

REFINITIV

DELTA REPORT

10-Q

OABI - OMNIAB, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 726

█ CHANGES 154

█ DELETIONS 352

█ ADDITIONS 220

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2023** **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: 001-40720

OMNIAB, INC.

(Exact name of registrant as specified in its charter)

Delaware

98-1584818

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer

Identification No.)

5980 Horton Street, Suite 600

Emeryville

94608

CA

(Zip Code)

(Address of principal executive offices)

(510) 250-7800

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

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

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

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

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

As of **November 2, 2023** **May 2, 2024**, the registrant had **116,238,186** **117,615,460** shares of common stock outstanding.

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Part I – Financial Information**Item 1. Condensed Consolidated and Combined Financial Statements**

OMNIAB, INC.

CONDENSED CONSOLIDATED AND COMBINED BALANCE SHEETS

(in thousands, except share and per share data)

		September 30, 2023	December 31, 2022	
				(Unaudited)
		March 31, 2024	March 31, 2024	December 31, 2023
ASSETS				
ASSETS				
ASSETS	ASSETS			
Current assets:	Current assets:			
Current assets:				
Current assets:				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents	\$ 21,245	\$ 33,390	
Short-term investments	Short-term investments	75,383	54,875	
Accounts receivable, net	Accounts receivable, net	6,137	30,290	
Prepaid expenses and other current assets	Prepaid expenses and other current assets	4,083	6,395	
Total current assets	Total current assets	106,848	124,950	

Intangible assets, net	Intangible assets, net	158,773	167,242
Goodwill	Goodwill	83,979	83,979
Property and equipment, net	Property and equipment, net	18,514	19,979
Operating lease right-of-use assets	Operating lease right-of-use assets	20,400	21,483
Restricted cash			
Other long-term assets	Other long-term assets	3,194	3,579
Total assets	Total assets	\$ 391,708	\$ 421,212
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:	Current liabilities:		
Current liabilities:			
Accounts payable			
Accounts payable	Accounts payable	\$ 2,501	\$ 2,971
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	6,517	5,557
Income tax payable		3,455	3,485
Current contingent liabilities	Current contingent liabilities	1,753	4,022
Current deferred revenue	Current deferred revenue	7,382	8,207
Current operating lease liabilities	Current operating lease liabilities	3,452	1,780
Total current liabilities	Total current liabilities	25,060	26,022
Long-term contingent liabilities	Long-term contingent liabilities	3,519	4,089
Deferred income taxes, net	Deferred income taxes, net	13,874	21,341
Long-term operating lease liabilities	Long-term operating lease liabilities	22,724	24,016
Long-term deferred revenue	Long-term deferred revenue	1,946	4,325
Other long-term liabilities	Other long-term liabilities	36	46
Total liabilities	Total liabilities	67,159	79,839
Stockholders' equity:	Stockholders' equity:		
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at September 30, 2023 and December 31, 2022; no shares issued and outstanding at September 30, 2023 and December 31, 2022		—	—

Common stock, \$0.0001 par value; 1,000,000,000 shares authorized at September 30, 2023 and December 31, 2022; 116,231,999 and 115,218,229 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	12	12	
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at March 31, 2024 and December 31, 2023; no shares issued and outstanding at March 31, 2024 and December 31, 2023			
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at March 31, 2024 and December 31, 2023; no shares issued and outstanding at March 31, 2024 and December 31, 2023			
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at March 31, 2024 and December 31, 2023; no shares issued and outstanding at March 31, 2024 and December 31, 2023			
Common stock, \$0.0001 par value; 1,000,000,000 shares authorized at March 31, 2024 and December 31, 2023; 117,388,789 and 116,859,468 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	349,900	330,100
Accumulated other comprehensive (loss) income	Accumulated other comprehensive (loss) income	(49)	9
(Accumulated deficit) Retained earnings		(25,314)	11,252
Accumulated deficit			
Total stockholders' equity	Total stockholders' equity	324,549	341,373
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 391,708	\$ 421,212

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

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

		Three Months Ended		Nine Months Ended			
		September 30,		September 30,			
		2023	2022	2023	2022		
		Three Months Ended March 31, 2024		Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
Revenues:	Revenues:						
License and milestone revenue							
License and milestone revenue							
License and milestone revenue							
Service revenue	Service revenue	\$ 2,010	\$ 1,400	\$ 18,986	\$ 7,826		
Royalty revenue	Royalty revenue	3,016	4,928	9,425	14,922		
Total revenues	Total revenues	451	582	931	984		
Total revenues	Total revenues	5,477	6,910	29,342	23,732		
Operating expenses:	Operating expenses:						
Research and development	Research and development	13,867	13,189	41,759	35,445		
Research and development	Research and development						
General and administrative	General and administrative	8,511	5,582	25,444	14,697		
Amortization of intangibles	Amortization of intangibles	3,398	3,256	10,147	9,774		
Other operating expense (income), net		16	(208)	205	(486)		
Other operating expense, net	Other operating expense, net						
Total operating expenses	Total operating expenses	25,792	21,819	77,555	59,430		
Loss from operations	Loss from operations	(20,315)	(14,909)	(48,213)	(35,698)		
Other income:	Other income:						
Interest income	Interest income	1,265	—	3,874	—		
Other income, net		8	—	4	—		
Interest income	Interest income						

Interest income					
Total other income, net	Total other income, net	1,273	—	3,878	—
Loss before income taxes	Loss before income taxes	(19,042)	(14,909)	(44,335)	(35,698)
Income tax benefit	Income tax benefit	3,304	2,313	7,769	6,544
Net loss	Net loss	\$ (15,738)	\$ (12,596)	\$ (36,566)	\$ (29,154)
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.16)	\$ (0.15)	\$ (0.37)	\$ (0.35)
Net loss per share, basic and diluted					
Weighted-average shares outstanding, basic and diluted	Weighted-average shares outstanding, basic and diluted	99,905	82,612	99,521	82,612
Net loss	\$ (15,738)	\$ (12,596)	\$ (36,566)	\$ (29,154)	
Unrealized net loss on available-for-sale securities		—	—	(58)	—
Comprehensive loss	\$ (15,738)	\$ (12,596)	\$ (36,624)	\$ (29,154)	
Weighted-average shares outstanding, basic and diluted					
Weighted-average shares outstanding, basic and diluted					

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

OMNIAB, INC.

CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net loss	\$ (18,961)	\$ (6,100)
Unrealized net loss on available-for-sale securities	(67)	(2)
Comprehensive loss	\$ (19,028)	\$ (6,102)

See accompanying notes to unaudited condensed consolidated financial statements.

OMNIAB, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(in thousands, except share data)

Common Stock	Common Stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (Accumulated deficit)	Total stockholders' equity
Shares					
Balance at January 1, 2024					

Balance at January 1, 2024								
Balance at January 1, 2024								
Net loss								
Share-based compensation								
Issuance of common stock under employee stock compensation plans, net of tax								
Unrealized net loss on available-for-sale securities								
Balance at March 31, 2024								
Balance at January 1, 2023								
Balance at January 1, 2023								
	Common Stock			Accumulated other comprehensive income (loss)		Retained earnings (Accumulated deficit)	Parent company net investment	Total stockholders' equity
	Shares	Amount	Additional paid-in capital					
Balance at January 1, 2023	January 1, 2023	115,218,229	\$ 12	\$ 330,100	\$ 9	\$ 11,252	\$ —	\$ 341,373
Net loss	Net loss	—	—	—	—	(6,100)	—	(6,100)
Share-based compensation	Share-based compensation	—	—	6,055	—	—	—	6,055
Issuance of common stock under employee stock compensation plans, net of tax	Issuance of common stock under employee stock compensation plans, net of tax	366,291	—	(524)	—	—	—	(524)
Unrealized net loss on available-for-sale securities	Unrealized net loss on available-for-sale securities	—	—	—	(2)	—	—	(2)
Balance at March 31, 2023	March 31, 2023	115,584,520	\$ 12	\$ 335,631	7	\$ 5,152	\$ —	\$ 340,802
Net loss	—	—	—	—	—	(14,728)	—	(14,728)
Share-based compensation	—	—	6,529	—	—	—	—	6,529
Issuance of common stock under employee stock compensation plans, net of tax	567,196	—	1,259	—	—	—	—	1,259
Unrealized net loss on available-for-sale securities	—	—	—	(56)	—	—	—	(56)
Balance at June 30, 2023	116,151,716	\$ 12	\$ 343,419	\$ (49)	\$ (9,576)	\$ —	\$ 333,806	
Net loss	—	—	—	—	(15,738)	—	—	(15,738)
Share-based compensation	—	—	6,310	—	—	—	—	6,310
Issuance of common stock under employee stock compensation plans, net of tax	80,283	—	171	—	—	—	—	171
Balance at September 30, 2023	116,231,999	\$ 12	\$ 349,900	\$ (49)	\$ (25,314)	\$ —	\$ 324,549	
Balance at January 1, 2022	—	\$ —	\$ —	\$ —	\$ —	\$ 234,307	\$ 234,307	

Net loss	—	—	—	—	—	(6,282)	(6,282)
Parent allocation of share-based compensation	—	—	—	—	—	3,146	3,146
Net transfers to parent company	—	—	—	—	—	(6,250)	(6,250)
Balance at March 31, 2022	—	—	—	—	—	224,921	224,921
Net loss	—	—	—	—	—	(10,276)	(10,276)
Parent allocation of share-based compensation	—	—	—	—	—	3,848	3,848
Net transfers from parent company	—	—	—	—	—	8,450	8,450
Balance at June 30, 2022	—	\$	—	\$	—	\$	226,943
Net loss	—	—	—	—	—	(12,596)	(12,596)
Parent allocation of share-based compensation	—	—	—	—	—	5,279	5,279
Net transfers from parent company	—	—	—	—	—	13,084	13,084
Balance at September 30, 2022	—	\$	—	\$	—	\$	232,710

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

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

		Nine Months Ended September 30,		Three Months Ended March 31,		
		2024	2023	2024	2023	2023
Operating activities:	Operating activities:					
Net loss	Net loss	\$(36,566)	\$(29,154)			
Net loss						
Net loss						
Adjustments to reconcile net loss to net cash provided by operating activities:	Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	14,563	13,429			
Share-based compensation	Share-based compensation	18,894	12,273			
Amortization of discounts on short-term investments, net	Amortization of discounts on short-term investments, net	(2,651)	—			
Deferred income taxes, net	Deferred income taxes, net	(7,467)	(6,840)			

Change in estimated fair value of contingent liabilities	Change in estimated fair value of contingent liabilities	(275)	(487)
Other operating activities	Other operating activities	90	(133)
Changes in operating assets and liabilities, net:	Changes in operating assets and liabilities, net:		
Accounts receivable, net	Accounts receivable, net	24,911	17,610
Accounts receivable, net			
Accounts receivable, net			
Prepaid expenses and other current assets	Prepaid expenses and other current assets	2,312	(817)
Other long- term assets	Other long- term assets	(134)	1,755
Accounts payable, accrued expenses, and other liabilities	Accounts payable, accrued expenses, and other liabilities	1,446	432
Accounts payable, accrued expenses, and other current liabilities			
Operating lease liabilities	Operating lease liabilities	380	1,872
Deferred revenue	Deferred revenue	(4,035)	(6,384)
Net cash provided by operating activities	Net cash provided by operating activities	11,468	3,556
Net cash provided by (used in) operating activities			
Investing activities:	Investing activities:		
Purchases of short-term investments			
Purchases of short-term investments			
Purchases of short-term investments	Purchases of short-term investments	(86,885)	—
Proceeds from the maturity of short-term investments	Proceeds from the maturity of short-term investments	66,250	—

Purchases of property and equipment	Purchases of property and equipment	(1,537)	(12,152)
Payments to contingent liabilities holders	Payments to contingent liabilities holders	(3,640)	(960)
Proceeds from sale of short-term investments	Proceeds from short-term investments	2,706	—
Net cash used in investing activities		(23,106)	(13,112)
Net cash provided by (used in) investing activities		—	—
Financing activities:	Financing activities:		
Payments to contingent liabilities holders		—	—
Payments to contingent liabilities holders		—	—
Payments to contingent liabilities holders	Payments to contingent liabilities holders	—	(1,545)
Proceeds from issuance of common stock from stock plans	Proceeds from issuance of common stock from stock plans	990	—
Taxes paid related to net share settlement of equity awards	Taxes paid related to net share settlement of equity awards	(914)	—
Payment of transaction costs	Payment of transaction costs	(472)	(4,183)
Net transfer from parent		—	15,284
Net cash (used in) provided by financing activities		(396)	9,556
Net cash used in financing activities		—	—
Net change in cash, cash equivalents and restricted cash	Net change in cash, cash equivalents and restricted cash	(12,034)	—
Cash, cash equivalents and restricted cash at beginning of period	Cash, cash equivalents and restricted cash at beginning of period	33,839	—
Cash, cash equivalents and restricted cash at end of period	Cash, cash equivalents and restricted cash at end of period	\$ 21,805	\$ —

Supplemental cash flow information:	Supplemental cash flow information:
Deferred revenue recorded in accounts receivable	Deferred revenue recorded in accounts receivable
Deferred revenue recorded in accounts receivable	Deferred revenue recorded in accounts receivable
Supplemental non-cash investing and financing activities:	Supplemental non-cash investing and financing activities:
Purchase of fixed assets recorded in accounts payable	Purchase of fixed assets recorded in accounts payable
Purchase of fixed assets recorded in accounts payable	Purchase of fixed assets recorded in accounts payable
Intangible additions recorded in contingent liabilities	Intangible additions recorded in contingent liabilities

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

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

1. Organization and Basis of Presentation

Separation and Description of Business Combination

On November 1, 2022 (the "Closing Date"), OmniAb, Inc. ("OmniAb" or the "Company", formerly known as Avista Public Acquisition Corp. II ("APAC")) is a biotechnology company that licenses cutting edge discovery research technology to the pharmaceutical and biotech industry to enable the discovery of next-generation therapeutics. The Company's technology platform creates and screens diverse antibody repertoires and is designed to quickly identify optimal antibodies and other target-binding proteins for its partners' drug development efforts. At the heart of the OmniAb platform is something the Company calls Biological Intelligence™, which powers the immune systems of its proprietary, engineered transgenic animals to create optimized antibody candidates for human therapeutics. The Company primarily derives revenue from license fees for technology access, milestones from partnered programs and service revenue from research programs.

Business Combination

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

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

of shares of common stock, par value \$0.001 per share, of Ligand ("Ligand Common Stock") was entitled to receive one share of Legacy OmniAb Common Stock for each share of Ligand Common Stock held by such holder as of the record date for the distribution, October 26, 2022 (the "Distribution").

Following the Separation and Distribution, on November 1, 2022, Merger Sub merged with and into Legacy OmniAb, with Legacy OmniAb surviving as a direct, wholly owned subsidiary of OmniAb (the "Business Combination"). See Note 43 – Business Combination for further details.

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

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

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

Basis of Presentation

The Company's accompanying condensed consolidated and combined financial statements have been prepared in accordance with U.S. GAAP. Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as included in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). The financial information for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, is unaudited but includes all normal and recurring adjustments unless indicated otherwise, which the Company considered necessary for fair presentation of its condensed consolidated and combined statements of operations and comprehensive loss. Certain prior period amounts in the condensed consolidated and combined financial statements have been reclassified to conform to the current period presentation.

Periods prior to Separation

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

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

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

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

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

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

Periods after the Separation

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

Separation-related adjustments

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

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

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

Liquidity and Capital Resources

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

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

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

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

Emerging Growth Company

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Cash, Cash Equivalents, and Restricted Cash

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

	September (in thousands)	December (in thousands)	March 31, 2024	December 31, 2023
	30, 2023	31, 2022		
Cash and cash equivalents	Cash and cash equivalents	\$21,245	\$33,390	
Restricted cash included in other long-term assets		560	449	
Total cash, cash equivalents and restricted cash presented in the condensed consolidated and combined statements of cash flows		\$21,805	\$33,839	
Restricted cash				
Total cash, cash equivalents and restricted cash presented in the condensed consolidated statements of cash flows				

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

Short-term Investments

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

Accounts Receivable

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

Property and Equipment

Property and equipment are stated at cost, subject to review for impairment, and depreciated over the estimated useful lives of the assets using the straight-line method. Amortization of leasehold improvements is recorded over the shorter of the lease term or estimated useful life of the related asset. Maintenance and repairs are charged to

operations as incurred. When assets are sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income or expense.

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

Acquisitions

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

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

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

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

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

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill, which has an indefinite useful life, represents the excess of cost over fair value of net assets acquired. Goodwill is reviewed for impairment at least annually during the fourth quarter, or more frequently if an event occurs indicating the potential for impairment. During the goodwill impairment review, the Company assesses qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than the carrying amount, including goodwill. The Company operates in one reporting unit. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, cost factors, the overall financial performance, and events affecting the reporting unit. If, after assessing the totality of these qualitative factors, the Company determines that it is not more likely than not that the fair value of its reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, the Company proceeds to perform the quantitative assessment. The Company will then evaluate goodwill for impairment by comparing the estimated fair value of the reporting unit to its carrying value, including the associated goodwill. To determine the fair value, the Company generally uses a combination of market approach based on OmniAb and comparable publicly traded companies in similar lines of businesses and the income approach based on estimated discounted future cash flows. The Company's cash flow assumptions consider historical and forecasted revenue, operating costs and other relevant factors. The Company may also elect to bypass the qualitative assessment in a period and elect to proceed to perform the quantitative assessment for the goodwill impairment test. The Company performed the annual assessment for goodwill impairment during the fourth quarter of 2022, noting no 2023. No impairment indicators were noted in any periods presented in the condensed consolidated financial statements under the qualitative assessment.

The Company's identifiable intangible assets are composed of acquired core technologies, licensed technologies, contractual relationships, customer relationships and trade names. Identifiable intangible assets with finite lives are generally amortized on a straight-line basis over the assets' respective estimated useful ~~lives~~ ~~life~~. The Company regularly performs reviews to determine if any event has occurred that may indicate that intangible assets with finite useful lives and other long-lived assets are potentially impaired. If indicators of impairment exist, an impairment test is performed to assess the recoverability of the affected assets by determining whether the carrying amount of such assets exceeds the undiscounted expected future cash flows. If the affected assets are not recoverable, the Company estimates the fair value of the assets and records an impairment loss if the carrying value of the assets exceeds the fair value. Factors that may indicate potential impairment include market conditions, industry and economic trends, changes in regulations, clinical success, historical and forecasted financial results, significant changes in the ability of a particular asset to generate positive cash flows, and the pattern of utilization of a particular asset. The Company did not identify indicators of impairment for the finite-lived intangibles and other long-lived assets at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ ~~December 31, 2023~~.

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

The Company assumed 7,666,667 warrants originally issued in APAC's initial public offering (the "Public Warrants") and 8,233,333 warrants issued in a private placement that closed concurrently with APAC's initial public offering, (the "Private Placement Warrants") in the Business Combination. Additionally, as further discussed in Note 43 – Business Combination, pursuant to the Amended and Restated Forward Purchase Agreement, dated as of March 23, 2022 (the "A&R FPA"), on the Closing Date, the Company issued 1,666,667 warrants in the Forward Purchase (the "Forward Purchase Warrants") and 1,445,489 warrants in the Redemption Backstop (the "Backstop Warrants"). The Public, Private Placement, Forward Purchase and Backstop Warrants entitle the holder to purchase one share of the Company's common stock at an exercise price of \$11.50 per share.

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

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

Revenue Recognition

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

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

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

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

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

Deferred Revenue

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

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the condensed consolidated **and combined** balance sheets. The Company generally receives payment at the point it satisfies its obligation or soon after. Any fees billed in advance of being earned are recorded as deferred revenue. During the three **and nine** months ended **September 30, 2023** **March 31, 2024**, the amount recognized as revenue that was previously deferred at **June 30, 2023** and **December 31, 2022**, **December 31, 2023** was **\$2.3 million** and **\$4.8 million**, **respectively**, **\$2.2 million**. During the three **and nine** months ended **September 30, 2022** **March 31, 2023**, the amount recognized as revenue that was previously deferred at **June 30, 2022** and **December 31, 2021** **December 31, 2022** was **\$4.0 million** and **\$9.9 million**, **respectively**, **\$3.1 million**.

Disaggregation of Revenue

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

Research and Development Expenses

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

Share-Based Compensation

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

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

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

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

Income Taxes

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

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

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

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

Income (Loss) Per Share

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

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

Comprehensive Income (Loss)

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

Recent Accounting Pronouncements

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

The following table provides a brief description of recently issued accounting standards:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures	ASU 2023-07 updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses.	Effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.	The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.
ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures	The amendments in this ASU address investor requests for more transparency about income tax information through improvements to tax disclosures primarily related to the rate reconciliation and income taxes paid information. The ASU also includes certain other amendments to improve the effectiveness of income tax disclosures.	Effective for the Company for annual periods beginning after December 15, 2024, with early adoption permitted.	The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.

Segment Information

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

3. Relationship with Former Parent and Related Entities

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

General Corporate Overhead

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

Costs of \$1.6 million and \$4.9 million for the three and nine months ended September 30, 2022, respectively, have been reflected in the general and administrative expenses in our combined statements of operations for our allocated share of Parent's corporate overhead.

Cash Management and Financing

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

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

Equity-Based Incentive Plans

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

Compensation costs associated with the Company's employees' participation in the incentive plans were specifically identified for employees who exclusively supported the Company's operations and were allocated to the Company as part of the cost allocations from the Company's former Parent. Total costs charged to the Company related to its employees' participation in the former Parent's incentive plans, depending on the nature of the employee's role in our operations, were \$5.3 million (\$3.1 million in research and development expenses and \$2.2 million in general and administrative expenses) and \$12.3 million (\$7.3 million in research and development expenses and \$5.0 million in general and administrative expenses) during the three and nine months ended September 30, 2022, respectively.

Employee Stock Purchase Plan

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

4. Business Combination

As discussed in Note 1 – Organization in connection with, and Basis of Presentation, on November 1, 2022, the Company consummated the transactions as contemplated by, the Merger Agreement. Agreement, on November 1, 2022, in accordance with the terms of the Separation and Distribution Agreement, dated as of March 23, 2022, by and among APAC, Ligand and Legacy OmniAb (the "Separation Agreement"), Ligand transferred the Legacy OmniAb business to Legacy OmniAb and made a contribution to the capital of Legacy OmniAb of \$1.8 million, after deducting certain transaction and other expenses reimbursable by Legacy OmniAb (the "Separation"). Following the Separation, Ligand distributed on a pro rata basis to its stockholders all of the shares of common stock, par value \$0.001 per share, of Legacy OmniAb ("Legacy OmniAb Common Stock") held by Ligand, such that each holder of shares of common stock, par value \$0.001 per share, of Ligand ("Ligand Common Stock") was entitled to receive one share of Legacy OmniAb Common Stock for each share of Ligand Common Stock held by such holder as of the record date for the distribution, October 26, 2022 (the "Distribution"). Following the Separation and Distribution, on November 1, 2022, Merger Sub merged with and into Legacy OmniAb, with Legacy OmniAb surviving as a direct, wholly owned subsidiary of OmniAb.

At the Closing Date, and subject to the terms and conditions of the Merger Agreement, each outstanding share of Legacy OmniAb Common Stock was cancelled in exchange for 4.90007 shares of common stock of OmniAb, par value \$0.0001 per share ("OmniAb Common Stock") and 0.75842 shares of OmniAb Common Stock subject to certain price-based earnout triggers (the "Earnout Shares"). Holders of shares of Legacy OmniAb Common Stock received an aggregate 82,611,789 shares of the OmniAb Common Stock, excluding Earnout Shares, as consideration in the Business Combination.

In addition, all outstanding Legacy OmniAb equity awards were converted into OmniAb equity awards to purchase, in the case of options, or receive, in the case of restricted stock units and performance-vesting restricted stock units, shares of OmniAb Common Stock, in each case, equal to the number of shares underlying such Legacy OmniAb equity awards multiplied by the Exchange Ratio, 4.90007. Each holder of an outstanding Legacy OmniAb equity award also received Earnout Shares equal to the number of shares of Legacy OmniAb Common Stock underlying such equity award multiplied by 0.75842.

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

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

On the Closing Date, the Company completed the issuance and sale of 1,500,000 shares of the Company's common stock OmniAb Common Stock and 1,666,667 Forward Purchase Warrants to the Sponsor for an aggregate purchase price of \$15.0 million (the "Forward Purchase"), pursuant to the amended and restated forward purchase agreement (the "A&R FPA"). Additionally, and also pursuant to the A&R FPA, on the Closing Date, the Company completed the sale of 8,672,934 shares of the Company's common stock OmniAb Common Stock and 1,445,489 Backstop Warrants to the Sponsor for a purchase price of \$10.00 per share and aggregate purchase price

of \$86.7 million in order to backstop shareholder redemptions which would have otherwise resulted in the cash proceeds available to OmniAb following the Business Combination from OmniAb's trust account to be less than \$100,000,000. Refer to Note 109 – Stockholders' Equity, for additional information on the accounting for the Forward Purchase Warrants and Backstop Warrants.

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

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

5.4. Fair Value Measurement

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

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

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

Financial Instruments Measured on a Recurring Basis

The following tables provide a summary of the assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Fair Value Measurements as of September 30, 2023						Fair Value Measurements as of March 31, 2024				
		Fair Value Measurements as of March 31, 2024								
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total	(in thousands)	Level 1	Level 2	Level 3	Total
Cash	Cash									
equivalents:	equivalents:									
Money market funds	Money market funds	\$16,696	\$ —	\$ —	\$16,696					
Total cash	Total cash									
equivalents	equivalents	\$16,696	\$ —	\$ —	\$16,696					
Short-term investments:	Short-term investments:									
Short-term investments:	Short-term investments:									
Government and agency securities	Government and agency securities	\$52,627	\$10,050	\$ —	\$62,677					
Corporate debt securities	Corporate debt securities	—	2,015	—	2,015					
Commercial paper	Commercial paper	—	7,472	—	7,472					
Government and agency securities	Government and agency securities									
Government and agency securities	Government and agency securities									

Asset-backed securities	Asset-backed securities	—	3,219	—	3,219
Total short-term investments	Total short-term investments				
		\$ 52,627	\$ 22,756	\$ —	\$ 75,383
Liabilities:	Liabilities:				

Liabilities:

Liabilities:

Current contingent liabilities

Current contingent liabilities

Current contingent liabilities	Current contingent liabilities	\$ —	\$ —	\$ 1,753	\$ 1,753
Long-term contingent liabilities	Long-term contingent liabilities	—	—	3,519	3,519
Total contingent liabilities	Total contingent liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,272</u>	<u>\$ 5,272</u>

Fair Value Measurements as of December 31, 2022

		Fair Value Measurements as of December 31, 2022			
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents:	Cash equivalents:				
Money market funds	Money market funds	\$ 26,056	\$ —	\$ —	\$ 26,056
Government and agency securities	—	2,987	—	2,987	
Corporate debt securities	—	1,510	—	1,510	
Money market funds					
Money market funds					
Total cash equivalents	Total cash equivalents	<u>\$ 26,056</u>	<u>\$ 4,497</u>	<u>\$ —</u>	<u>\$ 30,553</u>

Short-term investments:

Short-term investments:

		Fair Value Measurements as of December 31, 2023			
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents:	Cash equivalents:				
Money market funds	Money market funds	\$ 26,056	\$ —	\$ —	\$ 26,056
Government and agency securities	—	2,987	—	2,987	
Corporate debt securities	—	1,510	—	1,510	
Money market funds					
Money market funds					
Total cash equivalents	Total cash equivalents	<u>\$ 26,056</u>	<u>\$ 4,497</u>	<u>\$ —</u>	<u>\$ 30,553</u>
Short-term investments:	Short-term investments:				
Government and agency securities	Government and agency securities	\$ 29,951	\$ 4,838	\$ —	\$ 34,789
Corporate debt securities	—	1,983	—	1,983	
Commercial paper	—	17,491	—	17,491	
Government and agency securities					
Government and agency securities					

Asset-backed securities	Asset-backed securities	—	612	—	612
Total short-term investments	Total short-term investments	\$ 29,951	\$ 24,924	\$ —	\$ 54,875
Liabilities:	Liabilities:				
Liabilities:	Liabilities:				
Current contingent liabilities	Current contingent liabilities	\$ —	\$ —	\$ 4,022	\$ 4,022
Long-term contingent liabilities	Long-term contingent liabilities	—	—	4,089	4,089
Total contingent liabilities	Total contingent liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,111</u>	<u>\$ 8,111</u>

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

Available-for-Sale Securities

The Company obtains the fair value of its Level 2 available-for-sale securities from third-party pricing services. The pricing services utilize industry standard valuation models whereby all significant inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, or other market-related data, are observable. The Company validates the prices provided by the third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources. The Company did not adjust or override any fair value measurements provided by these pricing services as of **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**. The Company has not transferred any investment securities between classification levels.

Contingent Liabilities

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

A reconciliation of the Level 3 financial instruments as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** is as follows:

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

Balance as of December 31, 2023	
Payments to CVR holders	Payments to CVR holders
	(300) (1,600) (2,040) (3,940)
Fair value adjustments to contingent liabilities	Fair value adjustments to contingent liabilities
	(275) 300 1,076 1,101
Balance as of September 30, 2023	\$ 4,172 \$ 300 \$ 800 \$ 5,272
Balance as of March 31, 2024	

(1) Changes in the fair values of contingent liabilities in connection with the acquisition of Icagen are recognized in "Other operating expense, (income), net" in the condensed consolidated and combined statements of operations and comprehensive loss and in the operating section of the statements of cash flows. Payments to CVR holders are disclosed in the financing section of the statements of cash flows.

(2) Changes in the fair values of contingent liabilities in connection with the acquisitions of Taurus and xCella are recognized in "Intangible assets, net" in the condensed consolidated and combined balance sheets. Payments to CVR holders are disclosed in the investing section of the statement of cash flows.

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

Assets Measured on a Non-Recurring Basis

The Company applies fair value techniques on a non-recurring basis associated with valuing potential impairment losses related to goodwill, finite-lived intangible assets, and long-lived assets. No such fair value impairment was recognized during the three months ended March 31, 2024 or year ended December 31, 2023.

6.5. Short-Term Investments

The Company classifies short-term investments as available-for-sale securities, as the sale of such investments may be required prior to maturity to implement management strategies. The following tables summarize short-term investments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(in thousands)	As of September 30, 2023					Estimated Fair Value	
	Unrealized						
	Amortized Cost	Gains	Losses				
Government and agency securities	\$ 62,709	\$ 1	\$ (33)	\$		62,677	
Commercial paper	7,472	—	—			7,472	
Asset backed securities	3,231	—	(12)			3,219	
Corporate debt securities	2,020	—	(5)			2,015	
Total short-term investments	\$ 75,432	\$ 1	\$ (50)	\$		75,383	

(in thousands)	As of December 31, 2022					Estimated Fair Value	
	Unrealized						
	Amortized Cost	Gains	Losses				
(in thousands)							
(in thousands)							
(in thousands)	As of March 31, 2024					As of March 31, 2024	
	Unrealized						
	Amortized Cost	Gains	Losses				
(in thousands)	(in thousands)					Estimated Fair Value	
	Cost	Gains	Losses	Estimated Fair Value			

Government securities	Government securities	\$ 34,781	\$ 15	\$ (7)	\$ 34,789
Commercial paper		17,491	—	—	17,491
Corporate debt securities		1,983	—	—	1,983
Asset-backed securities		611	1	—	612
Asset-backed securities					
Total short-term investments	Total short-term investments	\$ 54,866	\$ 16	\$ (7)	\$ 54,875

(in thousands)	As of December 31, 2023				
	Unrealized				
	Amortized Cost	Gains	Losses	Estimated Fair Value	
Government and agency securities	\$ 68,054	\$ 57	\$ (4)	\$ 68,107	
Asset-backed securities	2,522	—	(4)	2,518	
Total short-term investments	\$ 70,576	\$ 57	\$ (8)	\$ 70,625	

The Company has classified all investments with maturity dates beyond three months at the date of purchase as short-term investments in the condensed consolidated and combined balance sheets based upon its ability and intent to use the investments to satisfy the liquidity needs of current operations. The following table summarizes available-for-sale investments by maturity as of **September 30, 2023** **March 31, 2024**:

(in thousands)	(in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	Due in one year or less	\$ 72,239	\$ 72,202
Due after one year through five years		3,193	3,181
Due after one year			
Total short-term investments	Total short-term investments	\$ 75,432	\$ 75,383

The following table summarizes the Company's available-for-sale investments' gross unrealized losses and fair value aggregated by investment category and length of time that individual securities have been in a continuous loss position, as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

As of September 30, 2023												
Less than 12 months												
As of March 31, 2024												
Less than 12 months												
(in thousands)	(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	(in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		Count	Value	Count	Value	Count	Value	Count	Value	Count	Value	Losses
Government securities	Government securities	23	\$ 45,862	\$ (33)	—	\$ —	\$ —	23	\$ 45,862	\$ (33)		
Asset-backed securities	Asset-backed securities	4	3,214	(12)	—	—	—	4	3,214	(12)		
Corporate debt securities		2	1,991	(5)	—	—	—	2	1,991	(5)		
		29	\$ 51,067	\$ (50)	—	\$ —	\$ —	29	\$ 51,067	\$ (50)		

As of December 31, 2022										As of December 31, 2023									
Less than 12 months			More than 12 months			Total				Less than 12 months			More than 12 months			Total			
(in thousands)		(in thousands)		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses	
Government securities	Government securities	7	7	\$13,667	\$ (7)	—	\$ —	\$ —	—	7	\$13,667	\$ (7)	7	\$13,667	\$ (7)	7	\$13,667	\$ (7)	
Asset backed securities		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
		8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The Company had certain available-for-sale debt securities in an unrealized loss position without an allowance for credit loss as of **September 30, 2023** **March 31, 2024**. Unrealized losses on these debt securities have not been recognized into income for because (1) the following reasons: (1) risk of default is low due to the issuers have high credit quality, of the issuers, (2) management does not intend to sell and it is likely that management will not be required to sell these securities prior to their anticipated recovery and (3) the decline in fair value is largely due to market conditions and/or changes in interest rates. The issuers continue to make timely interest payments on the securities, and the fair value is expected to recover as the **investments bonds** approach maturity.

7.6. Balance Sheet Account Details

Property and Equipment, Net

Property and equipment, net, consisted of the following as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

(in thousands)	(in thousands)	September 30, 2023		December 31, 2022		(in thousands)	March 31, 2024	December 31, 2023
		30, 2023	31, 2022	31, 2022	31, 2022			
Leasehold improvements	Leasehold improvements	\$16,136	\$16,085					
Lab and office equipment	Lab and office equipment	9,423	8,126					
Computer equipment and software	Computer equipment and software	641	641					
Construction in progress	Construction in progress	216	315					
Property and equipment, at cost	Property and equipment, at cost	26,416	25,167					
Less accumulated depreciation	Less accumulated depreciation	(7,902)	(5,188)					
Total property and equipment, net	Total property and equipment, net	\$18,514	\$19,979					

Depreciation expense, which is included in operating expense, was \$1.0 million and \$3.0 million during the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.7 million and \$1.9 million \$1.0 million during the three and nine months ended September 30, 2022, respectively, March 31, 2023.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

(in thousands)	(in thousands)	September December		(in thousands)	March 31, 2024	December 31, 2023
		30, 2023	31, 2022			
Compensation	Compensation	\$ 4,593	\$ 4,101			
Due to former parent	Due to former parent	1,280	—			
Professional service fees	Professional service fees	412	664			
Royalties owed to third parties	Royalties owed to third parties	155	739			
Other	Other	77	53			
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	\$ 6,517	\$ 5,557			

8.7. Goodwill and Intangible Assets

The following is a summary of goodwill Goodwill and intangible assets assets, net consisted of the following as of March 31, 2024 and December 31, 2023:

(in thousands)	(in thousands)	September December		(in thousands)	March 31, 2024	December 31, 2023
		30, 2023	31, 2022			
Goodwill	Goodwill	\$ 83,979	\$ 83,979			
Definite-lived intangible assets	Definite-lived intangible assets					
Completed technology	Completed technology					
Completed technology	Completed technology					
Completed technology	Completed technology	233,056	231,379			
Less: Accumulated amortization	Less: Accumulated amortization	(81,218)	(71,964)			
Customer relationships	Customer relationships	11,100	11,100			
Less: Accumulated amortization	Less: Accumulated amortization	(4,165)	(3,273)			
Intangible assets, net	Intangible assets, net	\$158,773	\$167,242			
Total goodwill and other identifiable intangible assets, net	Total goodwill and other identifiable intangible assets, net	\$242,752	\$251,221			

Goodwill

There were no changes in the carrying amount of goodwill during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023.

Intangible Assets

Amortization of finite-lived intangible assets is computed using the straight-line method over the estimated useful life of the asset of up to 20 years and is reflected within depreciation and amortization of intangibles expense on the condensed consolidated and combined statements of operations and comprehensive loss. operations. Amortization expense of \$3.4 million was \$3.4 million and \$10.1 million recognized during the three and nine months ended September 30, 2023, respectively. Amortization expense was \$3.3 million March 31, 2024 and \$9.8 million for the three and nine months ended September 30, 2022, respectively. For each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, there was no impairment of intangible assets with finite lives.

The remaining weighted-average useful life of definite lived intangible assets is 12.2 11.7 years. At September 30, 2023 March 31, 2024, future amortization expense on intangible assets is estimated to be as follows (in thousands):

Maturity Dates	Maturity Dates	Amount	Maturity Dates	Amount
Remaining three months ended December 31, 2023		\$ 3,408		
2024		13,632		
Remaining nine months ended December 31, 2024				
2025	2025	13,512		
2026	2026	13,472		
2027	2027	13,472		
2028				
Thereafter	Thereafter	101,277		
Total future amortization expense	Total future amortization expense	\$158,773		

9.8. Commitments and Contingencies

Lease Commitments

The Company's corporate headquarters are located in Emeryville, California and its research and development facilities are located in Emeryville and Dixon, California, where it Durham, North Carolina and Tucson, Arizona. It leases approximately 39,000 70,000 square feet of space under leases expiring from 2026 to 2032. The Company's ion channel business leases approximately 31,000 square feet of research and development space in Durham, North Carolina and Tucson, Arizona, under leases that expire between 2026 and 2029.

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

Nine Months Ended September 30,		Three Months Ended March 31,	
2023	2022	2024	2023
31,			

Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:	\$ 2,442	\$ 2,051
Right-of-use assets obtained in exchange for lease obligations:	Right-of-use assets obtained in exchange for lease obligations:	\$ 328	\$ 9,872

	As of September 30,		As of March 31, 2024	As of March 31, 2023
	2023	2022		
Weighted average remaining lease term (in years)	8.0	8.8	Weighted average remaining lease term (in years)	
Weighted average discount rate	4.3 %	4.3 %	Weighted average discount rate	
			7.5	8.4
			4.3 %	4.3 %

In addition to base rent, certain of the Company's operating leases require variable payments. These variable lease costs include amounts relating to common area maintenance and are expensed when the obligation for those payments is incurred and are recognized as operating expenses in the condensed consolidated and combined statements of operations. The following table summarizes the components of operating lease expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023		2024	2023
	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022		
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)
Operating lease cost	Operating lease cost	802	1,006	2,378	3,044	
Variable lease cost	Variable lease cost	364	447	1,070	995	

Total lease costs	Total lease costs	1,166	1,453	3,448	4,039
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Future minimum lease commitments are as follows as of September 30, 2023 March 31, 2024 (in thousands):

Maturity Dates	Operating		Maturity Dates	Operating Leases
	Maturity Dates	Leases		
Remaining three months ended December 31, 2023		\$ 895		
2024		3,486		
Remaining nine months ended December 31, 2024				
2025	2025	3,772		
2026	2026	3,869		
2027	2027	3,970		
2028				
Thereafter	Thereafter	<u>15,401</u>		
Total lease payments	Total lease payments	31,393		
Less imputed interest	Less imputed interest	<u>(5,217)</u>		
Present value of lease liabilities	Present value of lease liabilities	<u>\$26,176</u>		

Legal Proceedings

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

10.9. Stockholders' Equity

Authorized and Outstanding Capital Stock

The total number of shares of the Company's authorized capital stock is 1,100,000,000. The total amount of authorized capital stock consists of 1,000,000,000 shares of common stock and 100,000,000 shares of preferred stock. As of September 30, 2023 March 31, 2024, no shares of preferred stock are issued or outstanding.

Common Stock

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

Preferred stock Stock

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

The Company's board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of OmniAb Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deterring or preventing a change in the Company's control and may adversely affect the market price of OmniAb Common Stock and the voting and other rights of the holders of OmniAb Common Stock. The Company has no current plans to issue any shares of preferred stock.

Earnout Shares

As of **September 30, 2023** **March 31, 2024**, OmniAb Earnout Shares of 14,999,243 and Sponsor Earnout Shares of 1,293,299 are issued and outstanding. Earnout Shares vest based upon the achievement of certain volume-weighted average trading prices ("VWAP") for shares of the Company for any 20 trading days over a consecutive 30 trading-day period during the five-year period following the Closing Date, with (i) 50% of such Earnout Shares vesting upon achievement of a VWAP of \$12.50 per share of OmniAb Common Stock or upon the occurrence of a change of control transaction that will result in the holders of OmniAb Common Stock receiving a price per share in excess of \$12.50, and (ii) the remaining 50% of the Earnout Shares vesting upon achievement of a VWAP of \$15.00 per share of **New OmniAb common stock** **Common Stock** or upon the occurrence of a change of control transaction that will result in the holders of **New OmniAb Common Stock** receiving a price per share in excess of \$15.00. The Earnout Shares are not transferable until the vesting condition for the applicable tranche of Earnout Shares has been achieved. Prior to vesting, holders of Earnout Shares are entitled to exercise the voting rights carried by such shares and receive any dividends or other distributions in respect of such shares.

The Earnout Shares will be automatically forfeited for no consideration if **an the vesting condition for the applicable OmniAb Triggering Event or Sponsor Triggering Event** **tranche of Earnout Shares** has not **occurred from the Closing Date to and including the fifth anniversary of the Closing Date**, **been satisfied on or before November 1, 2027**.

Warrants

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

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

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

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

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

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

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

Equity Compensation Plans

2022 Incentive Award Plan

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

As of **September 30, 2023** **March 31, 2024**, the aggregate number of shares of our common stock that may be issued under the 2022 Plan is **23,112,229** **29,886,710** shares. In addition, the number of shares of our common stock available for issuance under the 2022 Plan will be annually increased on January 1 of each calendar year beginning in 2023 and ending in 2032 by an amount equal to the lesser of (i) a number equal to 5% of the fully-diluted shares on the final day of the immediately preceding calendar year or (ii) such smaller number of shares as is determined by the Company's board of directors.

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

OmniAb Prior Plans

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

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

11.10. Share-Based Compensation

Conversion and Modification of Equity Awards Outstanding at Separation Date

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

These modified awards otherwise retained substantially the same terms and conditions, including term and vesting provisions. Due to the modification of the equity awards as a result of the Distribution, the Company compared the fair value of the outstanding equity awards immediately before and after the Distribution. Due to the immaterial amount of incremental expense, the Company did not recognize any incremental fair value as a result of the modification.

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

Share-Based Compensation Expense

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

Three Months Ended September 30,	Nine Months Ended September 30,
Three Months Ended March 31,	
Three Months Ended March 31,	
Three Months Ended March 31,	

(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2024	2023
Research and development	Research and development	\$3,197	\$3,079	\$ 9,788	\$ 7,243			
General and administrative	General and administrative	3,113	2,200	9,106	5,030			
Total share-based compensation expense	Total share-based compensation expense	\$6,310	\$5,279	\$18,894	\$12,273			

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

		Three Months											
		Ended September 30,		Nine Months Ended September 30,									
Three Months													
Ended March 31,													
Three Months													
Ended March 31,													
Three Months													
Ended March 31,													
(in thousands)	(in thousands)	2023	2022	2023	2022	(in thousands)	2024	2023					
Stock options	Stock options	\$3,866	\$3,443	\$11,461	\$ 7,623								
Restricted stock units	Restricted stock units	2,001	1,417	5,882	3,353								
Employee share purchase plan	Employee share purchase plan	289	24	1,093	68								
Performance restricted stock units	Performance restricted stock units	154	395	458	1,229								
Total share-based compensation expense	Total share-based compensation expense	\$6,310	\$5,279	\$18,894	\$12,273								

Stock Options

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

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

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

Prior to the Separation on November 1, 2022, valuation assumptions were determined by the Company's former parent, Ligand, using historical and implied volatility of Ligand stock to determine the expected volatility. The expected term of an award was based on historical forfeiture experience, exercise activity, and on the terms and conditions of the stock awards. The expected dividend yield was determined to be 0% given that it had not paid any dividends on common stock in the past except for 2007.

during which Ligand declared a cash dividend on its common stock of \$2.50 per share and did not expect to pay cash dividends or make any other distributions on common stock in the future. The risk-free interest rate was based upon U.S. Treasury securities with remaining terms similar to the expected term of the share-based awards.

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

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

	Weighted-Average Remaining Contractual Life (in years)				Aggregate Intrinsic Value (in thousands) ⁽¹⁾
	Shares	Weighted-Average Price per Share	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾	
	Shares	Weighted-Average Price per Share	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾	
	Shares	Weighted-Average Price per Share	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾	
	Shares	Weighted-Average Price per Share	Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands) ⁽¹⁾	
Outstanding at January 1, 2023	11,014,979	\$ 7.51			
Outstanding at January 1, 2024					
Granted					
Granted					
Granted	Granted	4,278,930	\$ 3.98		
Exercised	Exercised	(103,424)	\$ 3.61		
Exercised					
Exercised					

Cancelled/Expired	Cancelled/Expired	(494,120)	\$ 7.01			
Outstanding at September 30, 2023		<u>14,696,365</u>	\$ 6.53	8.7	\$ 13,742	
Exercisable at September 30, 2023		<u>3,748,521</u>	\$ 9.53	7.6	\$ 1,667	
Cancelled/Expired						
Cancelled/Expired						
Outstanding at March 31, 2024						
Outstanding at March 31, 2024						
Outstanding at March 31, 2024						
Exercisable at						
March 31, 2024						

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying options and the estimated fair value of the common stock for in the money options at **September 30, 2023** **March 31, 2024**.

As of **September 30, 2023** **March 31, 2024**, unrecognized share-based compensation expense related to OmniAb options was **\$27.9 million** **\$30.8 million**, which is expected to be recognized over a remaining weighted-average period of approximately **1.44** **1.46** years. As of **September 30, 2023** **March 31, 2024**, unrecognized share-based compensation expense related to Ligand options was **\$3.1 million** **\$1.6 million**, which is expected to be recognized over a remaining weighted-average period of approximately **0.70** **0.54** years.

The aggregate intrinsic value of OmniAb options exercised by OmniAb employees during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$0.1 million** **\$0.4 million**. Cash received from OmniAb options exercised by OmniAb employees during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$0.4 million** **\$1.0 million**.

The aggregate intrinsic value of **There were no** OmniAb options exercised by Ligand employees during the **nine** **three** months ended **September 30, 2023** was **\$0.1 million**. Cash received from OmniAb options exercised by Ligand employees during the **nine** months ended **September 30, 2023** was **\$0.6 million** **March 31, 2024**.

Restricted Stock Units

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

The following table summarizes RSU activity during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** under the Company's equity awards plans:

	Shares	Weighted-Average	Grant	Date Fair	Value	
Unvested balance at						
January 1, 2023	859,229	\$ 10.31				
	Shares	Shares	Weighted-Average	Grant	Date Fair	Value
Unvested						
balance at						
January 1,						
2024						
Granted	Granted	1,663,804	\$ 3.70			
Vested	Vested	(387,876)	\$ 9.15			
Forfeited	Forfeited	(15,766)	\$ 5.33			
Unvested balance at						
September 30, 2023	<u>2,119,391</u>	\$ 5.37				
Unvested						
balance at						
March 31,						
2024						

As of **September 30, 2023** **March 31, 2024**, unrecognized stock-based compensation expense related to OmniAb RSUs was **\$7.7 million** **\$9.4 million**, which is expected to be recognized over a remaining weighted-average period of approximately **1.34** **1.52** years. As of **September 30, 2023** **March 31, 2024**, unrecognized stock-based

compensation expense related to Ligand RSUs was **\$0.9 million** **\$0.1 million**, which is expected to be recognized over a remaining weighted-average period of approximately **0.44** **0.47** years.

The aggregate intrinsic value of OmniAb RSUs vested for OmniAb employees during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$1.6 million** **\$1.7 million**. The aggregate intrinsic value of OmniAb RSUs vested for Ligand employees during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** was **\$0.8 million** **\$0.7 million**.

Performance Restricted Stock Units

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

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

The following table summarizes the PRSU activity during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, under the Company's equity awards plans:

	Weighted-Average	Grant	Date Fair	
	Shares	Value		
Unvested balance at				
January 1, 2023	94,749	\$ 16.11		
	Shares	Shares	Weighted-Average	Grant Date Fair Value
Unvested				
balance at				
January 1,				
2024				
Granted	Granted	—	\$ —	
Vested	Vested	—	\$ —	
Forfeited	Forfeited	—	\$ —	
Unvested balance at				
September 30, 2023	94,749	\$ 16.11		
Unvested				
balance at				
March 31,				
2024				

As of **September 30, 2023** **March 31, 2024**, unrecognized share-based compensation expense related to OmniAb PRSUs was **\$0.8 million** **\$0.5 million**, which is expected to be recognized over a remaining weighted-average period of approximately **1.25** **0.75** years.

Employee Stock Purchase Plan

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

As of **January 1, 2023** **March 31, 2024**, the aggregate number of shares of our common stock that may be issued pursuant to rights granted under the ESPP equals **2,910,291** **3,394,578** shares of our common stock. In addition, on the first day of each calendar year beginning on January 1, 2023 and ending on (and including) January 1, 2032, the number of shares available for issuance under the ESPP

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

As of **September 30, 2023** **March 31, 2024**, there was **\$0.7 million** **\$0.3 million** of unrecognized share-based compensation expense associated with the ESPP, which is expected to be recognized over a remaining weighted-average period of **0.87** **0.66** years.

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, there were **317,167** **no** shares issued pursuant to the ESPP.

12.11. Income Taxes

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

The Company's effective tax rate may vary from the U.S. federal statutory tax rate due to the change in the mix of earnings in various state jurisdictions with different statutory rates, benefits related to tax credits, and the tax impact of non-deductible expenses, stock award activities and other permanent differences between income before income taxes and taxable income. The Company's effective tax rate for the three **and** **nine** months ended **September 30, 2023** **March 31, 2024** was **17.4%** and **17.5%**, **respectively**, **12.1%**. The variance from the U.S. federal statutory tax rate of 21.0% for the three **and** **nine** months ended **September 30, 2023** **March 31, 2024** was primarily due to the benefit related to tax credits, the tax impact of stock award activities, and the valuation allowance established on federal and state attributes. The Company's effective tax rate for the three months ended March 31, 2023 was 14.4%. The variance from the U.S. federal statutory tax rate of 21.0% for the three months ended March 31, 2023 was primarily due to the benefit related to tax credits, the tax impact of stock award activities, and the valuation allowance established on state attributes in the current period. The Company's effective tax rate for the three and nine months ended September 30, 2022 was 15.5% and 18.3%, respectively. The variance from the U.S. federal statutory tax rate of 21.0% for the three and nine months ended September 30, 2022 was primarily due to the benefit related to tax credits, repricing of state tax deferrals, the tax impact of stock award activities and the valuation allowance established on state attributes in the current period.

The Company **has** considered the realizability of the deferred tax assets and recorded a valuation allowance as necessary for the amount of deferred tax assets which are not more likely than not to be realized as of **September 30, 2023** **March 31, 2024**.

13.12. Net Loss Per Share

Loss Per Share

Basic loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed based on the sum of the weighted average number of common shares and dilutive common shares outstanding during the period. As described in Note 2 – Summary of Significant Accounting Policies, **earnout shares** **Earnout Shares** issued in connection with the Business Combination, as further described in Note **4.3** – Business Combination, are subject to vesting based on the VWAP of common shares during the earnout period. The **earnout shares** **Earnout Shares** are excluded from the calculation of basic and diluted weighted-average number of common shares outstanding until vested. For periods prior to the Business Combination, basic and diluted loss per share was calculated based on 82.6 million shares issued to Ligand shareholders at the Closing Date.

The following table outlines the basic and diluted net loss per share for the three **and** **nine** months ended **September 30, 2023** **March 31, 2024** and **2022**:

	Three Months Ended		Nine Months Ended			Three Months Ended March 31,	
	September 30,	September 30,	September 30,	September 30,		2024	2023
(in thousands, (in thousands, except per share data)							
Net loss	Net loss	\$ (15,738)	\$ (12,596)	\$ (36,566)	\$ (29,154)		
Weighted-average shares outstanding, basic and diluted	Weighted-average shares outstanding, basic and diluted	99,905	82,612	99,521	82,612		
Net loss per share, basic and diluted	Net loss per share, basic and diluted	\$ (0.16)	\$ (0.15)	\$ (0.37)	\$ (0.35)		

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

September 30,	March 31,

	2023	2022		2024	2024	2023
Options to purchase common stock issued and outstanding ⁽¹⁾	Options to purchase common stock issued and outstanding ⁽¹⁾	21,076,042	—			
Earnout shares	Earnout shares	16,292,542	—			
Avista private placement warrants	Avista private placement warrants	8,233,333	—			
Avista public warrants	Avista public warrants	7,666,667	—			
Restricted stock units issued and outstanding ⁽¹⁾	Restricted stock units issued and outstanding ⁽¹⁾	2,338,820	—			
Forward purchase warrants	Forward purchase warrants	1,666,667	—			
Backstop warrants	Backstop warrants	1,445,489	—			
Shares expected to be purchased under employee stock purchase plan	Shares expected to be purchased under employee stock purchase plan	1,433,978	—			
Total anti-dilutive shares	Total anti-dilutive shares	60,153,538	—			

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

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

The following discussion and analysis and the unaudited interim financial statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2022 December 31, 2023 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in the Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022"2023 Annual Report").

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations and financial position, our expected cash runway, our business strategy, the effects of the separation or the distribution, our expectations regarding the application of, and the rate and degree of market acceptance of our OmniAb® OmniAb® technology platform and other technologies, our expectations regarding the addressable markets for our technologies, including the growth rate of the markets in which we operate, the potential for and timing of receipt of milestones and royalties under our license agreements with partners, our research and development plans, the potential for our partnered or internal programs to progress in their development, the anticipated timing of the initiation and completion of preclinical studies and clinical trials by our partners or us, the timing and likelihood of regulatory filings and product approvals by our partners or us, the potential for and timing and geographic markets of any commercial product launches by our partners and potential for

commercial success, our ability to enter into any new, or maintain existing, strategic partnerships or collaborative relationships, our ability to obtain and maintain intellectual property protection for our platform, products and technologies, the timing and likelihood of success, plans and objectives of management for future operations, and future results of anticipated business development and product development efforts, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

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

Overview

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

next-generation therapeutics. Our OmniAb technology platform creates and screens diverse antibody repertoires and is designed to quickly identify optimal antibodies and other target-binding proteins for our partners' drug development efforts. We harness At the power heart of the OmniAb platform is something we call Biological Intelligence™, which we built into powers the immune systems of our proprietary, engineered transgenic animals to create optimized antibody candidates for human therapeutics. We primarily derive revenue from license fees for technology access, milestones from partnered programs and service revenue from research programs.

We believe the OmniAb animals comprise the most diverse host systems available in the industry. Our suite of technologies and methods, including computational antigen design and immunization methods, paired with our high-throughput screening technologies to enable the discovery of high-quality, fully-human antibody therapeutic candidates. We believe these antibodies are high quality because they are naturally optimized in our proprietary host systems for affinity, specificity, developability and functional performance. Our partners have access to these antibody candidates that are based on unmatched biological diversity and optimized through integration across a full range of technologies, including antigen design, transgenic animals, deep single B cell phenotypic screening and functional mining of next-generation sequencing datasets with custom algorithms, are used to identify fully-human antibodies with exceptional performance and developability characterization. characteristics. We provide our partners both integrated end-to-end capabilities and highly customizable offerings, which address critical industry challenges and provide optimized antibody discovery solutions.

As of September 30, 2023 March 31, 2024, we had 76 80 active partners with 314 327 active programs using the OmniAb technology platform, including 27 OmniAb-derived antibodies in clinical development by our partners, one under regulatory review, and three approved products of our partners: (i) teclistamab, which received accelerated approval in the U.S. for adult patients with relapsed or refractory multiple myeloma who have received at least four prior lines of therapy, including a proteasome inhibitor, an immunomodulatory agent, partners.

and an anti-CD38 monoclonal antibody, and conditional marketing authorization in Europe as monotherapy for the treatment of adult patients with relapsed and refractory multiple myeloma, (ii) zimberelimab, which was approved in China for the treatment of recurrent or refractory classical Hodgkin's lymphoma, and (iii) sugemalimab, which was approved in China for the first-line treatment of metastatic (stage IV) non-small cell lung cancer in combination with chemotherapy, as well as for patients with unresectable stage III non-small cell lung cancer whose disease has not progressed following concurrent or sequential platinum-based chemoradiotherapy.

At the heart of the OmniAb platform is the Biological Intelligence of our Our proprietary transgenic animals, including OmniRat technologies are joined with and leverage OmniDeep™, OmniChicken® and OmniMouse® that have been genetically modified to generate antibodies with human sequences to facilitate development of human therapeutic candidates. OmniFlic® and OmniClic® are common light-chain rats and chickens, respectively, designed to facilitate the production of bispecific antibodies. OmniTaur™ provides cow-inspired antibodies with unique structural characteristics for challenging targets. In May 2023, we announced the launch of OmniDeep™, which is a suite of *in silico*, artificial intelligence ("AI") and machine learning tools for therapeutic discovery and optimization that are woven throughout our various technologies and capabilities. Additionally, an established core competency focused on ion channels and transporters further differentiates OmniAb's technology and creates opportunities in many important and emerging target classes. OmniAb technologies are designed to facilitate rapid identification be leveraged for the discovery of candidates with a variety of next-generation antibody-based therapeutic modalities, including bi- and multi-specific biologics, antibody-drug conjugates, CAR-T therapies, targeted radiotherapeutics, and many others.

The OmniAb suite of technologies spans from Biological Intelligence-powered repertoire generation to cutting-edge antibody discovery and optimization offering an increasingly efficient and customizable end-to-end solution for the right affinity, specificity and developability profiles intended to make drug development more effective and efficient. growing discovery needs of the global pharmaceutical industry.

We partner with numerous pharmaceutical and biotechnology companies varying and leading academic institutions that vary in size, clinical stage, geography and therapeutic focus. Our license agreements are negotiated separately partners gain access to wide repertoires of antibodies and state-of-the-art screening technologies designed to enable efficient discovery of next-generation novel therapeutics and deliver high-quality therapeutic antibody candidates for each discovery partner a wide range of

diseases. Our partners can select a biological target to treat a disease and as a result, define the financial terms and contractual provisions vary from agreement to agreement. We structure antibody properties needed for therapeutic development or use certain of our technologies directly in their own laboratories.

Our license agreements with pharmaceutical and biotechnology partners to typically generally include: (i) upfront or, in some instances, annual payments for technology access (license revenue), (ii) and payments for the performance of research services (service revenue), (iii) services; (ii) downstream payments in the form of preclinical, intellectual property, clinical, regulatory, and commercial milestones (milestone revenue), milestones; and (iv) (iii) royalties on net sales of our partners' products, products, if any. License agreements with academic institutions are typically structured with revenue sharing. We succeed when our partners are successful, and our agreements are structured to align economic and scientific interests. Our license agreements typically include reporting requirements, which provide us updates from our partners on the status of their programs. In addition, we track our active partnered programs by reviewing our partners' public announcements and maintaining close communications with our partners to the extent possible. In some instances, a partner may not publicly announce milestones, in which case, we would be generally dependent on our partner to track, report and disclose to us milestones at the time of achievement. Our license agreements are typically terminable by our partners without penalty with specified notice. However, all milestone payments and royalties survive termination and continue with respect to any OmniAb-derived antibodies. The royalty term is generally the longer of 10 years from the first commercial sale or through the last expiration in any jurisdiction of the patents covering such OmniAb-derived antibody. Importantly, our royalty term is typically linked to the composition-of-matter patents that our partners file related to the antibody discovered using our technology, which both lengthens and diversifies the royalty streams we receive. Our typical royalty rates for antibody discovery contracts are currently in the low- to mid-single digits and can vary depending on the other economic terms in the agreement. Our future success Although our license agreements with pharmaceutical and biotechnology partners typically include technology access fees, milestone payments and royalties, each agreement is negotiated separately and as a result, the potential financial terms and contractual provisions vary from agreement to receive these payments are entirely dependent on our partners' efforts over which agreement. By providing a full suite of antibody discovery technologies with streamlined economics, we have no control. If our partners determine not believe we offer an attractive option to proceed with the future development of a drug candidate, we will not receive any future payments related to that program. Additionally, unless publicly disclosed by our partners, we do not have access to information related to our partners' clinical trial results, including serious adverse events, or ongoing communications with regulatory agencies regarding our partners' current clinical programs, which limits our visibility into how such programs may be progressing. industry stakeholders.

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

Closing of the Business Combination and Separation from Ligand

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

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

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

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

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

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

Key Business Metrics

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

Metric	Metric	September	December	%	Metric	March 31, 2024	December 31, 2023	% Change
		30, 2023	31, 2022	Change				
Active partners	Active partners	76	69	10%	Active partners	80	77	4%
Active programs	Active programs	314	291	8%	Active programs	327	325	1%
Active clinical programs		31	26	19%				
Active clinical programs and approved products					Active clinical programs and approved products	31	32	(3)%
Approved products	Approved products	3	3	—%	Approved products	3	3	—%

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

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

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

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

Results of Operations

Comparison of the Three And Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue

(dollars in thousands)	Three Months Ended September 30,				(Dollars in thousands)	
	2023		2022			
	Change	Change				
Three Months Ended March 31,						
(Dollars in thousands)						
(Dollars in thousands)						
(Dollars in thousands)						
					2024	2023
					Change	% Change

License and milestone revenue	License and milestone revenue	\$2,010	\$1,400	\$ 610	44 %	License and milestone revenue	\$ 716	\$ 12,646	\$ (11,930)	(94)	(94)	%
Service revenue	Service revenue	3,016	4,928	(1,912)	(39) %	Service revenue	2,766	3,958	3,958	(1,192)	(1,192)	(30) %
Royalty revenue	Royalty revenue	451	582	(131)	(23) %	Royalty revenue	319	315	315	4	4	1 %
Total revenues		\$5,477	\$6,910	\$(1,433)	(21) %							
Total revenue						Total revenue	\$3,801	\$16,919	\$ (13,118)	(78) %		

- License and milestone revenue fluctuates primarily due to the timing of **milestone recognition of milestones** related to our partners' programs in clinical development. The decline in license and milestone revenue was primarily driven by the recognition in the prior year period of a \$10 million milestone related to the first commercial sale of teclistimab in the E.U.
- Service revenue declined as a result of the completion of work on certain ion channel programs.

(dollars in thousands)	Nine Months Ended September 30,			Change	% Change
	2023	2022			
License and milestone revenue	\$ 18,986	\$ 7,826	\$ 11,160	143 %	
Service revenue	9,425	14,922	(5,497)	(37) %	
Royalty revenue	931	984	(53)	(5) %	
Total revenues	\$ 29,342	\$ 23,732	\$ 5,610	24 %	

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

Operating Costs and Expenses

(dollars in thousands)	Three Months Ended September 30,				% Change							
	2023	2022	Change	Change								
	Three Months	Ended March	31,									
(Dollars in thousands)												
(Dollars in thousands)												
(Dollars in thousands)												
Research and development	Research and development	\$ 13,867	\$ 13,189	\$ 678	5 %	Research and development	\$ 14,551	\$ 13,759	\$ 792	6	6 %	
General and administrative	General and administrative	8,511	5,582	2,929	52 %	General and administrative	8,337	8,195	8,195	142	142	2 %
Amortization of intangibles	Amortization of intangibles	3,398	3,256	142	4 %	Amortization of intangibles	3,412	3,369	3,369	43	43	1 %
Other operating expense (income), net		16	(208)	224	(108) %							
Other operating expense, net						Other operating expense, net	54	49	5	10	%	

Total operating expenses	Total operating expenses	\$25,792	\$21,819	\$3,973	18 %	Total operating expenses	\$ 26,354	\$ 25,372	\$ 982	4	4 %
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- Research and development expenses increased primarily due to increased personnel costs.
- General and administrative expenses increased primarily due to personnel-related costs and costs associated with our obligations as a public company.

(dollars in thousands)	Nine Months Ended September 30,			Change	% Change
	2023	2022			
Research and development	\$ 41,759	\$ 35,445		\$ 6,314	18 %
General and administrative	25,444	14,697		10,747	73 %
Amortization of intangibles	10,147	9,774		373	4 %
Other operating expense (income), net	205	(486)		691	(142)%
Total operating expenses	\$ 77,555	\$ 59,430		\$ 18,125	30 %

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

Other Income

Other income during the three and nine months ended September 30, 2023 March 31, 2024 and 2023 related to interest earned on short-term investments. There was no other income during the three and nine months ended September 30, 2022.

Income Tax Benefit

(dollars in thousands)	Three Months Ended September 30,			Change	% Change
	2023	2022			
Loss before income tax benefit	\$ (19,042)	\$ (14,909)		\$ (4,133)	28 %
Income tax benefit	3,304	2,313		991	43 %
Net loss	\$ (15,738)	\$ (12,596)		\$ (3,142)	25 %
Effective Tax Rate	(17.4)%	(15.5)%			

(dollars in thousands)	Nine Months Ended September 30,			Change	% Change
	2023	2022	Change		
Loss before income tax benefit	\$ (44,335)	\$ (35,698)	\$ (8,637)	24 %	
Three Months Ended March 31,					
(Dollars in thousands)					
(Dollars in thousands)					
(Dollars in thousands)					
(Dollars in thousands)	2024	2023	Change		% Change
Loss before income taxes	Loss before income taxes	\$ (21,578)	\$ (7,129)	\$ (14,449)	203 %

Income tax benefit	7,769	6,544	1,225	19 %	Income tax benefit	2,617	1,029	1,029	1,588	1,588	154	154 %
Net loss	Net loss	\$(36,566)	\$(29,154)	\$(7,412)	25 %	Net loss	\$ (18,961)	\$ (6,100)	\$ (12,861)	211	211	211 %
Effective Tax Rate	Effective Tax Rate	(17.5)%	(18.3)%									

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

Our effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 differed from the federal statutory tax rate of 21.0% due to share-based compensation expense that is not tax deductible and an increase to our valuation allowance recorded against deferred tax assets, partially offset by the tax benefit from research and development tax credits. Our effective tax rate for the three and nine months ended September 30, 2022 March 31, 2023 differed from the federal statutory tax rate of 21.0% due to share-based compensation expense that is not tax deductible, an increase to our valuation allowance recorded against deferred tax assets, and repricing of state tax deferrals, partially offset by the tax benefit of research and development tax credits.

Liquidity and Capital Resources

Prior to November 1, 2022, our spin-off from Ligand Pharmaceuticals Incorporated ("Ligand") in November 2022, funding from Ligand was our primary source of liquidity. On November 1, 2022, We were capitalized with \$95.8 million in net cash in connection with the closing of the Business Combination, we were capitalized business combination pursuant to which OmniAb Operations, Inc., a then wholly-owned subsidiary of Ligand ("OmniAb Operations"), was spun off and merged with \$95.8 million in net cash. Orwell Merger Sub Inc., our then wholly-owned subsidiary, with OmniAb Operations surviving as our wholly-owned subsidiary.

As of September 30, 2023 March 31, 2024, our cash, cash equivalents and short-term investments were \$96.6 \$69.0 million. We believe our cash, cash equivalents and short-term investments and the cash we expect to generate from operations will provide us the flexibility we need to meet operating, investing, and financing needs and support our operations through at least the next 12 months.

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

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

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

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

Cash Flow Summary

Nine Months Ended
September 30,

(dollars in thousands)	2023	2022	Change
Three			
Months			
Ended			
March 31,			
(Dollars in thousands)			
(Dollars in thousands)			
(Dollars in thousands)			
	2024	2023	Change
Net cash provided by (used in):	Net cash provided by (used in):		
Operating activities	Operating activities		
Operating activities	Operating activities	\$ 11,468	\$ 3,556
Investing activities	Investing activities	(23,106)	(13,112)
Financing activities	Financing activities	\$ (396)	\$ 9,556
			\$ (9,952)

Cash from Operating Activities:

During the nine three months ended September 30, 2023 March 31, 2024, cash used in operating activities of \$17.0 million primarily reflected our net loss of \$19.0 million, changes in our operating assets and liabilities in the amount of \$5.5 million, partially offset by net non-cash charges of \$7.4 million which primarily included \$5.7 million in share-based compensation and \$4.9 million in depreciation and amortization.

During the three months ended March 31, 2023, cash provided by operating activities of \$11.5 \$27.7 million primarily reflected changes in our operating assets and liabilities in the amount of \$24.9 \$25.0 million, net non-cash charges of \$23.2 \$8.7 million which primarily included \$18.9 \$6.1 million in share-based compensation, and \$14.6 \$4.9 million in depreciation and amortization, partially offset by our net loss of \$36.6 million, \$7.5 million of deferred income taxes, net and \$2.7 million of amortization of discounts on short-term investments, net.

During the nine months ended September 30, 2022, cash provided by operating activities of \$3.6 million primarily reflected changes in our operating assets and liabilities in the amount of \$14.5 million, net non-cash charges of \$18.2 million which primarily included \$12.3 million in share-based compensation, and \$13.4 million in depreciation and amortization, partially offset by our net loss of \$29.2 million and \$6.8 million of deferred income taxes, net. \$6.1 million.

Cash from Investing Activities:

During the nine three months ended September 30, March 31, 2024, cash provided by investing activities of \$19.9 million primarily consisted of \$26.0 million of proceeds from the maturity of short-term investments and \$0.7 million from the sale of short-term investments, partially offset by \$5.4 million of cash used to purchase short-term investments, \$0.9 million of cash used to purchase property and equipment, and \$0.4 million of payments to contingent liabilities holders.

During the three months ended March 31, 2023, cash used in investing activities of \$23.1 \$37.2 million primarily consisted of \$36.9 \$39.1 million of cash used to purchase short-term investments and \$3.6 \$2.1 million of payments to contingent liabilities holders, partially offset by \$66.3 \$4.0 million of proceeds from the maturity of short-term investments and \$2.7 million from the sale of short-term investments.

During the nine months ended September 30, 2022, cash used in investing activities of \$13.1 million primarily consisted of \$12.2 million of property and equipment purchases and \$1.0 million of payments to contingent liabilities holders.

Cash from Financing Activities:

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

During the nine three months ended September 30, 2023 March 31, 2024, cash used by in financing activities was \$0.4 \$0.2 million which primarily consisted of \$0.9 million of taxes paid related to the net share settlement of equity awards and \$0.5 \$0.3 million of transaction costs, partially offset by \$1.0 million of proceeds from the issuance of common stock from stock plans.

During the **nine** three months ended **September 30, 2022** **March 31, 2023**, cash provided by used in financing activities was **\$9.61.0** million which primarily consisted of a **\$15.30.8** million taxes paid related to the net transfer from Ligand, partially offset by share settlement of equity awards and **\$4.20.5** million of transaction costs and **\$1.5** million of payments to contingent liabilities holders. costs.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates during the **nine** three months ended **September 30, 2023** **March 31, 2024**, as compared to the critical accounting policies and estimates disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the **2022** **2023** Annual Report.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As of **September 30, 2023** **March 31, 2024**, there were no material changes to our market risks from the discussion provided in Item 7A of our **2022** **2023** Annual Report.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of **September 30, 2023** **March 31, 2024**, the end of the period covered by this Quarterly Report. Based upon such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of such date.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

For information that updates the disclosures set forth under Part I, Item 3, "Legal Proceedings" in our **2022** **2023** Annual Report, refer to Note **9** **8** – Commitments and Contingencies to the condensed consolidated and combined financial statements contained in Part I, Item 1, of this report.

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

Item 1A. Risk Factors

We do not believe that there have been any material changes to the risk factors disclosed in Part I, Item 1A of our **2022** **2023** Annual Report. The risk factors described in our **2022** **2023** Annual Report are not the only risks we face. Factors we currently do not know, factors that we currently consider immaterial or factors that are not specific to us, such as general economic conditions, may also materially adversely affect our business or our consolidated operating results, financial condition or cash flows.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. Rule 10b5-1 Trading Arrangements

From time to time, our officers (as defined in Rule 16a-1(f) of the Exchange Act) and directors may enter into Rule 10b5-1 or non-Rule 10b5-1 trading arrangements (as each such term is defined in Item 408 of Regulation S-K). During the three months ended March 31, 2024, none of our officers or directors adopted, modified, or terminated any such trading arrangements.

Item 6. Exhibits

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

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

- + Certain schedules and annexes have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or annex will be furnished as a supplement to the SEC upon request.
- * This certification is deemed not filed for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

Date: November May 9, 2023 2024 By: /s/ Kurt Gustafson
 Kurt Gustafson
 Executive Vice President, Finance and Chief Financial Officer
 (Principal Financial and Accounting Officer)

4036

Exhibit 31.1

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

I, Matthew W. Foehr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OmniAb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 9, 2024 By: /s/ Matthew W. Foehr
 Name: Matthew W. Foehr
 Title: President and Chief Executive Officer
 (principal executive officer)

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

I, Kurt A. Gustafson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OmniAb, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 9, 2023** **May 9, 2024**

By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson

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

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

In connection with the Quarterly Report of OmniAb, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: **November 9, 2023** **May 9, 2024**

By: /s/ Matthew W. Foehr

Name: Matthew W. Foehr

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

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

In connection with the Quarterly Report of OmniAb, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: **November 9, 2023** **May 9, 2024** By: /s/ Kurt A. Gustafson

Name: Kurt A. Gustafson
Title: Executive Vice President, Finance and
Chief Financial Officer
(principal financial officer)

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