-of-use lease assets

The gain on right-of-use lease assets was \$1.1 million for the nine months ended September 30, 2023. The gain on right-of-use assets for 2023 was related to the termination of our operating leases for office space that we no longer use, resulting in a gain from the difference of the right-of-use lease assets and the lease liabilities. There was no such gain during the nine months ended September 30, 2024.

Interest income

Interest income was \$3.2 million for the nine months ended September 30, 2024, as compared to \$1.4 million in the same period of 2023. The increase resulted from higher earnings on short-term investments driven by higher interest rates and increased average short-term investment balances.

Interest expense

Interest expense was \$3.1 million for the nine months ended September 30, 2024, as compared to \$0.3 million in the same period of 2023. The increase was primarily due to the credit facility entered into by the Company in January 2024, resulting in recognized interest expense of \$2.7 million.

Change in fair value of warrant and derivative liabilities

The change in fair value of warrant and derivative liabilities was a loss of \$7.5 million for the nine months ended September 30, 2024 and 2023.

We issued stock purchase warrants that are required to be classified as a liability and valued at fair market value at each reporting period. In addition, the conversion feature in our loan agreement is required to be classified as a liability and valued at fair market value at each reporting period. The change in the fair value of warrant and derivative liabilities was primarily due to the increase in our stock price year over the year offset by a reduced term of each of the warrants and derivative liabilities.

Other income

Other income was \$0.5 million for the nine months ended September 30, 2024, as compared to \$2.7 million in the same period of 2023. The change was primarily a result of \$2.1 million in other income related to the impact of the employee retention tax credit that was recorded in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows for the Nine Months Ended September 30, 2024 and 2023

(\$ in thousands)	For the nine months ended September 30,	
	2024	2023
Total cash, cash equivalents and restricted cash (used in) provided by:		
Operating activities	\$ (39,456)	\$ (27,774)
Investing activities	(58,116)	(11,321)
Financing activities	98,825	29,590
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 1,253	\$ (9,505)

Operating activities

Net cash used in operating activities was \$39.5 million for the nine months ended September 30, 2024, primarily comprised of our net loss of \$54.4 million and decreases in operating assets and liabilities of \$0.5 million and net non-cash charges of \$15.5 million. Non-cash charges consisted primarily of \$7.5 million of the change in fair value of warrant and derivative liabilities, \$4.7 million of stock-based compensation, \$1.1 million of non-cash interest expense and \$1.5 million of depreciation and amortization.

Net cash used in operating activities was \$27.8 million for the nine months ended September 30, 2023, primarily comprised of our net loss of \$37.6 million, decreases in operating assets and liabilities of \$2.8 million and net non-cash charges of \$12.6 million.

Investing activities

Net cash used in investing activities was \$58.1 million for the nine months ended September 30, 2024, primarily comprised of proceeds from maturities of short-term investments of \$90.2 million, offset by purchases of short-term investments of \$146.5 million and capital expenditures of \$1.8 million.

Net cash used in investing activities was \$11.3 million for the nine months ended September 30, 2023, primarily comprised of proceeds from maturities of short-term investments of \$37.0 million and proceeds from disposal of property and equipment of \$0.2 million, offset by purchases of short-term investments of \$48.2 million and capital expenditures of \$0.3 million.

Financing activities

Net cash provided by financing activities was \$98.8 million for the nine months ended September 30, 2024, primarily comprised of \$70.2 million in net proceeds from sales of common stock, \$10.0 million from open market sales of common stock pursuant to the ATM Agreement (as defined below) and net proceeds of \$19.0 million from our January 2024 Loan Agreement.

Net cash provided by financing activities was \$29.6 million for the nine months ended September 30, 2023, primarily comprised of proceeds of \$23.0 million from our direct placement offering and \$6.6 million from open market sales of common stock pursuant to the ATM Agreement (as defined below).

We have historically funded our operations primarily through sales of common stock.

Our principal source of liquidity is cash, cash equivalents, restricted cash and short-term investments, collectively referred to as our cash resources. As of September 30, 2024, our cash resources were \$110.0 million. We believe that our current cash and cash equivalents, restricted cash and short-term investments are sufficient to fund operations through at least the next 12 months from the date of this report on Form 10-Q. We may need to secure additional funding to carry out all of our planned research and development and potential commercialization activities. If we are unable to obtain additional financing or generate license or product revenue, the lack of liquidity and sufficient capital resources could have a material adverse effect on our future prospects.

We have an open market sale agreement with Jefferies LLC (as amended, the "ATM Agreement") pursuant to which, we may sell from time to time, through Jefferies LLC, shares of our common stock for an aggregate sales price of up to \$75.0 million. Any sales of shares pursuant to this agreement are made under our effective "shelf" registration statement on Form S-3 that is on file with and has been declared effective by the SEC. We sold 1,902,376 shares of our common stock under the ATM Agreement and received \$10.0 million of net proceeds during the nine months ended September 30, 2024.

Since our inception, we have incurred negative cash flows from operations and have expended, and expect to continue to expend, substantial funds to complete our planned product development and potential commercialization efforts. We have not been profitable since inception and to date have received limited revenues from the sale of products or licenses. We expect to incur losses for the next several years as we continue to invest in commercialization, product research and development, preclinical studies, clinical trials, and regulatory compliance and cannot provide assurance that we will ever be able to generate sufficient product sales or royalty revenue to achieve profitability on a sustained basis, or at all.

If we raise additional funds by selling additional equity securities, the relative equity ownership of our existing investors will be diluted, and the new investors could obtain terms more favorable than previous investors. If we raise additional funds through collaborations, strategic alliances, 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. If we are unable to raise additional funds through equity or debt financing when needed, we may be required to delay, limit, or terminate our product development programs or any future commercialization efforts or grant rights to develop and market product candidates to third parties that we would otherwise prefer to develop and market ourselves.

Our future capital requirements and adequacy of available funds depend on many factors, including:

- the successful development, regulatory approval and commercialization of our cell and gene therapy and other product candidates;
- the ability to establish and maintain collaborative arrangements with corporate partners for the research, development, and commercialization of products;
- continued scientific progress in our research and development programs;
- the magnitude, scope and results of preclinical testing and clinical trials;
- the costs involved in filing, prosecuting, and enforcing patent claims;
- the costs involved in conducting clinical trials;
- competing technological developments;
- the cost of manufacturing and scale-up;
- the ability to establish and maintain effective commercialization arrangements and activities; and
- the successful outcome of our regulatory filings.

Due to uncertainties and certain of the risks described above, our ability to successfully commercialize our product candidates, our ability to obtain applicable regulatory approval to market our product candidates, our ability to obtain necessary additional capital to fund operations in the future, our ability to successfully manufacture our products and our product candidates in clinical quantities or for commercial purposes, government regulation to which we are subject, the uncertainty associated with preclinical and clinical testing, intense competition that we face, the potential necessity of licensing technology from third parties and protection of our intellectual property, it is not possible to reliably predict future spending or time to completion by project or product category or the period in which material net cash inflows from significant projects are expected to commence. If we are unable to timely complete a particular project, our research and development efforts could be delayed or reduced, our business could suffer depending on the significance of the project and we might need to raise additional capital to fund operations, as discussed in the risks above.

We plan to continue our policy of investing any available funds in suitable certificates of deposit, money market funds, government securities and investment-grade, interest-bearing securities. We do not invest in derivative financial instruments.

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made, and
- changes in the estimate or different estimates that could have been selected could have a material impact in our results of operations or financial condition.

While we base our estimates and judgments on our experience and on various other factors that we believe to be reasonable under the circumstances, actual results could differ from those estimates and the differences could be material. For a discussion of the critical accounting estimates that affect the unaudited condensed consolidated financial statements, see “Critical Accounting Estimates” included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report as well as the discussion below related to our derivative liability.

See Note 1 to our unaudited condensed consolidated financial statements for a discussion of our significant accounting policies.

Derivative Liability

We account for the fair value of the conversion right embedded within the loan agreement in accordance with the guidance in ASC 815, which requires us to bifurcate and separately account for the conversion feature as an embedded derivative contained in our loan agreement. Accordingly, we account for the conversion feature as a derivative liability in our condensed consolidated balance sheet. Derivatives are measured at their fair value on the balance sheet. In determining the appropriate fair value, we use a Monte Carlo simulation model, which incorporated assumptions and estimates to value the derivatives. The derivative liability is remeasured at each reporting period with the change in fair value recorded to change in fair value of warrant and derivative liabilities in the condensed consolidated statement of operations until the derivative is exercised, expired, reclassified, or otherwise settled.

Recently Issued Accounting Standards Not Yet Effective or Adopted

See Note 1 to our unaudited condensed consolidated financial statements for a discussion of recently issued accounting standards not yet effective or adopted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management and consultants, including the Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (“Disclosure Controls and Procedures”), as of September 30, 2024, as such term is defined in Rules 13a-15l and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Conclusion of Evaluation — Based on this Disclosure Controls and Procedures evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our Disclosure Controls and Procedures as of September 30, 2024 were effective.

Changes in Internal Control Over Financial Reporting – There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Our business and financial results are subject to numerous risks and uncertainties. As a result, the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023 should be carefully considered.

The Complete Response Letter related to our Biologics License Application for pz-cel for the treatment of patients with recessive dystrophic epidermolysis bullosa may impair our ability to successfully commercialize pz-cel.

On April 16, 2024, we received a Complete Response Letter (a “CRL”) related to our Biologics License Application (“BLA”) for pz-cel for the treatment of patients with recessive dystrophic epidermolysis bullosa (“RDEB”). In the CRL, the FDA noted that certain additional information needed to satisfy Chemistry Manufacturing and Controls (“CMC”) requirements must be satisfactorily resolved before the application can be approved. On August 8, 2024, we completed a Type A Meeting with the FDA to discuss our forthcoming resubmission of our BLA and on October 28, 2024, we resubmitted our BLA. The FDA notified the Company on November 8, 2024 that the BLA was accepted for review, with an assigned Prescription Drug User Fee Act (“PDUFA”) target action date of April 29, 2025. A delay in receiving approval of the BLA could shorten any periods during which we may have the exclusive right to commercialize our pz-cel or allow our competitors to bring products to market before we do. This may impair our ability to successfully commercialize pz-cel. If any of the foregoing were to occur, our business, financial condition, results of operations, and prospects will be materially harmed.

Other than as set forth above, there have been no material changes in the assessment of our risk factors from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) The following table provides information about purchases of equity securities that are registered pursuant to Section 12 of the Exchange Act for the quarter ended September 30, 2024:

	Total number of shares (or units) purchased ^(a)	Average price paid per share (or unit)
<i>Shares delivered or withheld pursuant to restricted stock awards</i>		
July 1, 2024 - July 31, 2024	1,055	\$ \$5.11
August 1, 2024 - August 31, 2024	—	\$ —
September 1, 2024 - September 30, 2024	32,261	\$ \$5.89
	<u>33,316</u>	<u>\$ \$5.87</u>

(a) Reflects shares of common stock surrendered to the Company for payment of tax withholding obligations in connection with the vesting of restricted stock.

ITEM 5. OTHER INFORMATION

Securities Trading Arrangements of Directors and Executive Officers

During the fiscal quarter ended September 30, 2024, the following officers, as defined in Rule 16a-1(f) under the Exchange Act, as amended, adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On September 18, 2024, Vishwas Seshadri, the Company's President and Chief Executive Officer and a member of the Company's board of directors, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 104,985 shares of our common stock. The duration of the trading arrangement is until April 28, 2026, or earlier if all transactions under the trading arrangement are completed.

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Joseph Vazzano, the Company's Chief Financial Officer, adopted two Rule 10b5-1 trading arrangements on August 23, 2024 and August 26, 2024:

- The arrangement adopted on August 23, 2024 provides for the sale from time to time of an aggregate of up to 14,979 shares of our common stock. The duration of the trading arrangement is until November 24, 2025, or earlier if all transactions under the trading arrangement are completed.
- The arrangement adopted on August 26, 2024 provides for the sale from time to time of an aggregate of up to 5,500 shares of our common stock. The duration of the trading arrangement is until December 31, 2025, or earlier if all transactions under the trading arrangement are completed.

Each trading arrangement described is intended to satisfy the affirmative defense in Rule 10b5-1(c).

ITEM 6. EXHIBITS

See Exhibit Index below, which is incorporated by reference herein.

Exhibit Index

Exhibits:

- 3.1 [Amended and Restated Bylaws of Abeona Therapeutics Inc. as of July 9, 2024 \(incorporated by reference from our Form 8-K filed with the SEC on July 9, 2024\).](#)
- 4.1 [Form of Pre-Funded Warrant to Purchase Common Stock \(incorporated by reference from our Form 8-K filed with the SEC on May 3, 2024\).](#)
- 31.1 [Principal Executive Officer Certification Pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934.](#)
- 31.2 [Principal Financial Officer Certification Pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934.](#)
- 32* [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from Abeona's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at September 30, 2024 (unaudited) and December 31, 2023 (unaudited), (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2024 and 2023 (unaudited), (iii) Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and 2023 (unaudited), (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023 (unaudited), and (v) Notes to Condensed Consolidated Financial Statements (unaudited).
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Pursuant to Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filing.

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SIGNATURES

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

ABEONA THERAPEUTICS INC.

Date: November 14, 2024

By: /s/ Vishwas Seshadri

Vishwas Seshadri

President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

By: /s/ Joseph Vazzano

Joseph Vazzano
Chief Financial Officer
(Principal Financial Officer)

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Vishwas Seshadri, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2024, of Abeona Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ Vishwas Seshadri

Vishwas Seshadri
President and Chief Executive Officer
(Principal Executive Officer)

PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph Vazzano, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended September 30, 2024, of Abeona Therapeutics Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2024

By: /s/ Joseph Vazzano
Joseph Vazzano
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Abeona Therapeutics Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Vishwas Seshadri, President and Chief Executive Officer of the Company, and Joseph Vazzano, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 14, 2024

By: /s/ Vishwas Seshadri

Vishwas Seshadri
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

By: /s/ Joseph Vazzano

Joseph Vazzano
Chief Financial Officer
(Principal Financial Officer)
