

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

**FORM 10-Q**

(Mark One)

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

For the Quarterly Period Ended March 31, 2024

or

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-30111

Lexicon Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

76-0474169

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification Number)

2445 Technology Forest Blvd.  
11th Floor

The Woodlands, Texas 77381

(Address of Principal Executive Offices and Zip Code)

(281) 863-3000

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	LXRX	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files)

Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒  
Smaller reporting company ☒ Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of April 29, 2024, 246,236,753 shares of the registrant's common stock, par value \$0.001 per share, were outstanding.

# Lexicon Pharmaceuticals, Inc.

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### Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “should” or “will” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. - Risk Factors” and in our annual report on Form 10-K for the year ended December 31, 2023, that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, future results, levels of activity, performance or achievements may vary materially from our expectations. We are not undertaking any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

## Part I – Financial Information

### Item 1. Financial Statements

#### Lexicon Pharmaceuticals, Inc.

#### Condensed Consolidated Balance Sheets (In thousands, except par value and share amounts)

	As of March 31, 2024	As of December 31, 2023
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 96,494	\$ 22,465
Short-term investments	259,104	147,561
Accounts receivable, net	1,526	1,010
Inventory	514	381
Prepaid expenses and other current assets	7,009	5,130
Total current assets	364,647	176,547
Property and equipment, net of accumulated depreciation and amortization of \$ 4,682 and \$4,538, respectively	1,843	1,987
Goodwill	44,543	44,543
Operating lease right-of-use-assets	5,358	5,524
Other assets	828	828
Total assets	\$ 417,219	\$ 229,429
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,067	\$ 14,389
Accrued liabilities	15,332	17,157
Total current liabilities	23,399	31,546
Long-term debt, net	99,874	99,508
Long-term operating lease liabilities	5,079	5,265
Total liabilities	128,352	136,319
Commitments and contingencies (Note 6)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized		
Series A Convertible preferred stock, 2,304,147 and no shares issued, respectively	23	—
Common stock, \$0.001 par value; 300,000,000 shares authorized; 247,764,761 and 245,792,668 shares issued, respectively	248	245
Additional paid-in capital	2,108,497	1,862,558
Accumulated deficit	(1,815,236)	(1,766,839)
Accumulated other comprehensive income/(loss)	(50)	31
Treasury stock, at cost, 1,528,008 and 867,973 shares, respectively	(4,615)	(2,885)
Total stockholders' equity	288,867	93,110
Total liabilities and stockholders' equity	\$ 417,219	\$ 229,429

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

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Comprehensive Loss  
(In thousands, except per share amounts)  
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenues:		
Net product revenue	\$ 1,093	\$ —
Royalties and other revenue	37	24
Total revenues	1,130	24
Operating expenses:		
Cost of sales	31	—
Research and development, including stock-based compensation of \$ 1,594 and \$1,203, respectively	14,372	12,026
Selling, general and administrative, including stock-based compensation of \$ 2,708 and \$2,212, respectively	32,060	19,140
Total operating expenses	46,463	31,166
Loss from operations	(45,333)	(31,142)
Interest and other expense	(4,948)	(1,821)
Interest income and other, net	1,884	1,029
Net loss	\$ (48,397)	\$ (31,934)
Net loss per common share, basic and diluted	\$ (0.20)	\$ (0.17)
Shares used in computing net loss per common share, basic and diluted	245,390	189,014
Other comprehensive loss:		
Unrealized (loss) gain on investments	(81)	265
Comprehensive loss	\$ (48,478)	\$ (31,669)

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

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Stockholders' Equity  
(In thousands)  
(Unaudited)

	Common Stock		Preferred Stock		Additional	Accumulated Other			
	Shares	Par Value	Shares	Par Value	Paid-In Capital	Accumulated Deficit	Comprehensive Gain (Loss)	Treasury Stock	Total
<b>Balance at December 31, 2022</b>	189,214	\$ 189	—	\$ —	\$1,709,144	\$ (1,589,720)	\$ (428)	\$ (2,061)	\$117,124
Stock-based compensation	—	—	—	—	3,415	—	—	—	3,415
Issuance of common stock under Equity Incentive Plans	1,216	1	—	—	(1)	—	—	—	—
Repurchase of common stock	—	—	—	—	—	—	—	(824)	(824)
Net loss	—	—	—	—	—	(31,934)	—	—	(31,934)
Unrealized gain (loss) on investments	—	—	—	—	—	—	265	—	265
<b>Balance at March 31, 2023</b>	<u>190,430</u>	<u>\$ 190</u>	<u>—</u>	<u>\$ —</u>	<u>\$1,712,558</u>	<u>\$ (1,621,654)</u>	<u>\$ (163)</u>	<u>\$ (2,885)</u>	<u>\$ 88,046</u>

	Common Stock		Preferred Stock		Additional	Accumulated Other			
	Shares	Par Value	Shares	Par Value	Paid-In Capital	Accumulated Deficit	Comprehensive Gain (Loss)	Treasury Stock	Total
<b>Balance at December 31, 2023</b>	245,793	\$ 245	\$ —	\$ —	\$1,862,558	\$ (1,766,839)	\$ 31	\$ (2,885)	\$ 93,110
Stock-based compensation	—	—	—	—	4,302	—	—	—	4,302
Issuance of preferred stock, net of fees	—	—	2,304	23	241,552	—	—	—	241,575
Issuance of common stock under Equity Incentive Plans	1,972	3	—	—	85	—	—	—	88
Repurchase of common stock	—	—	—	—	—	—	—	(1,730)	(1,730)
Net loss	—	—	—	—	—	(48,397)	—	—	(48,397)
Unrealized gain (loss) on investments	—	—	—	—	—	—	(81)	—	(81)
<b>Balance at March 31, 2024</b>	<u>247,765</u>	<u>\$ 248</u>	<u>2,304</u>	<u>\$ 23</u>	<u>\$2,108,497</u>	<u>\$ (1,815,236)</u>	<u>\$ (50)</u>	<u>\$ (4,615)</u>	<u>\$ 288,867</u>

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

Lexicon Pharmaceuticals, Inc.

Condensed Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (48,397)	\$ (31,934)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	144	112
Stock-based compensation	4,302	3,415
Amortization of debt-related costs	517	265
Other non-cash adjustments	(226)	—
Changes in operating assets and liabilities:		
Increase in accounts receivable	(516)	(234)
Increase in inventories	(133)	—
Increase in prepaid expenses and other current assets	(1,879)	(867)
Decrease in other long-term assets	166	400
Decrease in accounts payable and other liabilities	(9,108)	(2,770)
Net cash used in operating activities	(55,130)	(31,613)
Cash flows from investing activities:		
Purchases of property and equipment	—	(248)
Purchases of investments	(183,224)	(28,864)
Maturities of investments	73,000	41,205
Net cash (used in) provided by investing activities	(110,224)	12,093
Cash flows from financing activities:		
Proceeds from issuance of common stock for equity incentive plans	88	—
Proceeds from issuance of preferred stock, net of fees	241,425	—
Repurchase of common stock for equity incentive plans	(1,730)	(824)
Other	(400)	—
Net cash provided by (used in) financing activities	239,383	(824)
Net increase (decrease) in cash and cash equivalents	74,029	(20,344)
Cash and cash equivalents at beginning of period	22,465	46,345
Cash and cash equivalents at end of period	\$ 96,494	\$ 26,001
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,257	\$ 1,556
Supplemental disclosure of non-cash investing and financing activities:		
Accrued financing costs	\$ 150	\$ —

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

Lexicon Pharmaceuticals, Inc.

Notes to Condensed Consolidated Financial Statements  
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Lexicon Pharmaceuticals, Inc. ("Lexicon" or the "Company") include the accounts of Lexicon and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation. These unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ended December 31, 2024. For further information, refer to the financial statements and footnotes thereto included in Lexicon's annual report on Form 10-K for the year ended December 31, 2023, as filed with the SEC.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant Accounting Policies. There have been no significant changes to our summary of significant policies discussed in our annual report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements Issued But Not Yet Adopted. In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, which is effective retrospectively for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, which is effective prospectively for annual periods beginning after December 15, 2024. Early adoption is permitted for both standards. We do not expect these accounting pronouncements to have a material impact on our financial statements.

## 2. Cash and Cash Equivalents and Investments

The fair value of cash and cash equivalents and investments held at March 31, 2024 and December 31, 2023 are as follows:

As of March 31, 2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Cash and cash equivalents	\$ 96,494	\$ —	\$ —	\$ 96,494
Securities maturing within one year:				
U.S. treasury securities	245,145	9	(56)	245,098
Corporate debt securities	14,008	3	(5)	14,006
Total short-term investments	\$ 259,153	\$ 12	\$ (61)	\$ 259,104
Total cash and cash equivalents and investments	\$ 355,647	\$ 12	\$ (61)	\$ 355,598

  

As of December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
Cash and cash equivalents	\$ 22,465	\$ —	\$ —	\$ 22,465
Securities maturing within one year:				
U.S. treasury securities	141,577	31	(12)	141,596
Corporate debt securities	5,954	11	—	5,965
Total short-term investments	\$ 147,531	\$ 42	\$ (12)	\$ 147,561
Total cash and cash equivalents and investments	\$ 169,996	\$ 42	\$ (12)	\$ 170,026

As of March 31, 2024 and December 31, 2023, our investments in an unrealized loss position had an estimated fair value of \$ 216.0 million and \$58.5 million, respectively. There were no realized gains or losses during either of the three month periods ended March 31, 2024 and 2023.

## 3. Fair Value Measurements

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Assets and liabilities recorded at fair value in the condensed consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. The following levels are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities:

- Level 1 - quoted prices in active markets for identical assets, which include U.S. treasury securities
- Level 2 - other significant observable inputs (including quoted prices for similar investments, market corroborated inputs, etc.), which includes corporate debt securities
- Level 3 - significant unobservable inputs



The inputs or methodology used for valuing securities are not necessarily an indication of the credit risk associated with investing in those securities. The following tables provide the fair value measurements of applicable Company assets that are measured at fair value on a recurring basis according to the fair value levels defined above as of March 31, 2024 and December 31, 2023. There were no transfers between Level 1 and Level 2 during the periods presented.

Assets at Fair Value as of March 31, 2024				
	Level 1	Level 2	Level 3	Total
(in thousands)				
Cash and cash equivalents	\$ 96,494	\$ —	\$ —	\$ 96,494
Short-term investments	245,098	14,006	—	259,104
Total cash and cash equivalents and investments	\$ 341,592	\$ 14,006	\$ —	\$ 355,598

  

Assets at Fair Value as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
(in thousands)				
Cash and cash equivalents	\$ 22,465	\$ —	\$ —	\$ 22,465
Short-term investments	141,596	5,965	—	147,561
Total cash and cash equivalents and investments	\$ 164,061	\$ 5,965	\$ —	\$ 170,026

The carrying amount of cash and cash equivalents, prepaid expenses and other assets, accounts payable and accrued expenses are generally considered to be representative of their respective fair values because of the short-term nature of those instruments. The fair value of the Oxford Term Loans (see Note 5) is determined under Level 2 in the fair value hierarchy and approximates carrying value as the loans bear interest at a rate that approximates prevailing market rates for instruments with similar characteristics.

#### 4. Supplemental Financial Information

The following tables show the Company's additional balance sheet information as of March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
(in thousands)		
<i>Inventories:</i>		
Raw materials	\$ —	\$ —
Work-in-progress	84	100
Finished goods	430	281
Inventory	\$ 514	\$ 381

  

	As of March 31, 2024	As of December 31, 2023
(in thousands)		
<i>Accrued Liabilities:</i>		
Accrued research and development services	\$ 3,688	\$ 3,705
Accrued compensation and benefits	6,493	9,591
Short-term lease liability	1,291	1,291
Other	3,860	2,570
Total accrued liabilities	\$ 15,332	\$ 17,157

## 5. Debt Obligations

*Oxford Term Loans Overview.* Lexicon and one of its subsidiaries entered into a loan and security agreement with Oxford Finance LLC ("Oxford") in March 2022 (as subsequently amended) that provides up to \$150 million in borrowing capacity (the "Oxford Term Loans").

The Oxford Term Loans are available in five tranches, each maturing in March 2027. The first two \$ 25 million tranches totaling \$50 million were funded in 2022 and the third \$50 million tranche was funded in June 2023. The fourth \$25 million tranche will be available for draw at Lexicon's option upon the achievement of specified INPEFA net sales and until April 15, 2025. An unused fee will be due in the event Lexicon does not draw the full amount when available under the fourth tranche. The fifth \$25 million tranche is available for draw at Lexicon's option, subject to Oxford's consent, at any time prior to the expiration of the interest-only period in March 2025 as described below.

As of March 31, 2024, the carrying value of the Oxford Term Loans on the condensed consolidated balance sheet was \$99.9 million, reflecting an unamortized discount of \$6.1 million to the face value of long-term debt related to debt issuance costs, the final payment exit fee, and the warrant fair value described below, which are being amortized into interest and other expense throughout the life of the term loan using the effective interest rate method. A final payment exit fee of \$6.0 million equal to 6% of the amount funded under the Oxford Term Loans is due upon prepayment or maturity.

*Oxford Warrants.* Concurrent with the funding of each of the first three tranches, Lexicon granted Oxford warrants to purchase 420,673 shares of Lexicon's common stock at an exercise price of \$2.08 per share, 224,128 shares of Lexicon's common stock at an exercise price of \$ 1.95 per share and 183,824 shares of Lexicon's common stock at an exercise price of \$ 2.38 per share, respectively. Subject to and upon funding of the fourth tranche, Lexicon will grant Oxford a warrant to purchase shares of its common stock having a value equal to 1.75% of such tranche, as determined by reference to a 10-day average closing price of the shares, and having an exercise price equal to such average closing price. All warrants are exercisable for five years from their respective grant dates and feature a net cashless exercise provision. The Company allocated the proceeds from each term loan tranche to the corresponding warrant using the relative fair value method and used the Black-Scholes model to calculate the fair value of the warrants. These warrants reduced the carrying value of long-term debt and are classified as equity instruments in additional paid-in capital on the condensed consolidated balance sheet.

*Interest and Principal Payments.* Monthly interest-only payments are due during an initial 36-month period from the original March 2022 borrowing date. The interest-only period will be followed by an amortization period extending through the maturity date. Payments of \$34.8 million, \$52.2 million, and \$19.0 million, including debt principal and final exit fee payments, will be due during the fiscal years ended December 31, 2025, December 31, 2026 and December 31, 2027, respectively, with respect to all borrowed loan tranches as of March 31, 2024. Any prepayment of the Oxford Term Loans is subject to prepayment fees of up to 3% which decline over the three years following the funding date of each loan tranche. The Company has classified its debt as long-term based on its intent and ability to refinance with the recent equity financing (see Note 8) if the Company is unable to meet the financial covenants within one year.

Prior to June 2023 the Oxford Term Loans bore interest at a floating rate equal to the 30-day U.S. Dollar LIBOR plus 7.90%, but not less than 8.01%, subject to additional interest if an event of default occurs and is continuing. Following the June 2023 amendment to the loan and security agreement, the floating interest rate is currently based on the sum of (a) the 1-month CME Term Secured Overnight Financing Rate (SOFR), (b) 0.10%, and (c) 7.90% for the first and second tranches and 7.00% for the third and fourth tranches. As of March 31, 2024, the weighted average interest rate of the Oxford Term Loans was 12.9%. During the three months ended March 31, 2024, the Company recognized interest expense of \$ 3.8 million, including \$0.5 million in amortization of discount and related debt issuance costs.

*Restrictive Provisions/Covenants.* If an event of default occurs and is continuing, Oxford may declare all amounts outstanding under the loan and security agreement to be immediately due and payable. Additionally, Lexicon may prepay the Oxford Term Loans in whole at its option at any time.

Lexicon's obligations under the Oxford Term Loans are secured by a first lien security interest in all of the assets of the Company and its subsidiaries. The loan and security agreement contains certain customary representations and warranties, affirmative and negative covenants and events of default applicable to Lexicon and its subsidiaries. The loan and security agreement includes a financial covenant which requires Lexicon to maintain a minimum cash and investments balance of \$10 million until the achievement of specified INPEFA net sales. Upon funding of the fourth tranche, the minimum cash and investments balance will increase to \$25 million. The loan and security agreement also includes a separate financial covenant relating to net sales of INPEFA. In March 2024, this covenant was further amended and will be effective as of June 30, 2024. In addition to the financial covenants, additional covenants include those restricting dispositions, fundamental changes to its

business, mergers or acquisitions, indebtedness, encumbrances, distributions, investments, transactions with affiliates and subordinated debt. The Company was in compliance with its debt covenants as of March 31, 2024.

## 6. Commitments and Contingencies

*Operating Lease Obligations.* Lexicon's operating leases include leases of office space in The Woodlands, Texas and Bridgewater, New Jersey and will expire in August 2025 and January 2034, respectively. Operating lease right-of-use assets and associated lease liabilities are recorded in the condensed consolidated balance sheet at the lease commencement date based on the present value of future lease payments to be made over the expected lease term. As the implicit rate is not determinable in its leases, Lexicon uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Lexicon does not apply this accounting to those leases with terms of twelve months or less.

As of March 31, 2024 and December 31, 2023, the right-of-use assets for the office space leases of \$5.4 million and \$5.5 million, respectively, are separately included in operating lease right-of-use-assets in the condensed consolidated balance sheet. Current liabilities relating to the leases were included in accrued liabilities in the condensed consolidated balance sheet (as further described in Note 4) and long-term operating lease liabilities are separately included in the condensed consolidated balance sheet.

During the three months ended March 31, 2024 and 2023, the Company incurred lease expense of \$ 0.4 million. During the three months ended March 31, 2024 and 2023, the Company made cash payments for lease liabilities of \$0.3 million and \$0.1 million, respectively. As of March 31, 2024 and December 31, 2023, the weighted-average remaining lease terms were 8.9 years and 9 years, respectively, with weighted-average discount rates of 9.6%.

The following table reconciles the undiscounted cash flows of the operating lease liability to the recorded lease liability at March 31, 2024:

	(in thousands)
2024	\$ 1,036
2025	1,220
2026	865
2027	881
2028	898
Thereafter	4,746
Total undiscounted operating lease liability	9,646
Less: amount of lease payments representing interest	(3,276)
Present value of future lease payments	6,370
Less: short-term operating lease liability	(1,291)
Long-term operating lease liability	\$ 5,079

*Legal Proceedings.* Lexicon is from time to time party to claims and legal proceedings that arise in the normal course of its business and that it believes will not have, individually or in the aggregate, a material adverse effect on its results of operations, financial condition or liquidity.

## 7. Equity Incentive Awards

*Stock-Based Compensation.* The Company has stockholder-approved equity incentive plans that permit the grant of stock options, restricted stock unit awards, and other stock-based awards to employees, directors, and consultants of the Company. Compensation expense related to stock options and restricted stock units ("RSUs") is determined based on the fair value of the award on the date of the grant and is recognized on a straight-line basis over the vesting period in which an employee is required to provide service. Compensation expense of \$4.3 million and \$3.4 million for the three months ended March 31, 2024 and 2023, respectively, is recorded separately in research and development expense and selling, general, and administrative expense as noted on the Company's condensed consolidated statements of comprehensive loss.

The fair value of stock options is estimated at the date of grant using the Black-Scholes method requiring the input of subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For purposes of determining the fair value of stock options, the Company segregates its options into two homogeneous groups, based on exercise and post-vesting employment termination behaviors, resulting in different assumptions used for expected option lives. Historical data is used to estimate the expected option life for each group. Expected volatility is based on the historical volatility in the Company's stock price. The following weighted-average assumptions were used for stock options granted in the three months ended March 31, 2024 and 2023:

	Expected Volatility		Risk-free Interest Rate		Expected Term	Dividend Rate	
March 31, 2024							
Employees	96	%	4.3	%	4	—	%
Officers and non-employee directors	104	%	4.2	%	6	—	%
March 31, 2023							
Employees	112	%	4.1	%	4	—	%
Officers and non-employee directors	98	%	3.9	%	6	—	%

The following is a summary of stock option activity under Lexicon's stock-based compensation plans for the three months ended March 31, 2024:

	Stock Options (in thousands)	Weighted Average Exercise Price
Outstanding at December 31, 2023	18,705	\$ 3.93
Granted	3,822	2.16
Exercised	(51)	1.72
Expired	(148)	12.04
Forfeited	(670)	2.21
Outstanding at March 31, 2024	21,658	3.62
Exercisable at March 31, 2024	9,631	\$ 5.03

The following is a summary of restricted stock unit activity under Lexicon's stock-based compensation plans for the three months ended March 31, 2024:

	RSU's (in thousands)	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2023	5,015	\$ 2.78
Granted	8,270	2.15
Vested	(1,921)	3.12
Forfeited	(297)	2.32
Outstanding at March 31, 2024	11,067	\$ 2.26

## 8. Other Capital Agreements

*Convertible Preferred Stock.* On March 11, 2024, Lexicon entered into an agreement with certain accredited investors pursuant to which the Company agreed to sell 2,304,147 shares of its Series A Convertible Preferred Stock, par value \$ 0.01 per share, in a private placement at a price of \$108.50 per share. The Company received net proceeds of approximately \$ 242 million, after deducting placement agent fees and offering expenses from the private placement offering. Each share of preferred stock is convertible into 50 shares of common stock following the approvals listed below. An affiliate of Invus, L.P. elected to participate on the same terms as each other purchaser on a pro rata basis and also agreed to vote at the Company's 2024 annual meeting of stockholders in favor of the approval of an amendment to the Company's certificate of incorporation increasing the total authorized common shares thereunder from 300,000,000 to 450,000,000 shares (the "New Charter").

Following the approval of the New Charter by the Company's shareholders, the adoption of the New Charter by the Company's board of directors, and the filing and acceptance of the New Charter by the Secretary of State of Delaware, each share of preferred stock will automatically convert into 50 shares (subject to adjustments) of common stock, or approximately 115 million additional common shares in total. Our convertible preferred shares, as well as other potentially dilutive securities, are not included in the calculation of diluted earnings per common share as we have reported a net loss for the three months ended March 31, 2024 and 2023, and their effect would be anti-dilutive.

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

### Overview

We are a biopharmaceutical company with a mission of pioneering medicines that transform patients' lives. We are devoting most of our resources to the commercialization of our approved drug and the research and development of our most advanced drug candidates:

- We are commercializing INPEFA, an orally-delivered small molecule drug, in the United States to reduce the risk of cardiovascular death, hospitalization for heart failure, and urgent heart failure visits in adults with heart failure or type 2 diabetes mellitus, chronic kidney disease, or CKD, and other cardiovascular risk factors.

We are separately pursuing regulatory approval of sotagliflozin as a treatment for type 1 diabetes. The U.S. Food and Drug Administration, or FDA, issued a complete response letter regarding our New Drug Application, or NDA, for sotagliflozin in type 1 diabetes in March 2019, which we appealed. Following FDA feedback from recent discussions, we are now preparing to resubmit our NDA for patients with type 1 diabetes and CKD. We have reported positive results from three Phase 3 clinical trials of sotagliflozin in type 1 diabetes.

We are also developing sotagliflozin as a treatment for hypertrophic cardiomyopathy, or HCM, and are preparing to initiate a Phase 3 clinical trial of sotagliflozin in HCM.

- We are developing LX9211, an orally-delivered small molecule drug candidate, as a treatment for neuropathic pain. We are conducting a Phase 2b clinical trial of LX9211 in diabetic peripheral neuropathic pain, or DPNP, and have received Fast Track designation from the FDA for development of LX9211 in that indication. We have reported positive results from a Phase 2 clinical trial of LX9211 in DPNP and top-line results from a separate Phase 2 clinical trial of LX9211 in post-herpetic neuralgia which also demonstrated evidence of effect.
- We are conducting preclinical development of LX9851, an orally-delivered small molecule drug candidate, as a treatment for obesity and tool for weight management.
- We are conducting preclinical research and development and preparing to conduct clinical development of compounds from a number of additional drug programs originating from our internal drug discovery efforts.

INPEFA, LX9851 and compounds from a number of additional drug programs originated from our own internal drug discovery efforts, and LX9211 originated from our collaborative neuroscience drug discovery efforts with Bristol-Myers Squibb. Our efforts were driven by a systematic, target biology-driven approach in which we used gene knockout technologies and an integrated platform of advanced medical technologies to systematically study the physiological and behavioral functions of almost 5,000 genes in mice and assessed the utility of the proteins encoded by the corresponding human genes as potential drug targets. We have identified and validated in living animals, or in vivo, more than 100 targets with promising profiles for drug discovery.

We have worked both independently and through collaborations and strategic alliances with third parties to capitalize on our drug target discoveries and research and development programs. We seek to retain exclusive or co-exclusive rights to the benefits of certain research and development programs by developing and commercializing drug candidates from those programs internally, particularly in the United States for indications treated by specialist physicians. We seek to collaborate with other pharmaceutical and biotechnology companies with respect to the research, development and commercialization of certain of our drug candidates, particularly with respect to commercialization in territories outside the United States or commercialization in the United States for indications treated by primary care physicians, or when the collaboration may otherwise provide us with access to expertise and resources that we do not possess internally or are complementary to our own.

We have derived substantially all of our revenues from strategic collaborations and other research and development collaborations and technology licenses, as well as from commercial sales of our approved drug products. To date, we have generated a substantial portion of our revenues from a limited number of sources.

Our operating results and, in particular, our ability to generate additional revenues are dependent on many factors, including the success of our commercialization of INPEFA in the United States and the amount of revenues generated from sales of INPEFA; the success of our ongoing research and development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and licenses and our receipt of milestones, royalties and other payments under such arrangements; and general and industry-specific economic conditions which may affect research, development and commercialization expenditures.

Our ability to secure future revenue-generating agreements will depend upon our ability to address the needs of our potential future collaborators and licensees, and to negotiate agreements that we believe are in our long-term best interests. We may determine, as we have with INPEFA in heart failure, that our interests are better served by retaining rights to our discoveries and advancing our therapeutic programs to a later stage, which could limit our near-term revenues and increase expenses. Because of these and other factors, our operating results have fluctuated in the past and are likely to do so in the future, and we do not believe that period-to-period comparisons of our operating results are a good indication of our future performance.

Since our inception, we have incurred significant losses and, as of March 31, 2024, we had an accumulated deficit of \$1.8 billion. Our losses have resulted principally from costs incurred in research and development, selling, general and administrative costs associated with our operations, and non-cash stock-based compensation expenses associated with stock options and restricted stock units granted to employees and consultants. Research and development expenses consist primarily of salaries and related personnel costs, external research costs related to our nonclinical and clinical efforts, material costs, facility costs, depreciation on property and equipment, and other expenses related to our drug discovery and development programs. Selling, general and administrative expenses consist primarily of salaries and related expenses for executive, sales and marketing, and administrative personnel, professional fees and other corporate expenses, including information technology, facilities costs and general legal activities. We expect to continue to incur significant research and development costs in connection with the continuing research and development of our drug candidates and significant selling, general and administrative expenses in connection with our commercial launch of INPEFA. As a result, we will need to generate significantly higher revenues to achieve profitability.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make judgments, estimates and assumptions in the preparation of our condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. We believe there have been no significant changes in our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2023.

### **Results of Operations**

#### **Revenues**

Revenues for the three months ended March 31, 2024 were approximately \$1.1 million primarily from product revenues recognized from sales of INPEFA following its regulatory approval in May 2023.

#### **Cost of Sales**

Cost of sales during the three months ended March 31, 2024 consist of third-party manufacturing costs and freight associated with sales of INPEFA. Prior to receiving regulatory approval on May 26, 2023, we had completed or begun the manufacturing of certain INPEFA raw materials. These raw materials were either received at "zero-cost" to us in conjunction with a terminated agreement in 2019 or recorded as research and development expense. Based on our expectations for future manufacturing costs, we estimate these amounts totaled approximately \$39.0 million. We began capitalizing inventory manufactured subsequent to regulatory approval of INPEFA as the related costs were expected to be recoverable through the commercialization of the product. At March 31, 2024, substantially all of the "zero-cost" INPEFA raw materials remains available to us. The "zero-cost" inventory is expected to be consumed over approximately the next three years, which will result in a lower average per unit cost of materials during that period; however, the time period over which this inventory is consumed will depend on a number of factors, including the amount of future INPEFA sales, use of this inventory in clinical development or other research activities, production lead times, and/or the ability to utilize inventory prior to its expiration date. We estimate our cost of goods sold as a percentage of net product revenue will be less than 10% subsequent to the utilization of all of the remaining "zero-cost" inventory.

### Research and Development Expenses

Research and development expenses and dollar and percentage changes as compared to the corresponding periods in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended March 31,			
	2024		2023	
Total research and development expense	\$	14.4	\$	12.0
Dollar increase	\$	2.4		
Percentage increase		20	%	

Research and development expenses consist primarily of third-party services principally related to preclinical and clinical development activities, salaries and other personnel-related expenses, facility and equipment costs, stock-based compensation expense, and other costs each of which are described below.

- *Third-party services* – Third-party services relate principally to our clinical trial and related development activities, such as preclinical and clinical studies and contract manufacturing. Overall, third-party services for the three months ended March 31, 2024 increased 32% to \$7.2 million as compared to the corresponding period in 2023 primarily related to increased external research and development costs.
- *Personnel* – Personnel costs for the three months ended March 31, 2024 increased to \$4.2 million from \$4.0 million as compared to the corresponding period in 2023. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.
- *Stock-based compensation* – Stock-based compensation expenses for the three months ended March 31, 2024 increased 32% to \$1.6 million, as compared to the corresponding period in 2023, due to increased headcount.
- *Facilities, equipment, and other* – Facilities, equipment, and other costs relate primarily to rent, insurance, travel and training, and software licensing costs. Facilities, equipment, and other costs for the three months ended March 31, 2024 and 2023 were \$1.3 million and \$1.4 million, respectively.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses and dollar and percentage changes as compared to the corresponding periods in the prior year are as follows (dollar amounts are presented in millions):

	Three Months Ended March 31,			
	2024		2023	
Total selling, general and administrative expense	\$	32.1	\$	19.1
Dollar increase	\$	13.0		
Percentage increase		68	%	

Selling, general and administrative expenses consist primarily of personnel costs to support the commercialization of INPEFA and support of our research and development activities, professional and consulting fees, stock-based compensation expense, and facilities, equipment, and other costs each of which are described further below.

- *Personnel* – Personnel costs for the three months ended March 31, 2024 increased 113% to \$16.4 million, as compared to the corresponding period in 2023, primarily due to higher employee salaries and benefit costs as a result of increased headcount during 2024 in conjunction with the commercialization of INPEFA. Salaries, bonuses, employee benefits, payroll taxes, recruiting and relocation costs are included in personnel costs.
- *Professional and consulting fees* – Professional and consulting fees for the three months ended March 31, 2024 increased 37% to \$9.6 million, as compared to the corresponding period in 2023, primarily due to higher marketing and professional fees in conjunction with the commercialization of INPEFA.
- *Stock-based compensation* – Stock-based compensation expenses for the three months ended March 31, 2024 increased 22% to \$2.7 million, as compared to the corresponding period in 2023 due to increased headcount.



- *Facilities, equipment, and other* – Facilities, equipment, and other costs for the three months ended March 31, 2024 and 2023 were \$3.3 million and \$2.2 million, respectively. The increase of \$1.1 million in these costs in 2024 was primarily due to travel in conjunction with the commercialization of INPEFA.

#### **Interest and Other Expense**

*Interest and Other Expense.* Interest and other expense was \$4.9 million and \$1.8 million, respectively, during the three months ended March 31, 2024 and 2023, primarily due to the borrowing of additional \$50 million in Oxford debt in June 2023.

#### **Interest Income and Other, Net**

*Interest Income and Other, Net.* Interest income and other, net increased to \$1.9 million from \$1.0 million during the three months ended March 31, 2024 from the corresponding period in 2023.

#### **Net Loss and Net Loss per Common Share**

*Net loss and Net loss per Common Share.* Net loss was \$48.4 million, or \$0.20 per share, in the three months ended March 31, 2024 as compared to a net loss of \$31.9 million, or \$0.17 per share, in the corresponding period in 2023.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future, and we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

#### **Liquidity and Capital Resources**

We have financed our operations from inception primarily through sales of common and preferred stock, contract and milestone payments we received under our collaborations and strategic licenses, target validation, database subscription and technology license agreements, product sales, government grants and contracts, and financing under debt, lease and other project financing arrangements, as well as from commercial sales of our approved drug products.

In March 2022, we entered into a loan and security agreement with Oxford that provides up to \$150 million in borrowing capacity, available in five tranches, under which \$100 million has been funded under the first three tranches. The fourth \$25 million tranche is available for draw at our option upon the achievement of specified INPEFA net sales and until April 25, 2025. The fifth \$25 million tranche is available for draw at our option, subject to Oxford's consent, at any time prior to the expiration of the 36-month interest-only payment period. The loan and security agreement includes a financial covenant relating to INPEFA net sales and a separate financial covenant which requires us to maintain a minimum cash and investments balance of \$10 million until the achievement of specified INPEFA net sales. Upon funding of the fourth tranche, the minimum cash and investments balance will increase to \$25 million.

In December 2023, we entered into an Open Market Sale Agreement <sup>SM</sup> with Jefferies LLC pursuant to which we may offer and sell shares of our common stock having an aggregate sales price of up to \$75 million from time to time through Jefferies as sales agent. As of March 31, 2024, the full amount is still available for issuance under this agreement.

On March 11, 2024, we entered into an agreement with certain accredited investors pursuant to which we agreed to sell 2,304,147 shares of our Series A Convertible Preferred Stock, at a price of \$108.50 per share. We received net proceeds of approximately \$242 million, after deducting placement agent fees and offering expenses from the private placement offering. Each share of preferred stock will automatically convert into 50 shares of our common stock upon the filing and acceptance of an amendment to our certificate of incorporation by the Secretary of State of Delaware increasing the number of authorized shares of our common stock to 450,000,000 shares. For additional information on the private placement offering, please refer to Note 8 of the Notes to the Condensed Consolidated Financial Statements.

As of March 31, 2024 and December 31, 2023, we had \$355.6 million and \$170.0 million in cash, cash equivalents and short-term investments, respectively. We used cash of \$55.1 million from operations in the three months ended March 31, 2024, largely reflective of the net loss for the period of \$48.4 million which included non-cash charges of \$4.7 million primarily related to stock-based compensation expense. Investing activities used cash of \$110.2 million in the three months ended March 31, 2024, primarily due to net purchases of investments. Financing activities provided cash of \$239.4 million, primarily from the issuance of sale of 2,304,147 shares of our Series A Convertible Preferred Stock in a private placement at a price of \$108.50 per share.

*Other commitments.* Upon the regulatory approval of sotagliflozin for the treatment of type 1 diabetes in a major market, we will be required to make certain royalty payments, totaling \$4.5 million, in three equal annual installments of \$1.5 million. Under our drug discovery alliance with Bristol-Myers Squibb, we will be required to make a milestone payment of \$5 million upon dosing of the first patient in a Phase 3 clinical trial of LX9211.

For a further discussion of our commitments and contingencies see Note 6 of the Notes to Condensed Consolidated Financial Statements .

Our future capital requirements will be substantial and will depend on many factors, including the success of our commercialization of INPEFA in the United States; the success of our commercial launch of sotagliflozin for patients with type 1 diabetes and CKD, if approved; the success of our ongoing research and development efforts and the ability to obtain necessary regulatory approvals of the drug candidates which are the subject of such efforts; our success in establishing new collaborations and licenses and our receipt of milestones, royalties and other payments under such arrangements; the amount and timing of our research, development and commercialization expenditures; the resources we devote to commercializing, developing and supporting our products and other factors. Our capital requirements will also be affected by any expenditures we make in connection with license agreements and acquisitions of and investments in complementary technologies and businesses.

We expect to continue to devote substantial capital resources to the commercialization of INPEFA for heart failure; the commercial launch of sotagliflozin for patients with type 1 diabetes and CKD, if approved; the research and development of our drug candidates; and for other general corporate activities. We believe that our current unrestricted cash and investment balances as well as future revenues will be sufficient to fund our currently planned operations for at least the next 12 months from the date of this report. In future periods, if cash on hand or generated by operations is insufficient to satisfy our liquidity requirements, we will need to obtain additional liquidity through future strategic and other collaborations or sell additional equity or debt securities or obtain additional credit arrangements. If we are unable to obtain adequate financing when needed, we may have to delay or reduce the scope of our commercialization efforts or one or more of our clinical trials and other research and development programs. Additional financing may not be available on terms acceptable to us or at all. The sale of additional equity or convertible debt securities may result in additional dilution to our stockholders.

From time to time, our board of directors may authorize us to repurchase shares of our common stock. If and when our board of directors should determine to authorize any such action, it would be on terms and under market conditions that our board of directors determines are in the best interest of us and our stockholders. Any such actions could deplete significant amounts of our cash resources and/or result in additional dilution to our stockholders.

#### **Disclosure about Market Risk**

We are exposed to limited market and credit risk on our cash equivalents which have maturities of three months or less at the time of purchase. We had approximately \$355.6 million in cash and cash equivalents and short-term investments as of March 31, 2024. We maintain a short-term investment portfolio which consists of U.S. Treasury bills and corporate debt securities that mature three to 12 months from the time of purchase, which we believe are subject to limited market and credit risk. We currently do not hedge interest rate exposure or hold any derivative financial instruments in our investment portfolio.

We are subject to interest rate sensitivity on our outstanding Oxford Term Loans which bear interest at a floating rate equal to the 1-month CME Term SOFR rate. Interest on the Oxford Term Loans is payable in cash monthly and the term loans are fully matured by March 2027, unless earlier repaid in accordance with their terms.

We have operated primarily in the United States and substantially all sales to date have been made in U.S. dollars. Accordingly, we have not had any material exposure to foreign currency rate fluctuations.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

See "Disclosure about Market Risk" under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for quantitative and qualitative disclosures about market risk.

#### **Item 4. Controls and Procedures**

Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective to ensure that the information required to be disclosed by us in the reports we file under the Securities Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures as of

the end of the period covered by this report. There were no changes in our internal control over financial reporting during the three months ended March 31, 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

We are from time to time party to claims and legal proceedings that arise in the normal course of our business and that we believe will not have, individually or in the aggregate, a material adverse effect on our results of operations, financial condition or liquidity.

### Item 1A. Risk Factors

The following risks and uncertainties are important factors that could cause actual results or events to differ materially from those indicated by forward-looking statements. The factors described below are not the only ones we face and additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

#### *Risks Related to Our Business and Industry*

- We depend heavily on the commercial success of INPEFA in heart failure. If we do not achieve commercial success with INPEFA, our business will suffer significant adverse consequences.
- We depend heavily on our ability to obtain regulatory approval in the United States for sotagliflozin in patients with type 1 diabetes and CKD. If we fail to obtain such regulatory approval, our business will suffer significant adverse consequences.
- We depend heavily on our ability to successfully complete and obtain positive results from our ongoing PROGRESS Phase 2b clinical trial of LX9211 in DPNP. If we fail to successfully complete and obtain positive results from such clinical trial, or if the progress of such clinical trial is delayed beyond our expected timelines, our business will suffer significant adverse consequences.
- Clinical testing of our drug candidates in humans is an inherently risky and time-consuming process that may fail to demonstrate safety and efficacy, which could result in the delay, limitation or prevention of regulatory approval.
- Our drug candidates are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our and our collaborators' ability to commercialize products.
- The commercial success of any products that we or our collaborators may develop will depend upon the degree of market acceptance among physicians, patients, health care payers and the medical community.
- If we are unable to maintain an effective sales force, marketing infrastructure and distribution capabilities, we will not be able to successfully commercialize any products that we or our collaborators may develop.
- If we are unable to establish adequate coverage and reimbursement from third-party payers for any products that we or our collaborators may develop, our revenues and prospects for profitability will suffer.
- We may not be able to manufacture products that we or our collaborators may develop in commercial quantities, which would impair our ability to commercialize such products.
- We and our collaborators are subject to extensive and rigorous ongoing regulation relating to any products that we or our collaborators may develop.
- We are subject to certain healthcare laws, regulation and enforcement; our failure to comply with those laws could have a material adverse effect on our results of operations and financial condition.
- Current healthcare laws and regulations and future legislative or regulatory reforms to the healthcare system may negatively affect our revenues and prospects for profitability.
- Our competitors may develop products that impair the value of any products that we or our collaborators may develop.
- The outbreak of the novel coronavirus, or COVID-19, had an adverse impact on our business operations and clinical trials and another novel coronavirus could adversely affect our business in the future.

#### *Risks Related to Our Capital Requirements and Financial Results*

- We will need additional capital in the future and, if it is unavailable, we will be forced to delay, reduce or eliminate our research and development programs. If additional capital is not available on reasonable terms, we will be forced to obtain funds, if at all, by entering into financing agreements on unattractive terms.
- We may not have sufficient capital to support Phase 3 development of LX9211 in DPNP and do not have sufficient capital to support Phase 3 development of LX9211 in neuropathic pain broadly. If we are unable to establish a strategic collaboration or other arrangement for that purpose, our capital needs will be substantially higher and we may be unable to obtain financing sufficient to fund Phase 3 development of LX9211 on acceptable terms, or at all, and may be required to forego or reduce the scope of any such Phase 3 development program.
- We have a history of net losses, and we expect to continue to incur net losses and may not achieve or maintain profitability.
- Our operating results have fluctuated and likely will continue to fluctuate, and we believe that period-to-period comparisons of our operating results are not a good indication of our future performance.
- We have substantial indebtedness that may limit cash flow available to invest in the ongoing needs of our business.
- If we do not effectively manage our affirmative and restrictive covenants under the Oxford Term Loans, our financial condition and results of operations could be adversely affected.

#### *Risks Related to Our Relationships with Third Parties*

- We depend on our ability to establish collaborations with pharmaceutical and biotechnology companies for the development and commercialization of our other drug candidates. If we are unable to establish such collaborations, or if pharmaceutical products are not successfully and timely developed and commercialized under such collaborations, our opportunities to generate revenues from our other drug candidates will be greatly reduced.
- Conflicts with our collaborators could jeopardize the success of our collaborative agreements and harm our product development efforts.
- We rely on third parties to carry out our preclinical studies and clinical trials, which may harm or delay our research and development efforts.
- We lack the capability to manufacture commercial supplies of INPEFA and any other products which gain regulatory approval and other materials for our research and development activities relating to our drug candidates. Our reliance on third parties to manufacture our drugs and drug candidates may harm or delay our research, development and commercialization efforts.

#### *Risks Related to Our Intellectual Property*

- If we are unable to adequately protect our intellectual property, third parties may be able to use our products and technologies, which could adversely affect our ability to compete in the market.
- We may be involved in patent litigation and other disputes regarding intellectual property rights and may require licenses from third parties for our planned research, development and commercialization activities. We may not prevail in any such litigation or other dispute or be able to obtain required licenses.
- Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business, reputational harm and financial loss.
- We may be subject to damages resulting from claims that we, our employees or independent contractors have wrongfully used or disclosed alleged trade secrets of their former employers.

#### *Risks Related to Our Employees and Facilities*

- If we are unable to manage our growth, our business, financial condition, results of operations and prospects may be adversely affected.

- The loss of key personnel or the inability to attract and retain additional personnel could impair our ability to operate and expand our operations.
- Our facilities are located near coastal zones, and the occurrence of a hurricane or other disaster could damage our facilities and equipment, which could harm our operations.

#### *Risks Related to Environmental and Product Liability*

- We have used hazardous chemicals and radioactive and biological substances in our business. Any claims relating to improper handling, storage or disposal of these substances could be time consuming and costly.
- Our business has a substantial risk of product liability and we face potential product liability exposure far in excess of our limited insurance coverage.

#### *Risks Related to Our Common Stock*

- Invus, L.P. and its affiliates own a controlling interest in our outstanding common stock and may have interests which conflict with those of our other stockholders.
- Invus has additional rights under its stockholders' agreement relating to the membership of our board of directors and under our certificate of incorporation relating to preemptive and consent rights, which provide Invus with substantial influence over significant corporate matters.
- Our stock price may be extremely volatile.
- Future issuances or sales of our common stock, or the perception that such issuances or sales may occur, may depress our stock price.
- If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

For additional discussion of the risks and uncertainties that affect our business, see "Item 1A. Risk Factors" included in our annual report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission.

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

The following table provides information about our purchases of shares of our common stock during the three months ended March 31, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs <sup>(3)</sup>
January 1-31, 2024	—	\$ —	—	—
February 1-29, 2024	660,039 <sup>(1)</sup>	\$ 2.62 <sup>(2)</sup>	—	—
March 1-31, 2024	—	\$ —	—	—

(1) Represents shares retained by us in satisfaction of the tax withholding obligations of recipients of restricted stock units granted in February 2021, February 2022 and February 2023 under our 2017 Equity Incentive Plan with respect to the vesting of such restricted stock units.

(2) Represents the market price of our common stock on the date of vesting of such restricted stock units, calculated in accordance with the process for determination of fair market value under our 2017 Equity Incentive Plan.

(3) In the future, we may grant additional equity securities under our 2017 Equity Incentive Plan for which the recipient's tax withholding obligations with respect to the grant or vesting of such securities may be satisfied by our retention of a portion of such securities. Further, for any such equity securities which are subject to vesting conditions, the number of equity securities which we may retain in satisfaction of the recipient's tax withholding obligations may be dependent on the continued employment of such

recipient or other performance-based conditions. Accordingly, we cannot predict with any certainty either the total amount of equity securities or the approximate dollar value of such securities that we may purchase in future years.

## **Item 5. Other Information**

### **Insider Trading Arrangements**

During the three months ended March 31, 2024, none of our directors or executive officers adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

## Item 6. Exhibits

Exhibit No.	Description
*31.1	— <a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
*31.2	— <a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
*32.1	— <a href="#">Certification of Principal Executive and Principal Financial Officers Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	— XBRL Instance Document
101.SCH	— XBRL Taxonomy Extension Schema Document
101.CAL	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	— XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE	— XBRL Taxonomy Extension Presentation Linkbase Document
104	— Cover Page Interactive Data File (embedded within the Inline XBRL document)

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\* Filed herewith.



### 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.

#### Lexicon Pharmaceuticals, Inc.

Date: May 2, 2024

By: /s/ Lonnel Coats  
Lonnel Coats  
*Chief Executive Officer*

Date: May 2, 2024

By: /s/ Jeffrey L. Wade  
Jeffrey L. Wade  
*President and Chief Financial Officer*

## CERTIFICATIONS

I, Lonnel Coats, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexicon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Lonnel Coats

Lonnel Coats

Chief Executive Officer

## CERTIFICATIONS

I, Jeffrey L. Wade, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexicon Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2024

/s/ Jeffrey L. Wade

Jeffrey L. Wade

*President and Chief Financial Officer*

## CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350, as adopted), Lonnel Coats, Principal Executive Officer of Lexicon Pharmaceuticals, Inc. ("Lexicon"), and Jeffrey L. Wade, Principal Financial Officer of Lexicon, each hereby certify that:

1. Lexicon's Quarterly Report on Form 10-Q for the period ended March 31, 2024, and to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of Lexicon.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the May 2, 2024.

By: /s/ Lonnel Coats  
Lonnel Coats  
*Chief Executive Officer*

By: /s/ Jeffrey L. Wade  
Jeffrey L. Wade  
*President and Chief Financial Officer*