UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____to _____

Commission File Number: 001-38419

Arcus Biosciences, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-3898435**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

3928 Point Eden Way
Hayward , California 94545
(Address of principal executive offices)

Registrant's telephone number, including area code: (510) 694-6200

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

Titles of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, Par Value $0.0001 Per Share	RCUS	The New York Stock Exchange

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

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

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

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

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

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

As of May 1, 2024, the registrant had 90,953,011 shares of common stock, $0.0001 par value per share, outstanding.

ARCUS BIOSCIENCES, INC.

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RISK FACTOR SUMMARY

The following is a summary of the key risks and uncertainties that make an investment in our securities speculative and risky. The below summary does not contain all of the information that may be important to you, and you should read this summary together with the more detailed description of the risks set forth under "Part II. Item 1A. Risk Factors" of the Quarterly Report.

Risks Related to our Limited Operating History, Financial Position and Capital Requirements

- We have a history of operating losses, have never generated any revenue from product sales and anticipate that we will continue to incur significant losses for the foreseeable future. As a result, we may need to obtain additional funding to finance our operations. If we do not receive substantial capital when needed, we may be forced to restrict our operations or delay, reduce or eliminate our product development programs.

Risks Related to the Discovery and Development of our Investigational Products

- Clinical drug development is a lengthy, expensive and uncertain process, if we are unable to develop, obtain regulatory approval for and commercialize our investigational products, or experience significant delays in doing so, our business will be materially harmed.
- The results of preclinical studies and early clinical trials, including interim data from our clinical studies that we announce or publish from time to time, are not always predictive of future results and could materially change due to audit and verification procedures or as more patient data become available.
- Competing treatments, clinical trials of competing investigational products, geopolitical instability and public health epidemics, each of which could result in significant delays and additional costs in our product development activities, or in the failure of such activities.
- Serious adverse events, undesirable side effects or other unexpected properties of our investigational products could lead to the discontinuation of our clinical development programs, refusal by regulatory authorities to approve our investigational products or limitations on the use of our investigational products or revocation of any marketing authorizations.
- If we are not successful in discovering, developing and commercializing investigational products that take advantage of different mechanisms of action to achieve superior outcomes relative to the use of single agents or other combination therapies, our ability to achieve our strategic objectives would be impaired.
- Failure to successfully develop, validate and obtain regulatory clearance or approval for any required companion diagnostics required for our investigational products could harm our product development strategy or prevent us from realizing the full commercial potential of our investigational products.

Risks Related to Reliance on Third Parties, Manufacturing and Commercialization

- If our collaboration with Gilead Sciences, Inc. ("Gilead") is not successful, our business could be adversely affected.
- If the third parties we rely on to conduct our clinical trials and handle manufacture and supply of our investigational products and comparator products do not satisfactorily carry out their contractual duties, supply us with sufficient quantities or fail to meet expected deadlines, our development programs may be delayed or subject to increased costs, each of which may have an adverse effect on our business and prospects.
- Even if we receive marketing approval, we may not be successful in commercializing our investigational products or obtaining coverage and reimbursement approval for a product from a government or other third-party payor, which coverage may be delayed or may not be sufficient to cover our costs.
- Our investigational products may never be approved or commercialized outside the United States ("U.S."), which would limit our ability to realize their full market potential.

Risks Related to In-Licenses, Strategic Arrangements and Intellectual Property

- We are currently party to several in-license agreements under which we acquired rights to use, develop, manufacture and/or commercialize certain of our investigational products. If we breach our obligations

under these agreements, we may be required to pay damages, lose our rights to these investigational products or both, which would adversely affect our business and prospects.

- If we are unable to obtain and maintain sufficient intellectual property protection for our investigational products, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our products may be adversely affected.
- We may become involved in lawsuits alleging that we have infringed the intellectual property rights of third parties or to protect or enforce our patents or other intellectual property, which litigation could affect our ability to develop or commercialize our investigational products.
- Changes in patent law in the U.S. and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our investigational products.
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

Risks Related to our Business Operations and Industry

- We expect to expand our business operations and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.
- We face substantial competition, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their investigational products are shown to be safer or more effective than ours, then our commercial opportunity will be reduced or eliminated. Any investigational products for which we intend to seek approval as biologic products may face competition sooner than anticipated.
- Our internal information technology systems, and those of the third parties upon which we rely, are subject to failure, security breaches and other disruptions, which could result in a material disruption of our investigational products' development programs, jeopardize sensitive information, or prevent us from accessing critical information or result in a loss of our assets, and potentially expose us to notification obligations, loss, liability or reputational damage and otherwise adversely affect our business.
- Failure to comply with privacy and data protection laws, regulations or other obligations could lead to government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business.
- Changes in healthcare law and implementing regulations, as well as changes in healthcare policy, may impact our business in ways that we cannot currently predict, and may have a significant adverse effect on our business and results of operations.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

ARCUS BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenues:		
License and development services revenue (Includes $ 131 and $ 17 from a related party)	$ 135	$ 17
Other collaboration revenue (Includes $ 10 and $ 8 from a related party)	10	8
Total revenues	145	25
Operating expenses:		
Research and development (Net of recoveries of $ 16 and $ 33 from a related party)	109	81
General and administrative	32	30
Impairment of long-lived assets (see Note 11, Leases)	20	—
Total operating expenses	161	111
Loss from operations	(16)	(86)
Non-operating income (expense):		
Interest and other income, net	13	9
Effective interest on liability for sale of future royalties	(1)	(1)
Total non-operating income, net	12	8
Loss before income taxes	(4)	(78)
Income tax expense	—	(2)
Net loss	$ (4)	$ (80)
Net loss per share:		
Basic and diluted	$ (0.05)	$ (1.09)
Shares used to compute net loss per share:		
Basic and diluted	86.2	73.0

See accompanying notes.

ARCUS BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions)

(unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Net loss	$ (4)	$ (80)
Other comprehensive income (loss)	(1)	3
Comprehensive loss	$ (5)	$ (77)

See accompanying notes.

ARCUS BIOSCIENCES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

(unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 185	$ 127
Marketable securities	810	632
Receivable from collaboration partners ($ 21 and $ 20 from a related party)	35	38
Prepaid expenses and other current assets	34	34
Total current assets	1,064	831
Long-term marketable securities	100	107
Property and equipment, net	51	51
Other noncurrent assets ($ — and $ 6 from a related party)	78	106
Total assets	$ 1,293	$ 1,095
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16	$ 17
Deferred revenue ($ 112 and $ 84 to a related party)	124	91
Other current liabilities	64	76
Total current liabilities	204	184
Deferred revenue, noncurrent ($ 209 and $ 291 to a related party)	242	307
Other noncurrent liabilities	140	142
Commitments		
Stockholders' equity:		
Common stock and additional paid-in capital: $ 0.0001 par value per share; 400.0 shares authorized; 90.9 shares in 2024 and 75.5 shares in 2023 issued and outstanding	1,561	1,311
Accumulated deficit	(853)	(849)
Accumulated other comprehensive loss	(1)	—
Total stockholders' equity	707	462
Total liabilities and stockholders' equity	$ 1,293	$ 1,095

See accompanying notes.

ARCUS BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)

(unaudited)

	Number of shares of common stock	Common stock and additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2022	72.9	$ 1,206	$ (542)	$ (7)	$ 657
Issuance of common stock in connection with our equity award programs	0.2	1	—	—	1
Stock-based compensation	—	19	—	—	19
Other comprehensive income	—	—	—	3	3
Net loss	—	—	(80)	—	(80)
Balance at March 31, 2023	73.1	$ 1,226	$ (622)	$ (4)	$ 600
Balance at December 31, 2023	75.5	$ 1,311	$ (849)	$ —	$ 462
Issuance of common stock (see Note 3, Related party - Gilead Sciences, Inc. and Note 12, Stockholders' Equity)	15.2	228	—	—	228
Issuance of common stock in connection with our equity award programs	0.2	2	—	—	2
Stock-based compensation	—	20	—	—	20
Other comprehensive loss	—	—	—	(1)	(1)
Net loss	—	—	(4)	—	(4)
Balance at March 31, 2024	90.9	$ 1,561	$ (853)	$ (1)	$ 707

See accompanying notes.

ARCUS BIOSCIENCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(unaudited)

	Three Months Ended March 31,	
	2024	**2023**
Cash flow from operating activities		
Net loss	$ (4)	$ (80)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	20	19
Depreciation and amortization	3	2
Noncash lease expense	2	2
Impairment of long-lived assets	20	—
Amortization of discounts on marketable securities	(6)	(4)
Other items, net	—	1
Changes in operating assets and liabilities:		
Receivable from collaboration partners (($ 1) and $ 6 from a related party)	13	6
Other assets ($ 6 and ($ 1) from a related party)	5	(8)
Accounts payable	(1)	10
Deferred revenue (($ 54) and ($ 25) to a related party)	(42)	(25)
Other liabilities	(12)	(21)
Net cash used in operating activities	(2)	(98)
Cash flow from investing activities		
Purchases of marketable securities	(387)	(154)
Proceeds from maturities of marketable securities	222	284
Proceeds from sales of marketable securities	—	2
Purchases of property and equipment	(4)	(3)
Net cash provided by (used in) investing activities	(169)	129
Cash flow from financing activities		
Proceeds from issuance of common stock ($ 228 and $ — from a related party)	228	—
Proceeds from issuance of common stock pursuant to equity award plans	1	1
Net cash provided by financing activities	229	1
Net increase in cash, cash equivalents and restricted cash	58	32
Cash, cash equivalents and restricted cash at beginning of period	130	209
Cash, cash equivalents and restricted cash at end of period	$ 188	$ 241
Non-cash investing and financing activities:		
Unpaid portion of property and equipment purchases included in Accounts payable and Other current liabilities	$ 1	$ 4

See accompanying notes.

ARCUS BIOSCIENCES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Organization, liquidity and capital resources

Organization

Arcus Biosciences, Inc. (referred to as "Arcus," "we," "our," "us," or the "Company") is a clinical-stage biopharmaceutical company focused on creating best-in-class therapies. Using our robust and highly efficient drug discovery capability, we have created a significant portfolio of investigational products which are in clinical development, with our most advanced molecule, an anti-TIGIT antibody, now in multiple Phase 3 registrational studies targeting lung and gastrointestinal cancers. Our deep portfolio of novel small molecules and enabling antibodies allows us to create highly differentiated therapies, which we are developing to treat multiple large indications.

We operate and manage our business as one reportable and operating segment, which is the business of developing and commercializing highly differentiated therapies that have a meaningful impact on patients.

Liquidity and Capital Resources

As of March 31, 2024, we had cash, cash equivalents and marketable securities of $ 1.1 billion, which we believe will be sufficient to fund our planned operations for a period of at least twelve months following the date of filing of this report.

Note 2. Summary of significant accounting policies

Basis of Presentation

These interim financial statements should be read in conjunction with the audited Consolidated Financial Statements and the related notes thereto for the year ended December 31, 2023 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 21, 2024. There have been no significant changes to our accounting policies as described in Note 2, Summary of significant accounting policies, in the notes to the Consolidated Financial Statements in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2023.

These interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and include all normal and recurring adjustments that management believes are necessary for a fair presentation of the periods presented. The Condensed Consolidated Balance Sheet as of December 31, 2023 has been derived from audited consolidated financial statements at that date but does not include all of the information required by U.S. GAAP for complete financial statements.

Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any future period.

Use of Estimates

The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We base our estimates on historical experience and on various market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates are assessed and updated each period to reflect current information. Actual results may differ materially from those estimates.

Recent Accounting Pronouncements

There have been no new accounting pronouncements issued or adopted during the period with a significant impact to our financial statements.

Note 3. Related party - Gilead Sciences, Inc.

In 2020, we and Gilead entered into an Option, License and Collaboration Agreement (the "Gilead Collaboration Agreement"), Common Stock Purchase Agreement (the "Stock Purchase Agreement"), and Investor Rights Agreement (the "Investor Rights Agreement"). In 2021, we amended the Gilead Collaboration Agreement (the "First Gilead Collaboration Agreement Amendment") and the Stock Purchase Agreement (the "First Stock Purchase Agreement Amendment"). In 2022, we amended the Investor Rights Agreement (the "First Investor Rights Agreement Amendment"). In 2023, we further amended the Gilead Collaboration Agreement (the "Second Gilead Collaboration Agreement Amendment") and the Stock Purchase Agreement (the "Second Stock Purchase Agreement Amendment"). In January 2024, we further amended the Gilead Collaboration Agreement (the "Third Gilead Collaboration Agreement Amendment"), amended and restated our stock purchase agreements (the "Third Stock Purchase Agreement Amendment") and amended and restated our investor rights agreement (the "Second Investor Rights Agreement Amendment"). We refer to these agreements collectively as the Gilead Agreements.

Stock Purchase and Investor Rights Agreements

In June 2023, under the Second Stock Purchase Agreement Amendment, Gilead purchased 1.0 million shares of our common stock for total gross proceeds of $ 20 million.

In January 2024, under the Third Stock Purchase Agreement Amendment, Gilead purchased 15.2 million shares of our common stock for total gross proceeds of $ 320 million, of which $ 87 million was determined to be a premium on the purchase of common stock and allocated to the performance obligations under the Third Gilead Collaboration Agreement Amendment, see Note 5, Revenues.

Gilead has the right, at its option until July 2025, to purchase up to a maximum of 35 % of the Company's then-outstanding voting common stock, at a purchase price equal to the greater of a 20 % premium to market (based on a trailing five-day average closing price at option exercise) or the $ 33.54 initial purchase price. Based on the value of our common stock at each contract closing, the right to purchase additional shares had no value. Under the Investor Rights Agreement entered into in 2020 and subsequently amended, Gilead has: the right to designate three members of our board of directors; registration rights for shares that it purchases; and pro rata participation rights in certain future financings. Gilead has exercised its rights to appoint all three board members and we have registered all shares purchased to date.

As of March 31, 2024, Gilead held approximately 33.1 % of our outstanding common stock arising from purchases in our May 2020 public offering and purchases under the Stock Purchase Agreement and the related amendments.

Collaboration Agreements

In 2020, we entered into the Gilead Collaboration Agreement, which gave Gilead an exclusive license to develop and commercialize zimberelimab (the anti PD-1 program) in certain markets and time-limited options to acquire exclusive licenses to develop and commercialize any of our then-current and future clinical programs arising during the 10-year collaboration term, contingent upon $ 100 million option continuation payments payable on each of the second, fourth, sixth and eighth anniversaries of the agreement. Upon closing of the transaction in July 2020, Gilead made an upfront payment of $ 175 million.

In 2021, we entered into the First Gilead Collaboration Agreement Amendment pursuant to which Gilead exercised its option to three programs —providing Gilead with exclusive licenses to develop and commercialize domvanalimab and AB308 (collectively, the anti-TIGIT program), etrumadenant (the adenosine receptor antagonist program) and quemliclustat (the CD73 program), in certain markets—for a total payment of $ 725 million that was received in 2022. The amendment also (i) provided for a slight reduction in the royalties for these three programs, such that Gilead will pay us tiered royalties as a percentage of revenues ranging from the mid-teens to the low twenties; and (ii) removed the $ 100 million option continuation payment that was otherwise due on the second anniversary of the Gilead Collaboration Agreement.

Gilead's option, on a program-by-program basis, will expire after a prescribed period following the achievement of a clinical development milestone in such program and our delivery to Gilead of the requisite data package. Gilead may exercise its option to any program at any time prior to expiration of the option and will pay Arcus an option fee of $ 150 million per program. With respect to domvanalimab, we are also eligible to receive up to $ 500 million in potential U.S. regulatory approval milestones.

For each program that Gilead opts in to, both companies will co-develop and equally share global development costs, subject to certain opt-out rights that we have, caps on our spending and related subsequent adjustments, and certain other exceptions. For each program, provided we have not exercised our opt-out rights, we have the option to co-promote in the U.S. with equal sharing of related profits and losses. Gilead has the right to exclusively commercialize outside of the U.S., subject to the rights of our existing partners in any territories and will pay us tiered royalties as a percentage of revenues ranging from the high teens to the low twenties.

Under the First Gilead Collaboration Agreement Amendment, Gilead also has option rights to two oncology research programs for which we will lead discovery and early development activities. With respect to these two research programs, Gilead has the right to exercise its option, on a program-by-program basis, either (i) upon our completion of certain IND-enabling activities for an option payment of $ 60 million or (ii) following the achievement of a clinical development milestone for an option payment of $ 150 million. These research programs were not determined to be performance obligations at contract inception, due to the very early stages of the programs.

In May 2023, we entered into the Second Gilead Collaboration Agreement Amendment pursuant to which we expanded our collaboration to provide Gilead with options to license up to four jointly selected research-stage programs that target inflammatory diseases for which we will lead discovery and early development activities. We will receive an upfront payment of $ 17.5 million for each initiated program and Gilead will have an option to license each program at two separate, prespecified time points. For the first two research programs, Gilead has the right to exercise its option, on a program-by-program basis, either (i) upon our completion of certain IND-enabling activities for an option payment of $ 45 million or (ii) following the achievement of a clinical development milestone for an option payment of $ 150 million. If Gilead exercises its option at the earlier time point for the first two programs, we would be eligible to receive up to $ 375 million in regulatory and commercial milestone payments as well as tiered royalties for each optioned program. For any other program option exercise by Gilead, the parties would have rights to co-develop and share global development costs and to co-commercialize and share profits in the U.S. for that program. We received a total upfront payment of $ 35 million for an initial two research programs in June 2023. For the other two research programs, Gilead's options expire unless the programs are selected prior to May 2024.

In January 2024, we entered into the Third Gilead Collaboration Agreement Amendment. The Third Gilead Collaboration Agreement Amendment, among other things, (i) requires Gilead to pay the $ 100 million option continuation payment due on the fourth anniversary of the Gilead Collaboration Agreement, (ii) provides that we will operationalize and fund a Phase 3 study we plan to initiate to evaluate quemliclustat in pancreatic cancer subject to Gilead's right to reinstate the study as part of the parties' joint development activities upon regulatory approval, (iii) provides that we will solely fund our share of PACIFIC-8, subject to Gilead's right to reinstate PACIFIC-8 as part of the parties' joint development activities for the TIGIT Program in the first quarter of 2026, and (iv) provides that we will fund certain other activities. All other terms of the existing collaboration agreements, remain unchanged.

As of March 31, 2024, Gilead has licenses to domvanalimab, AB308, etrumadenant, quemliclustat and zimberelimab.

For the three months ended March 31, 2024 and 2023, we recognized revenue under the Gilead Agreements of $ 141 million and $ 25 million, respectively, and net reimbursements from Gilead recognized as reductions in research and development ("R&D") expense of $ 16 million and $ 33 million, respectively.

For a more detailed discussion on revenues recognized under the Gilead Agreements, see Note 5, Revenues.

Note 4. License and collaborations

We enter into licensing agreements, strategic collaborations and other similar arrangements with third parties for the development and commercialization of certain investigational products. These arrangements may be collaborative and involve two or more parties who are active participants in the operating activities of the collaboration and are exposed to significant risks and rewards depending on the commercial success of the activities. These arrangements may include: non-refundable upfront payments; payments for options to acquire certain rights; potential development and regulatory milestone payments and/or sales-based milestone payments; royalty payments; revenue or profit-sharing arrangements; expense reimbursements; and cost-sharing arrangements.

Operating expenses for costs incurred pursuant to these arrangements are reported in their respective expense line items in the Condensed Consolidated Statements of Operations, net of any payments due to or reimbursements due from our collaboration partners, with such reimbursements being recognized at the time the party becomes obligated to pay.

Our significant arrangements are discussed below.

Gilead Collaboration

See Note 3, Related party - Gilead Sciences, Inc.

Taiho Collaboration

In 2017, we entered into an agreement with Taiho Pharmaceutical Co., Ltd ("Taiho") under which we granted them exclusive options to programs arising over a five-year period which ended in September 2022 for an upfront payment of $ 35 million. Upon an option exercise of a program, Taiho would obtain exclusive development and commercialization rights to investigational products under the program for the Taiho Territory.

For each option that Taiho exercises, they will be obligated to make a payment of $ 3 million to $ 15 million, depending on the development stage of the optioned program. Upon exercise, Taiho is solely responsible for continued development and commercialization in the Taiho Territory. In addition, for each optioned program we would be eligible to receive clinical and regulatory milestones of up to $ 130 million and commercial milestone payments of up to $ 145 million with the achievement of certain sales thresholds in the Taiho Territory. We will also receive royalties ranging from high single-digits to mid-teens on net sales of licensed products in the Taiho Territory. Royalties will be payable by product and country commencing on the first commercial sale and ending upon the later of: (a) 10 years; and (b) expiration of the last-to-expire valid claim of our patents covering the manufacture, use or sale.

As of March 31, 2024, Taiho has licenses for the Taiho Territory to (i) etrumadenant (the adenosine receptor antagonist program); (ii) zimberelimab (the anti PD-1 program); and (iii) domvanalimab and AB308 (the anti-TIGIT program).

During 2022, Taiho opted to participate in two global Phase 3 trials of domvanalimab and zimberelimab combinations, STAR-121 and STAR-221, and became obligated to make certain milestone payments contingent upon successfully satisfying the related clinical milestones. During the quarter ended September 30, 2023, the clinical milestones for domvanalimab and zimberelimab for the STAR-221 study were met and Taiho became obligated to pay us $ 28 million which was fully received as of March 31, 2024. In January 2024, the clinical milestones for domvanalimab and zimberelimab for the STAR-121 study were met and Taiho became obligated to pay us $ 26 million of which $ 16 million has been received as of March 31, 2024 with the remaining $ 10 million due in the first quarter of 2025.

For the three months ended March 31, 2024, we recognized revenue of $ 4 million under this arrangement. For a more detailed discussion on revenues see Note 5, Revenues. For the three months ended March 31, 2024, we recognized net reimbursements from Taiho as a reduction in R&D expense of $ 3 million.

At March 31, 2024 and December 31, 2023, we had $ 10 million and $ 14 million, respectively, recorded in Receivable from collaboration partners on our Condensed Consolidated Balance Sheets.

AstraZeneca Collaboration

In 2020, we entered into a collaboration with AstraZeneca to evaluate domvanalimab, our investigational anti-TIGIT antibody, in combination with AstraZeneca's durvalumab in a registrational Phase 3 clinical trial in patients with unresectable Stage 3 NSCLC, known as the PACIFIC-8 trial. The terms of this agreement were amended in January 2024. Under the collaboration, as amended, each company will retain existing rights to their respective molecules and any future commercial economics. AstraZeneca will conduct the trial, and each company will supply their respective investigational product to support the trial. We may incur milestones of up to $ 24 million upon the achievement of certain clinical trial progress milestones or under certain circumstances if the agreement is terminated early and we will reimburse AstraZeneca annually for a portion of the trial costs. The portion of the costs that we consider to be unavoidable are accrued as incurred and milestones that are deemed probable of occurring are accrued in advance of the achievement of the milestone.

For the three months ended March 31, 2024 and 2023, we recognized as R&D expense $ 3 million and $ 2 million, respectively under this arrangement. At March 31, 2024, we have recognized a liability of $ 2 million related to our obligation to AstraZeneca, which are recorded in Other current liabilities. At March 31, 2024 and December 31, 2023, we have recognized liabilities of $ 12 million and $ 11 million, respectively, related to our obligation to AstraZeneca which is recorded in Other noncurrent liabilities on our Condensed Consolidated Balance Sheets.

Prior to January 2024, the PACIFIC-8 trial formed part of the Arcus and Gilead joint development program for domvanalimab and our portion of the trial costs were shared with Gilead. At December 31, 2023, we had recognized amounts due from Gilead for these shared costs of $ 6 million, recorded in Other noncurrent assets on our Condensed Consolidated Balance Sheet. Under the Third Gilead Collaboration Agreement Amendment, we agreed to solely fund our share of PACIFIC-8, subject to Gilead's right to reinstate PACIFIC-8 as part of the parties' joint development activities for the TIGIT Program in the first quarter of 2026. For the three months ended March 31, 2024, we incurred $ 6 million of R&D expense reflecting our additional share of incurred costs.

WuXi Biologics License - anti-PD-1

In 2017, we entered into an agreement with WuXi Biologics Ireland Limited ("WuXi Biologics") which, as amended, provides us with exclusive rights to (i) develop, use and manufacture products that include an anti-PD-1 antibody, including zimberelimab, worldwide and (ii) commercialize any such products worldwide, except in Greater China. Under the agreement, as of March 31, 2024, we may incur (i) regulatory milestone payments of up to $ 50 million for zimberelimab, and commercialization milestone payments of up to $ 375 million, (ii) tiered royalties that range from the high single-digits to low teens on net sales of the licensed products and (iii) fees related to any sublicenses.

For the three months ended March 31, 2024 and 2023, we did not have any milestones or royalties due under this arrangement.

WuXi Biologics License - anti-CD39

In 2020, we entered into an agreement with WuXi Biologics, under which we obtained the exclusive worldwide license to develop and commercialize anti-CD39 antibodies discovered under the agreement. As of March 31, 2024, we may incur additional clinical and regulatory milestone payments of up to $ 14 million and royalty payments in the low single digits on net sales of the licensed products under this agreement.

For the three months ended March 31, 2023, we incurred development milestones of $ 1 million related to this arrangement, which were recognized as R&D expense.

Abmuno License

In 2016, we entered into an agreement (the "Abmuno Agreement") with Abmuno Therapeutics LLC ("Abmuno"), under which we obtained the exclusive worldwide license to develop, use, manufacture, and commercialize products that include an anti-TIGIT antibody, including domvanalimab. Under the agreement, as of March 31, 2024 we may incur additional clinical, regulatory and commercialization milestone payments of up to $ 88 million.

For the three months ended March 31, 2024 and 2023, we did not have any milestones due under this arrangement.

Exelixis Collaboration

In 2023, we entered into a clinical trial collaboration with Exelixis for STELLAR-009, a Phase 1b/2 trial to evaluate casdatifan, our investigational inhibitor of the transcription factor HIF-2α, in combination with Exelixis's zanzalintinib, a next-generation tyrosine kinase inhibitor, in patients with clear cell renal cell carcinoma ("ccRCC"). Under the collaboration, each company will retain existing rights to their respective molecules and any future commercial economics. Exelixis will conduct the STELLAR-009 trial, and each company will supply their respective investigational product to support the trial. We will reimburse Exelixis for a portion of the trial costs.

For the three months ended March 31, 2024, we recognized R&D expense of $ 1 million under this arrangement.

Note 5. Revenues

The following table summarizes our revenues by collaboration, category of revenue, and the method of recognition (in millions):

			Three Months Ended March 31,	
	Over time	Point in time	2024	2023
Gilead Collaboration				
License and R&D services	*		$ 133	$ 17
Access rights	*		8	8
Taiho Collaboration				
R&D services	*		4	—
Total revenues			$ 145	$ 25

Revenues from Gilead accounted for 97 % and 100 % of Total revenues for the three months ended March 31, 2024 and 2023, respectively.

The following table summarizes the revenue recognized as a result of changes in the deferred revenue balance (in millions):

	Three Months Ended March 31,	
	2024	2023
Revenue recognized from amounts in deferred revenue at the beginning of the period	$ 142	$ 25

At March 31, 2024 and December 31, 2023, we had $ 366 million and $ 398 million deferred revenue remaining on our Condensed Consolidated Balance Sheets, respectively, allocated between current and noncurrent based on the expected timing of future recognition. Deferred revenue at March 31, 2024 excludes the $ 100 million continuation payment that Gilead has committed to pay in the third quarter 2024 for continued access to our pipeline.

Revenue from the Gilead Collaboration

In 2021, we determined that the First Gilead Collaboration Agreement Amendment represented a contract modification which was accounted for as a termination of the existing contract and the creation of a new contract.

On January 29, 2024, we entered into the Third Gilead Collaboration Agreement Amendment, which we determined was a change in scope and price of the original contract and we accounted for this contract modification as both a modification of the existing contract and the creation of a new contract. Under the applicable accounting rules for such contract modifications, we did not adjust the accounting for completed performance obligations that were distinct from the modified goods or services. However, we were required to adjust revenue previously recognized to reflect the effect of the contract modification due to the updated estimated transaction price allocated to the partially satisfied performance obligations and the updated measure of progress as of the modification date. Accordingly, we allocated the transaction price to the remaining performance obligations (both from the existing contract and the modification) and recognized a cumulative catch-up to revenue of $ 107 million based on the updated transaction price and measure of progress for the partially satisfied performance obligations. This cumulative catch-up reduced net loss per share, basic and diluted, in the current quarter by $ 1.24 (see Note 3, Related party - Gilead Sciences, Inc.).

The following table summarizes the transaction price (in millions):

Transaction price	Amount
Premium from Third Stock Purchase Agreement Amendment	$ 87
Option continuation - payment due in the third quarter 2024	100
Deferred revenues as of January 29, 2024	335
Total transaction price	$ 522

Our assessment of the updated transaction price for the Third Gilead Collaboration Agreement Amendment included an analysis of amounts we expected to receive, which at contract amendment consisted of: the $ 100 million option continuation payment that Gilead has committed to pay in the third quarter 2024 for continued access to our pipeline; $ 87 million allocated from the premium from the Third Stock Purchase agreement; and $ 335 million deferred revenue remaining from the First Gilead Collaboration Agreement Amendment effective December 2021. We determined the entire $ 522 million to be the allocable transaction price as of the amendment closing date, due to the history of timely payments by Gilead.

The following table summarizes the allocation of the transaction price to the performance obligations (in millions):

Allocation to performance obligations	Distinct	Combined	Amount
Etrumadenant - License and R&D services		*	$ 210
Quemliclustat - License and R&D services		*	168
Domvanalimab - R&D services	*		33
Access rights	*		57
Option continuation periods	*		20
Rights to certain studies	*		34
Total allocated transaction price			$ 522

We accounted for each performance obligation as follows:

Etrumadenant - License and R&D Services

Under the Gilead Collaboration Agreement, Gilead obtained an option to the exclusive rights to our adenosine receptor program, etrumadenant, in exchange for an option payment of $ 250 million, if exercised. Effective December 2021, under the First Gilead Collaboration Agreement Amendment, Gilead exercised the option and obtained an exclusive license to etrumadenant and we were also obligated to perform further R&D services for Gilead related to etrumadenant. We determined that the license and R&D services were combined at inception of the agreement based on an evaluation of the delivery of the license, due to the early stage of the technology and the specialized nature of our know-how. We determined the standalone selling price of the license using a discounted cash flow method and the R&D services using an expected cost-plus margin approach. We recognize the amounts allocated to the combined license and services as the performance obligation is satisfied, calculated as an estimated percentage of completion based on management's estimated total effort for the program. Prior to the closing of the Third Gilead Collaboration Agreement Amendment, we had $ 129 million of deferred revenue on our Condensed Consolidated Balance Sheet related to this performance obligation.

Effective January 29, 2024, under the Third Gilead Collaboration Agreement Amendment, this performance obligation was partially satisfied and there were no changes to the scope of the related R&D service obligation as a result of the amendment. We allocated the updated transaction price to this performance obligation based on the standalone selling price and adjusted revenue based on an updated measure of progress, which resulted in a cumulative catch-up of revenue of $ 14 million.

We recognized revenue of $ 24 million (including the cumulative catch-up) and $ 8 million for the three months ended March 31, 2024 and 2023, respectively, within License and development services revenue in our Condensed Consolidated Statements of Operations related to this performance obligation. At March 31, 2024 and December 31, 2023, we had $ 189 million and $ 133 million, respectively, of deferred revenue remaining on our Condensed Consolidated Balance Sheets related to this performance obligation.

Quemliclustat - License and R&D Services

Under the Gilead Collaboration Agreement, Gilead obtained an option to the exclusive rights to our CD73 program, quemliclustat, in exchange for an option payment of $ 200 million, if exercised. Effective December 2021, under the First Gilead Collaboration Agreement Amendment, Gilead exercised the option and obtained an exclusive license to quemliclustat and we were also obligated to perform further R&D services for Gilead related to quemliclustat. We determined that the license and R&D services were combined at inception of the agreement based on an evaluation of the delivery of the license, due to the early stage of the technology and the specialized nature of our know-how. We determined the standalone selling price of the license using a discounted cash flow method and the R&D services using an expected cost-plus margin approach. We recognize the amounts allocated to the combined license and services as the performance obligation is satisfied, calculated as an estimated percentage of completion based on management's estimated total effort for the program. Prior to the closing of the Third Gilead Collaboration Agreement Amendment, we had $ 130 million of deferred revenue on our Condensed Consolidated Balance Sheet related to this performance obligation.

Effective January 29, 2024, under the Third Gilead Collaboration Agreement Amendment, this performance obligation was partially satisfied and there was a reduction to the scope of the related R&D service obligation as a result of the amendment. Specifically, the amendment provides that we will independently initiate, operationalize and fund a Phase 3 study to evaluate quemliclustat in pancreatic cancer, which reduces our estimated obligation to perform further R&D services for Gilead related to quemliclustat under the collaboration. We allocated the updated transaction price to this performance obligation based on the standalone selling price and adjusted revenue based on an updated measure of progress which resulted in cumulative catch-up of revenue of $ 88 million.

We recognized revenue of $ 100 million (including the cumulative catch-up) and $ 8 million for the three months ended March 31, 2024 and 2023, respectively, within License and development services revenue in our Condensed Consolidated Statements of Operations related to this performance obligation. At March 31, 2024 and December 31, 2023, we had $ 71 million and $ 132 million, respectively, of deferred revenue remaining on our Condensed Consolidated Balance Sheets related to this performance obligation.

Domvanalimab - R&D Services

Under the First Gilead Collaboration Agreement Amendment, we determined that we retain a separate performance obligation to perform further R&D services for Gilead related to domvanalimab. The standalone selling price of this obligation was determined using an expected cost-plus margin approach. We recognize the amounts allocated to these services as the performance obligation is satisfied, calculated as an estimated percentage of completion based on management's estimated total effort for the program. Prior to the closing of the Third Gilead Collaboration Agreement Amendment, we had $ 25 million of deferred revenue on our Condensed Consolidated Balance Sheet related to this performance obligation.

Effective January 29, 2024, under the Third Gilead Collaboration Agreement Amendment, this performance obligation was partially satisfied and there were no significant changes to the scope of this obligation as a result of the amendment. We allocated the updated transaction price to this performance obligation based on the standalone selling price and adjusted revenue based on an updated measure of progress which resulted in cumulative catch-up of revenue of $ 5 million.

We recognized revenue of $ 7 million (including the cumulative catch-up) and $ 1 million for the three months ended March 31, 2024 and 2023, respectively, within License and development services revenue in our Condensed Consolidated Statements of Operations related to this performance obligation. At March 31, 2024 and December 31, 2023, we had $ 27 million and $ 25 million, respectively, of deferred revenue remaining on our Condensed Consolidated Balance Sheets related to this performance obligation.

Access Rights and Option Continuation Periods

Under the First Gilead Collaboration Agreement Amendment, Gilead has exclusive access to our current programs as well as the future programs for a period of ten years , contingent upon option continuation payments totaling $ 300 million, consisting of a $ 100 million payment on each of the fourth, sixth, and eighth anniversaries of the Gilead Collaboration Agreement. Prior to the closing of the Third Gilead Collaboration Agreement Amendment, we had $ 51 million of deferred revenue on our Condensed Consolidated Balance Sheet related to these performance obligations.

Effective January 29, 2024, under the Third Gilead Collaboration Agreement Amendment, Gilead agreed to pay the $ 100 million option continuation payment due on the fourth anniversary of the Gilead Collaboration Agreement, which occurs in the third quarter of 2024, and we included this payment in the transaction price. By exercising this right Gilead’s exclusive access to our current programs as well as the future programs is extended to 2026. We determined that as of the closing date of January 29, 2024, Gilead is not obligated to make the remaining contingent payments totaling $ 200 million due on the sixth and eighth anniversaries of the Gilead Collaboration Agreement and accordingly, we have excluded these payments from the transaction price. Failure to pay the non-obligatory option continuation payments will result in Gilead’s loss of certain rights to access and obtain licenses to the programs arising from our R&D pipeline.

The standalone selling price of the ongoing R&D pipeline access and the option continuation material rights were determined using an expected cost-plus margin approach, with the option continuation material rights probability-adjusted for the likelihood of exercise. We use a time-elapsed input method to measure progress toward satisfying the access rights performance obligation, which is the method we believe most faithfully depicts the Company's performance in transferring the promised services during the time period in which Gilead has access to our R&D pipeline. Accordingly, the revenue allocated to the initial four-year access rights performance obligation is being recognized using this input method over the remaining period through July 2024, and for the access rights continuation, over the two-year period commencing July 2024. For the remaining access rights option continuation periods commencing on the sixth, and eighth anniversaries of the agreement, if Gilead elects to exercise their option, we will recognize the revenue allocated to that option together with the $ 100 million continuation payment over the new minimum access period or immediately if the option lapses.

We recognized as revenue of $ 8 million and $ 8 million associated with the access rights performance obligation for each of the three months ended March 31, 2024 and 2023, within Other collaboration revenue in our Condensed Consolidated Statements of Operations related to these performance obligations. At March 31, 2024 and December 31, 2023, we had $ 71 million and $ 54 million, respectively, of deferred revenue on our Condensed Consolidated Balance Sheets related to these performance obligations.

Rights to Certain Studies

Effective January 29, 2024, under the Third Gilead Collaboration Agreement Amendment, we will solely fund, certain studies, but Gilead retains exclusive rights to reinstate into the collaboration each study at specified time-points for a payment. We have determined that these are material rights and we estimated the standalone selling price of these rights using a discounted cash flow method probability-adjusted for the likelihood of exercise. We will recognize the amount allocated to each right if and when the related study is reinstated into the parties' co-development plans or if the option lapses.

At March 31, 2024, we had $ 34 million of deferred revenue remaining on our Condensed Consolidated Balance Sheet related to these performance obligations.

Inflammation Programs - R&D Services

In addition to the amendments noted above, in May 2023, we entered into the Second Gilead Collaboration Agreement Amendment pursuant to which we expanded our collaboration to provide Gilead with options to license up to four jointly selected research-stage programs that target inflammatory diseases for which we will lead discovery and early development activities (see Note 3, Related party - Gilead Sciences, Inc., for more information). In June 2023, we received a total upfront payment of $ 35 million for an initial two jointly selected research-stage programs. We determined that the Second Gilead Collaboration Agreement Amendment represented a separate contract and, at the amendment closing date, we allocated the transaction price of $ 35 million to the performance obligations created as of the date of this amendment.

The following table summarizes the allocation of the transaction price to the distinct performance obligations (in millions):

Allocation to performance obligations	Distinct	Amount
Inflammation target 1 - R&D services	*	$ 18
Inflammation target 2 - R&D services	*	17
Total allocated transaction price		$ 35

We determined that we have separate performance obligations to perform R&D services for Gilead related to discovery and early development activities for each research program for which they have made an upfront payment. The standalone selling price of these obligations were determined using an expected cost-plus margin approach. We recognize the amounts allocated to these services as the performance obligation is satisfied, calculated as an estimated percentage of completion based on management's estimated total effort for the program. The options to acquire additional licenses or services did not result in additional performance obligations because they did not provide a material right at contract inception, primarily due to the very early stages of the programs.

We recognized revenue of $ 2 million for the three months ended March 31, 2024, within Other collaboration revenue in our Condensed Consolidated Statements of Operations. At March 31, 2024 and December 31, 2023, we had $ 29 million and $ 31 million, respectively, of deferred revenue remaining on our Condensed Consolidated Balance Sheets related to these performance obligations.

Revenue from the Taiho Collaboration

Domvanalimab and Zimberelimab - R&D Services

During 2022, Taiho opted to participate in two global Phase 3 trials of domvanalimab and zimberelimab combinations, STAR-121 and STAR-221, and became obligated to make certain milestone payments contingent upon successfully satisfying the related clinical milestones. During the quarter ended September 30, 2023, the clinical milestones for domvanalimab and zimberelimab for the STAR-221 study were met and Taiho became obligated to pay us $ 28 million which was fully received as of March 31, 2024. In January 2024, the clinical milestones for domvanalimab and zimberelimab for the STAR-121 study were met and Taiho became obligated to pay us $ 26 million of which $ 16 million has been received as of March 31, 2024 with the remaining $ 10 million due in the first quarter of 2025.

We determined that we have separate performance obligations to perform R&D services for Taiho related to the global development activities for each study in support of the Taiho Territory and that the agreement for each study represented a separate contract at standalone selling price. The standalone selling price of these obligations were

determined using an expected cost-plus margin approach. We recognize the amounts for these services as each performance obligation is satisfied, calculated as an estimated percentage of completion based on the estimated total effort for the programs.

We recognized revenue of $ 4 million for the three months ended March 31, 2024 within License and development services revenue in our Condensed Consolidated Statements of Operations related to these performance obligations. At March 31, 2024 and December 31, 2023, we had $ 45 million and $ 23 million, respectively, of deferred revenue remaining on our Condensed Consolidated Balance Sheets related to these performance obligations, allocated between current and noncurrent based on the expected timing of future recognition.

Capitalized Costs to Obtain Contracts

We incurred $ 8 million of costs to obtain the Third Gilead Collaboration Agreement Amendment, Third Stock Purchase Agreement Amendment and the Second Investor Rights Agreement Amendment, which consisted of consultant fees that were payable upon the successful completion of the agreements. We determined that $ 5 million of these costs were related to the Third Stock Purchase Agreement Amendment which were recognized as offering costs in additional paid-in capital. The remaining costs were combined with $ 3 million in capitalized costs that remained from the initial Gilead Collaboration Agreement and subsequent amendments, and the total was allocated to the various remaining performance obligations, to be recognized as the underlying performance obligations are satisfied and revenue is recognized.

For the three months ended March 31, 2024, we recognized $ 2 million of expense related to these capitalized costs in General and administrative ("G&A") expense, primarily due to the related cumulative catch-up of revenue. For the three months ended March 31, 2023, the recognized expense was not significant. At March 31, 2024 and December 31, 2023, we had $ 4 million and $ 3 million, respectively in capitalized costs to obtain the contracts, allocated between Prepaid expenses and other current assets and Other noncurrent assets in our Condensed Consolidated Balance Sheets based on the expected timing of future recognition.

Note 6. Income taxes

The income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into consideration in the relevant period. Each quarter, we update the estimate of the annual effective tax rate, and if the estimated tax rate changes, we record a cumulative adjustment to the provision or benefit.

We did not record a provision for income taxes for the three months ended March 31, 2024 because of a forecasted full year net operating loss. The income tax expense was $ 2 million for the three months ended March 31, 2023, with an effective tax rate of (2.3 %). The year-over-year decrease in the income tax provision was due to a decrease in taxable income. For the year ended December 31, 2023, we had taxable income compared to book losses before income taxes due to the timing of recognition of deferred revenue for tax purposes and the effects of the mandatory capitalization and amortization of R&D expenses starting in 2022, as required by the 2017 Tax Cuts and Jobs Act. The effective tax rate differs from the U.S. statutory tax rate primarily due to the valuation allowances on our deferred tax assets and state income taxes.

As of March 31, 2024 and December 31, 2023, we have provided a valuation allowance against U.S. federal and state deferred tax assets. We continue to evaluate the realizability of deferred tax assets and the related valuation allowance. If our assessment of the deferred tax assets or the corresponding valuation allowance were to change, we would record the related adjustment to income during the period in which we make the determination.

We recognize interest and penalties associated with uncertain tax benefits as part of the income tax provision. To date, we have not recognized any interest and penalties, nor have we accrued for or made payments for interest and penalties.

We have not been audited by the Internal Revenue Service, any state or foreign tax authority. We are subject to taxation in the U.S. and in Australia. Due to net operating loss and research credit carryforwards, all of our tax years, from 2015 to 2023, remain open to U.S. federal and California state tax examinations. In addition, our fiscal years from 2019 to 2023 are open to examination in Australia.

Note 7. Net loss per share

The following table summarizes potentially dilutive securities excluded from the computation of diluted net loss per share calculations because they would have been antidilutive (in millions):

	March 31, 2024	March 31, 2023
Common stock options issued and outstanding	15.3	14.0
Restricted stock units issued	3.1	2.1
Employee Stock Purchase Plan shares	0.3	0.2
Total potential dilutive securities	18.7	16.3

We have also excluded the effect of Gilead's right to purchase additional shares of our common stock from the calculation as these rights had no intrinsic value at either March 31, 2024 or 2023.

Note 8. Stock-based compensation

Stock-based compensation expense

The following table reflects the components of stock-based compensation expense recognized in our Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended March 31,	
	2024	2023
Research and development	$ 10	$ 9
General and administrative	10	10
Total stock-based compensation	$ 20	$ 19

Note 9. Cash, cash equivalents and marketable securities

The following table summarizes the amortized cost, gross unrealized gains and losses and the fair value of our cash, cash equivalents and marketable securities, all of which are considered available for sale, by type of securities (in millions):

Types of securities as of March 31, 2024	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Money market funds	$ 120	$ —	$ —	$ 120
U.S. treasury securities	321	—	(1)	320
Corporate securities and commercial paper	601	—	—	601
U.S. government agency securities	43	—	—	43
Certificate of deposit	11	—	—	11
Total cash, cash equivalents and marketable securities	$ 1,096	$ —	$ (1)	$ 1,095

Types of securities as of December 31, 2023	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Money market funds	$ 85	$ —	$ —	$ 85
U.S. treasury securities	213	1	(1)	213
Corporate securities and commercial paper	471	—	—	471
U.S. government agency securities	90	—	—	90
Certificate of deposit	7	—	—	7
Total cash, cash equivalents and marketable securities	$ 866	$ 1	$ (1)	$ 866

The following table summarizes the fair values of our cash, cash equivalents and marketable securities by location in the Condensed Consolidated Balance Sheets and contractual maturity (in millions):

Location in Condensed Consolidated Balance Sheets	Contractual Maturity	March 31, 2024	December 31, 2023
Cash and cash equivalents	—	$ 185	$ 127
Marketable securities	Within one year	810	632
Long-term marketable securities	Between one and three years	100	107
Total cash, cash equivalents and marketable securities		$ 1,095	$ 866

Realized gains or losses recognized on the sale of available-for-sale marketable securities were not material for the three months ended March 31, 2024 and 2023. Realized gains and losses are included in Interest and other income, net, in the Condensed Consolidated Statements of Operations. The cost of a security sold is determined using the specific-identification method.

We limit the credit risk associated with our investments by placing them with banks and institutions we believe are highly credit worthy and investing in highly rated investments. We held a total of 113 and 105 positions in securities which were in unrealized loss positions as of March 31, 2024 and December 31, 2023, respectively. We do not intend to sell our securities with unrealized loss positions and have concluded we will not be required to sell the securities before recovery of the amortized cost for the investment at maturity. No credit related losses have been recognized for any of the periods presented.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets to the total shown in the Condensed Consolidated Statements of Cash Flows (in millions):

	As of March 31,	
	2024	2023
Cash and cash equivalents	$ 185	$ 238
Restricted cash (included in Other noncurrent assets)	3	3
Total cash, cash equivalents and restricted cash	$ 188	$ 241

Restricted cash at March 31, 2024 and 2023 represents cash balances held as security in connection with our facility lease agreements.

Note 10. Condensed consolidated balance sheet components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in millions):

	March 31, 2024	December 31, 2023
Prepaid expenses and other assets	$ 29	$ 30
Accrued interest receivable	5	4
Total prepaid expenses and other current assets	$ 34	$ 34

Other Current Liabilities

Other current liabilities consisted of the following (in millions):

	March 31, 2024	December 31, 2023
Accrued research and development	$ 37	$ 36
Accrued personnel expenses	15	26
Current portion of lease liabilities	11	11
Other	1	3
Total other current liabilities	$ 64	$ 76

Note 11. Leases

The following table summarizes our cash and non-cash information related to our operating leases (in millions):

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in measurement of lease liabilities	$ 4	$ 4
Recognition of tenant improvement allowance receivable included in Other current liabilities	$ —	$ 4

In the first quarter of 2024, we evaluated our plans for a portion of our office space that we expect to sublease, and identified indicators of impairment to certain right-of-use assets associated with the leased space where the asset value was determined to be non-recoverable based upon a discounted cash flow analysis, resulting in an impairment charge of $ 20 million for the three months ended March 31, 2024.

As of March 31, 2024 and December 31, 2023, we have provided deposits for letters of credit totaling $ 3 million to secure our obligations under our leases, which are included in Other noncurrent assets on the Condensed Consolidated Balance Sheets.

Note 12. Stockholders' equity

Common Stock

Gilead Stock Purchase Agreement

On January 29, 2024, under the Third Stock Purchase Agreement Amendment, Gilead purchased 15.2 million shares of our common stock at a price of $ 21.00 per share for total gross proceeds of $ 320 million. Of the $ 320 million equity investment, $ 87 million was determined to be a premium on the purchase of common stock and allocated to the performance obligations created by the Third Gilead Collaboration Agreement Amendment, see Note 5, Revenues. Net proceeds from Gilead's equity investment were $ 228 million after allocating the premium and deducting direct offering expenses of $ 5 million .

Note 13. Fair value measurements

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy, which establishes three levels of inputs that may be used to measure fair value, as follows:

- Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability; and
- Level 3 inputs include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Our Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables summarize the types of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy (in millions):

Fair value measurement as of March 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 120	$ —	$ —	$ 120
U.S. treasury securities	—	320	—	320
Corporate securities and commercial paper	—	601	—	601
U.S. government agency obligations	—	43	—	43
Certificate of deposit	—	11	—	11
Total assets measured at fair value	$ 120	$ 975	$ —	$ 1,095
Liabilities				
Liability for sale of future royalties	$ —	$ —	$ 20	$ 20
Total liabilities measured at fair value	$ —	$ —	$ 20	$ 20

Fair value measurement as of December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 85	$ —	$ —	$ 85
U.S. treasury securities	—	213	—	213
Corporate securities and commercial paper	—	471	—	471
U.S. government agency obligations	—	90	—	90
Certificate of deposit	—	7	—	7
Total assets measured at fair value	$ 85	$ 781	$ —	$ 866
Liabilities				
Liability for sale of future royalties	$ —	$ —	$ 19	$ 19
Total liabilities measured at fair value	$ —	$ —	$ 19	$ 19

Liability for sale of future royalties

In 2021, we entered into an agreement with BVF Partners L.P. ("BVF"), under which BVF funded the discovery and development of compounds for the treatment of inflammatory diseases (the "BVF Program") for $ 15 million in non-refundable payments which were paid in 2021 and 2022. In return, we are obligated to: perform R&D activities in the BVF Program; make contingent payments upon the achievement of certain clinical and regulatory milestones of up to $ 73 million or $ 160 million depending on whether the BVF Program is solely developed by us or with Gilead if they opt-in under the Gilead Collaboration Agreement; and pay mid- to high-single digit royalties on any net product sales generated by the BVF Program.

We account for the BVF agreement as a liability primarily because we have significant continuing involvement in generating the cash flows due to BVF. The liability is recorded at fair value by using probability-adjusted discounted cash flows and is revalued each reporting period until the related contingencies have been resolved. The fair value measurement is based on significant unobservable inputs that are reviewed quarterly by management and include, as applicable, estimated probabilities and the timing of achieving specified development, regulatory and commercial milestones as well as estimated annual sales. Significant changes that increase or decrease the probabilities of achieving the related development, regulatory and commercial events or that shorten or lengthen the time required to achieve such events or that increase or decrease estimated annual sales would result in corresponding increases or decreases in the fair values of the obligations, as applicable. Changes in the fair value of this liability related to interest accretion are recognized in Non-operating income (expense) in the Condensed Consolidated Statements of Operations.

During the second quarter of 2023, new preclinical information from our BVF Program led to revised assumptions which decreased the estimated probabilities of success and delayed the projected timing of achieving specified development, regulatory and commercial milestones and commercial sales. These changes in estimates are accounted for prospectively and resulted in a decrease in the imputed effective interest rate on the unamortized portion of the liability to 10.1 % commencing with the quarter ended June 30, 2023, compared to 20.6 % for the quarters ended March 31, 2023 and prior. The impact of this change on the non-cash interest expense for the three months ended March 31, 2024 was not material when compared to the prior year period. The liability for sale of future royalties is reported in Other noncurrent liabilities in the Condensed Consolidated Balance Sheets and changes were as follows (in millions):

	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 19	$ 17
Interest accretion	1	1
Ending balance	$ 20	$ 18

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited Condensed Consolidated Financial Statements and related notes in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited Consolidated Financial Statements and related notes thereto for the year ended December 31, 2023, included in our Annual Report on Form 10-K filed with the SEC on February 21, 2024. This discussion and other parts of this report contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations, and intentions. Further, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Our actual results could differ materially from those discussed in these forward-looking and other statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section of this report titled "Risk Factors."

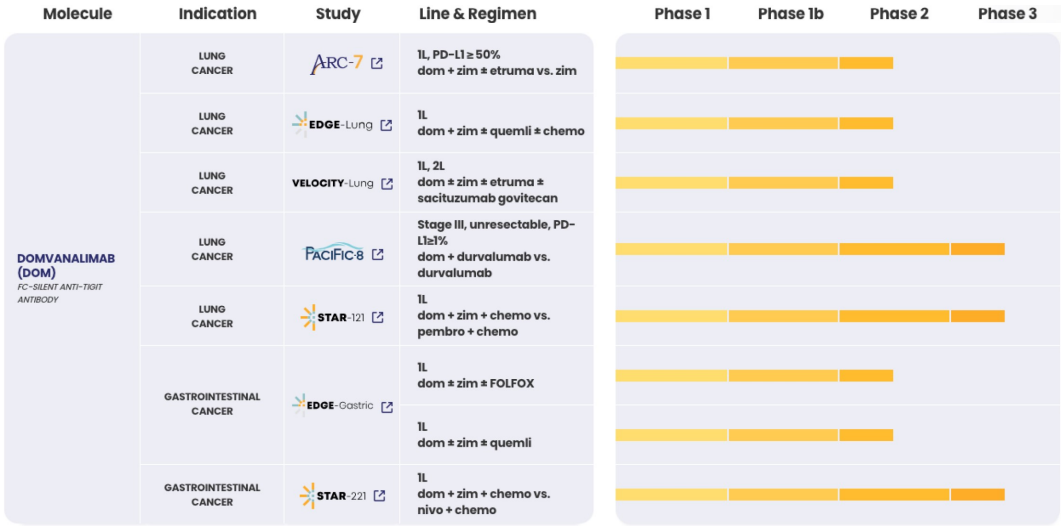
Overview

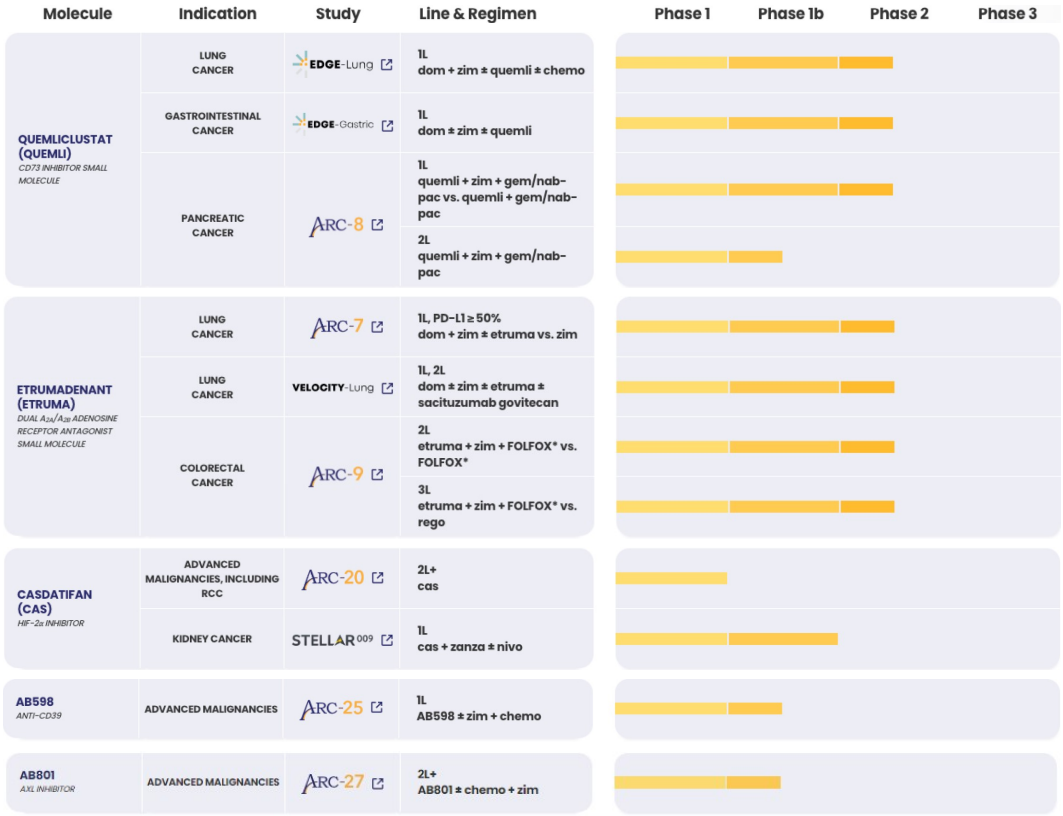
We are a clinical-stage biopharmaceutical company focused on creating best-in-class therapies. Using our robust and highly efficient drug discovery capability, we have created a significant portfolio of investigational products which are in clinical development, with our most advanced molecule, an anti-TIGIT antibody, now in multiple Phase 3 registrational studies targeting lung and gastrointestinal cancers. Our deep portfolio of novel small molecules and enabling antibodies allows us to create highly differentiated therapies, which we are developing to treat multiple large indications. We expect our clinical-stage portfolio to continue to expand and to include molecules targeting immuno-oncology, cancer cell-intrinsic and immunological pathways. Our vision is to create, develop and commercialize highly differentiated therapies that have a meaningful impact on patients.

Our Clinical Product Portfolio

We currently have multiple clinical programs focused on unique targets including TIGIT, PD-1, adenosine A2a and A2b receptors, CD73, CD39, HIF-2α, and AXL. In 2020, we entered into the Gilead Collaboration Agreement with Gilead to strategically advance our portfolio through a collaborative relationship. The Gilead Collaboration Agreement provides Gilead with an exclusive license to our anti-PD-1 program (including zimberelimab) and time-limited exclusive option rights to our clinical programs, which they have exercised for our anti-TIGIT program (including domvanalimab), adenosine receptor antagonist program (including etrumadenant) and CD73 program (including quemliclustat). For all such optioned programs, we are co-developing investigational products with Gilead.

The following chart summarizes our current clinical pipeline:





cas: casdatifan; chemo: chemotherapy; dom: domvanalimab; etruma: etrumadenant; gem/nab-pac: gemcitabine/nab-paclitaxel; nivo: nivolumab; pembro: pembrolizumab; quemli: quemliclustat; RCC: renal cell carcinoma; rego: regorafenib; zanza: zanzalintinib; zim: zimberelimab

*+/- biologic, e.g. bevacizumab or biosimilar, will be included for all patients in whom it is not contraindicated.

Significant Developments

The following is a summary of the recent significant developments affecting our business:

Corporate Developments

- In January 2024, we amended the Stock Purchase Agreement with Gilead, pursuant to which Gilead made an equity investment of $320 million through the purchase of our common stock at $21.00 per share.
- In January 2024, concurrent with the $320 million Gilead investment, we amended the Investor Rights Agreement to, among other things, increase the number of individuals that Gilead may designate to be appointed to our board of directors to three.

TIGIT Program

- We will be presenting updated data, including median progression-free survival (PFS), from EDGE-Gastric evaluating domvanalimab plus zimberelimab and chemotherapy in upper gastrointestinal cancers at the 2024 American Society of Clinical Oncology (ASCO) Annual Meeting.

Adenosine-Axis Programs

- In January 2024, we announced overall survival ("OS") data from ARC-8, our Phase 1b study in metastatic pancreatic cancer. In the announcement, we disclosed that, as of June 19, 2023 (the data cutoff for the analysis), the median OS was 15.7 months for all patients treated with 100 mg quemliclustat-based regimens. Further, we announced that, in a post-hoc analysis of the data, patients treated with quemliclustat-based regimens showed a 37% reduction in risk of death and a 5.9-month improvement in median OS when compared to a Synthetic Control Arm of patients treated with chemotherapy alone.
- Our abstract for ARC-9, evaluating an etrumadenant-based regimen in third-line metastatic colorectal cancer, was accepted for an oral presentation at the 2024 ASCO Annual Meeting. The data presented will include OS and PFS data.

HIF-2α Program

- As of April 2024, we had completed enrollment and the dose-limiting toxicity's ("DLT") observation period of the casdatifan 20mg, 50mg, 100mg and 150mg daily dose escalation cohorts of ARC-20 with no DLT observed.
- As of April 2024, we had completed enrollment of the 100mg daily (n=30) and the 50mg daily (n=30) casdatifan expansion cohorts. We have also initiated enrollment of the 150mg daily (n=30) casdatifan expansion cohort in ccRCC. The 50mg and 150mg expansion cohort data will be used to satisfy U.S. Food and Drug Administration ("FDA") requirements related to dose optimization.

Components of Operating Results

Revenues

We have not generated any revenue from product sales and do not expect to generate any revenue from product sales for the foreseeable future. All revenue recognized to date has been through research, collaboration and license arrangements with strategic partners.

License and Development Services Revenue

Our license and development services revenue consists of amounts recognized from the portions of the nonrefundable upfront and milestone payments received from Gilead and Taiho and allocated to performance obligations for licenses or R&D activities performed by us as we develop our investigational products under the terms of our collaboration agreements. License and development services revenues are recognized based upon the timing of the delivery of a license or service if delivery is complete, or based on estimates of each performance obligation's percentage of completion at the period end if it is still in process. We calculate percentage of completion as a ratio of effort incurred to date on each performance obligation to the total estimated effort to be incurred to satisfy that performance obligation.

Other Collaboration Revenue

Other collaboration revenue consists primarily of amounts recognized from the portions of the nonrefundable upfront payments received from Gilead and allocated to performance obligations relating to their access to our investigational pipeline or our obligation to perform certain discovery and early development activities. Revenue related to access rights is recognized over the period of access, and revenue related to discovery and early development activities is recognized as the performance obligation is satisfied.

Operating Expenses

Research and Development Expenses

Our R&D expenses consist of expenses incurred in connection with the R&D of our pipeline programs. These expenses include preclinical and clinical expenses, payroll and personnel expenses, including stock-based compensation for our employees, laboratory supplies, product licenses, consulting costs, contract research, and depreciation. Shared facility expenses are allocated to functional groups proportionally based on usage. Under certain collaboration agreements we agree to share R&D expenses with our partners. Such cost sharing arrangements may result in receiving reimbursement from our partners or require that we reimburse our partners for qualified expenses. We expense both internal and external R&D costs as they are incurred. We record advance payments for services that will be used or rendered for future R&D activities as prepaid expenses and recognize them as an expense as the related services are performed. We recognize reimbursement for shared costs incurred by us and reimbursed by our partners as a reduction in R&D expense.

We do not allocate our costs by investigational product, as a significant amount of R&D expenses include internal costs, such as payroll and other personnel expenses, and certain external costs that are not recorded at the investigational product level. In particular, with respect to internal costs, several of our departments support multiple R&D programs, and we do not allocate those costs by investigational product.

The level of our future R&D investment will depend on a number of factors and uncertainties, including the breadth of the joint development program agreed to with Gilead for the optioned programs, the outcome of our efforts, and the amount of cost reimbursements or milestone payments we receive from our collaborators. We expect our R&D expenses to increase substantially during the next few years as we pursue joint development programs with Gilead and advance these programs towards regulatory approval. We also expect to advance new programs into the clinic. All of this will require significant growth in our development capabilities and infrastructure. In addition, our joint development programs with Gilead for the optioned molecules are anticipated to include a significant number of later-stage clinical trials, which typically include a larger number of subjects, are of a longer duration and include more geographic regions. As we advance our clinical-stage programs and prepare to seek regulatory approval, we will also need to increase our late-stage manufacturing activities. As a result, we expect our preclinical, clinical, and contract manufacturing expenses to increase significantly relative to what we have incurred to date.

In addition, under our arrangements with WuXi Biologics, Abmuno, AstraZeneca and BVF, we may incur additional clinical and regulatory milestone payments based on the development progress of our investigational products. We may also be required to pay royalties in the event of a successful product launch and our receipt of commercial revenues. Therefore, we are unable to predict the timing or the final cost to complete our clinical programs or validation of our manufacturing and supply processes and delays may occur due to numerous factors. Factors that could cause or contribute to delays or additional costs include, but are not limited to, those discussed in “Item 1A. Risk Factors” of the Quarterly Report.

General and Administrative Expenses

G&A expenses consist principally of personnel-related costs including payroll and stock-based compensation for personnel in executive, finance, human resources, information technology, business and corporate development, and other administrative functions. Shared facility expenses are allocated to functional groups proportionally based on usage. Our G&A expenses also include professional fees for legal, consulting, and accounting services, rent and other facilities costs, fixed asset depreciation, and other general operating expenses not otherwise classified as R&D expenses. We do not receive significant reimbursements of these costs through our collaboration with Gilead.

We anticipate that our G&A expenses will increase during the next few years as we support our growing R&D activities, including due to staff expansion, and other costs associated with increased infrastructure needs.

Impairment of Long-Lived Assets

Impairment charges consist of impairment of right-of-use assets resulting from updated plans for a portion of our office space.

Non-Operating Income, net

Non-operating income, net consists primarily of interest earned on our investments in fixed-income marketable securities and non-cash interest expense incurred under the effective interest method on our liability for sale of future royalties to BVF.

Results of Operations

The following table summarizes our results of operations (in millions):

	Three Months Ended March 31,		Change
	2024	2023	
Revenues:			
License and development services revenue	$ 135	$ 17	*
Other collaboration revenue	10	8	25 %
Total revenues	145	25	*
Operating expenses:			
Research and development	109	81	35 %
General and administrative	32	30	7 %
Impairment of long-lived assets	20	—	*
Total operating expenses	161	111	45 %
Loss from operations	(16)	(86)	(81 %)
Non-operating income, net	12	8	50 %
Loss before income taxes	(4)	(78)	(95 %)
Income tax expense	—	(2)	(100 %)
Net loss	$ (4)	$ (80)	(95 %)

* Not meaningful

Total Revenues

The increase in Total revenues for the three months ended March 31, 2024 was primarily driven by: increased revenues from license and development services due to a cumulative catch-up to revenue of $107 million as a result of the Third Gilead Collaboration Agreement Amendment based on the updated transaction price and measure of progress for the partially satisfied performance obligations; and increased R&D services under our Taiho and Gilead collaborations.

See Note 5, Revenues to our Condensed Consolidated Financial Statements in Part I, Item 1 of this report for further discussion of the amount and timing of revenues recognized from our license and collaboration agreements.

Research and Development Expenses

We group all of our R&D activities and the related expenditures into categories as described below:

		Included as of March 31, 2024	
Category	**Description**	**Program Level Expenses**	**Key Clinical Trials**
Late-stage development programs	R&D expenses incurred related to a Phase 3 clinical program. This includes all unallocated program-level expense not directly attributable to a specific clinical trial once a molecule enters into one or more Phase 3 clinical trials.	domvanalimab zimberelimab	PACIFIC-8 STAR-121 STAR-221 ARC-10*
Early-stage development and preclinical programs	R&D expenses incurred for activities ranging from early-stage development and preclinical to Phase 2 clinical trials. This includes all unallocated program-level expense not directly attributable to a specific clinical trial unless the related program has entered into one or more Phase 3 clinical trials.	quemliclustat etrumadenant casdatifan AB598 AB801	ARC-7 ARC-8 ARC-9 ARC-20 ARC-25 ARC-26 ARC-27 EDGE-Lung EDGE-Gastric STELLAR[009] VELOCITY-Lung
Compensation and personnel costs	Internal costs, such as salaries, non-cash stock-based compensation, and other personnel expenses for our R&D employees that are not allocated to specific programs or trials.	—	—
Other costs	Facilities, depreciation, and other external costs that are not recorded at the investigational product level.	—	—
Partnership reimbursements	Reimbursements from our collaboration partners for shared costs incurred by us and recognized as a reduction in R&D expense.	—	—

* Discontinuing further enrollment in the study

The following table summarizes our R&D expenses by category (in millions):

Category	**Three Months Ended March 31, 2024**	**Change**	**Three Months Ended March 31, 2023**
Late-stage development programs	$ 63	66 %	$ 38
Early-stage development and preclinical programs	25	(24) %	33
Compensation and personnel costs	45	13 %	40
Other costs	13	8 %	12
Partnership reimbursements	(37)	(12) %	(42)
Total research and development	$ 109	35 %	$ 81

The increase in R&D expenses for the three months ended March 31, 2024 as compared to 2023 was primarily driven by higher costs to support our expanding late-stage development program activities, driven by higher enrollment in our Phase 3 studies, and the timing of manufacturing activities. Our growing headcount drove an increase in compensation and personnel costs, including a $1 million increase in non-cash stock-based compensation. The overall increase was partially offset by reduced spend in our early-stage development and preclinical program activities due to fewer Phase 2 studies and lower clinical manufacturing costs due to the timing of manufacturing activities.

For the three months ended March 31, 2024 and 2023, we recognized reimbursements for shared expenses from our collaborations of $37 million and $42 million, respectively. The decrease in gross reimbursements was primarily driven by additional expense for our full share of costs related to PACIFIC-8 as a result of our Third Gilead Collaboration Agreement Amendment.

R&D expense by quarter may fluctuate due to the timing of clinical manufacturing and standard-of-care therapeutic purchases with a corresponding impact on reimbursements.

General and Administrative Expenses

The increase in G&A expenses for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, was primarily driven by increased compensation related to higher headcount and our 2024 stock awards, and costs to obtain the Third Gilead Agreement Amendment.

Impairment of Long-Lived Assets

The increase in impairment expense was due to our 2024 evaluation of a portion of our office space that we expect to sublease, resulting in an impairment charge of $20 million for the three months ended March 31, 2024, compared to no similar impairment in the prior quarter.

Non-Operating Income, net

The increase in Non-operating income, net for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, was primarily due to higher interest income resulting from increased investment yields as compared to the prior year.

Income Tax Expense

The decrease in Income tax expense for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023, was primarily due to taxable income in the prior year.

Liquidity and Capital Resources

Our cash and investments are held in a variety of interest-bearing instruments, including money market funds, U.S. government treasury and agency obligations, investments in corporate securities and certificates of deposit. Based on our existing business plan, we believe that our cash, cash equivalents, and marketable securities as of March 31, 2024, will be sufficient to fund our planned level of operations into 2027.

Sources of Liquidity

To date, we have financed our operations primarily from the sale of our equity securities and upfront or milestone payments from our research, collaboration and license agreements with our strategic partners including Gilead. We will need substantial additional funding to support our continuing operations and pursue our development strategy. Until such time that we can generate significant revenue from sales of our investigational products, if ever, we expect to finance our operations through the sale of equity, debt financings or other capital sources, including existing or potential collaborations with other companies or other strategic transactions. See “Item 1A. Risk Factors” for a discussion of the factors that could impact our liquidity.

Under the Stock Purchase Agreement, Gilead has the right, at its option, to purchase additional shares from us, up to a maximum ownership of 35% of our then-outstanding voting common stock, from time to time until July 2025. In 2024, we further amended and restated the Stock Purchase Agreement and sold 15.2 million shares of our common stock to Gilead at a purchase price of $21.00 per share for total gross proceeds of $320 million of which $87 million was allocated to the performance obligations under the Third Gilead Collaboration Agreement Amendment. As of March 31, 2024, Gilead held approximately 33.1% of our outstanding common stock arising from purchases in our May 2020 public offering and purchases under the Stock Purchase Agreement and the related amendments.

In 2023, we entered into an equity distribution agreement pursuant to which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to $200 million. During the three months ended March 31, 2024, there were no sales of our common stock under the equity distribution agreement.

Cash Flows

The following table summarizes our cash flow activities for each of the periods presented below (in millions):

	Three Months Ended March 31,	
Net cash provided by (used in):	**2024**	**2023**
Operating activities	$ (2)	$ (98)
Investing activities	$ (169)	$ 129
Financing activities	$ 229	$ 1

Operating Activities

Net cash used in operating activities was $2 million for the three months ended March 31, 2024 compared to $98 million for the same period in the prior year. The change in operating cash flows is primarily due to the receipt of $87 million from Gilead under the Third Gilead Collaboration Agreement Amendment that was allocated to revenue and the receipt of $30 million from Taiho for development milestones partially offset by higher R&D expenditures.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2024 was primarily due to net purchases of marketable securities totaling $165 million.

Cash provided by investing activities for the three months ended March 31, 2023 was primarily due to net proceeds from marketable securities of $132 million.

Financing Activities

Cash provided by financing activities for the three months ended March 31, 2024 was due to net proceeds of $228 million from issuance of our common stock to Gilead under the Third Stock Purchase Agreement Amendment and proceeds of $1 million for stock issued under our equity award plans.

Cash provided by financing activities for the three months ended March 31, 2023 was due to net proceeds of $1 million for stock issued under our equity award plans.

Critical Accounting Judgments and Estimates

Our Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements, as well as the reported revenue and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in the notes to our Condensed Consolidated Financial Statements, we believe that the accounting policies discussed below, together with those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's significant judgments and estimates.

Revenue Recognition

As part of the accounting for contracts with customers, we develop assumptions that require judgment to determine the standalone selling price of each performance obligation identified in the contract.

On January 29, 2024, we entered into the Third Gilead Collaboration Agreement Amendment, which we determined was a change in scope and price of the original contract and we accounted for this contract modification as both a modification of the existing contract and the creation of a new contract. (See Note 5, Revenues, to our Condensed Consolidated Financial Statements in Part I). We determined the standalone selling price of certain performance obligations and allocated the total transaction price to each performance obligation on a relative standalone selling price basis. The estimation of the standalone selling price included estimates for forecasted costs, development timelines, discount rates, and probabilities of technical and regulatory success.

Under the applicable accounting rules for such contract modifications, we did not adjust the accounting for completed performance obligations that were distinct from the modified goods or services. However, we were required to adjust revenue previously recognized to reflect the effect of the contract modification due to the updated transaction price allocated to the partially satisfied performance obligations and the updated measure of progress as of the modification date. Accordingly, we recognized a cumulative catch-up to revenue of $ 107 million based on the updated transaction price and measure of progress for the partially satisfied performance obligations.

A hypothetical 10% change in the updated standalone selling prices related to Third Gilead Collaboration Agreement Amendment would have changed the cumulative catch-up to revenue recognized during the current period by as much as $3 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The market risk inherent in our financial instruments and in our financial position represents the potential loss arising from changes in interest rates and foreign currency exchange rates. Our market risks have not changed materially from those discussed in our Annual Report on Form 10-K filed with the SEC on February 21, 2024.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934, as amended ("Exchange Act") reports is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors.

Item 1A. Risk Factors.

You should consider carefully the following risk factors, together with all the other information in this report, including our Condensed Consolidated Financial Statements and notes thereto, and in our other public filings with the SEC, including our Annual Report on Form 10-K filed with the SEC on February 21, 2024. The occurrence of any of the following risks could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business.

Risks Related to our Limited Operating History, Financial Position and Capital Requirements

We have a history of operating losses, have never generated any revenue from product sales and anticipate that we will continue to incur significant losses for the foreseeable future.

We are a pre-commercial immuno-oncology company with a limited operating history that may make it difficult to evaluate the success of our business to date and to assess our future viability. All of our investigational products are in development, and none have been approved for commercial sale nor have we ever generated any revenue from product sales. Our revenues to date have been primarily from upfront and milestone payments, R&D support and clinical materials reimbursement from our strategic partners. For the three months ended March 31, 2024 and year ended December 31, 2023, we had net losses of $4 million and $307 million, respectively. As of March 31, 2024, we had an accumulated deficit of $853 million. We expect that it will be several years, if ever, before we have an investigational product ready for commercialization. While we may receive income from year to year under the Gilead Agreement and Taiho Agreement, we generally expect to incur substantial and increasing levels of operating losses over the next several years and for the foreseeable future as we advance our investigational products. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital.

To become and remain profitable on a sustained basis, we must develop and eventually commercialize a product with significant market potential. This will require us to be successful in a range of challenging activities, including completing preclinical studies and clinical trials of our investigational products, obtaining marketing approval for these investigational products, manufacturing, marketing and selling those products for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in these activities and, even if we succeed in commercializing one or more of our investigational products, we may never generate revenues that are significant or large enough to achieve sustained profitability. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown challenges. If we do achieve profitability from product sales, we may not be able to sustain or increase profitability on a quarterly or annual basis and we will continue to incur substantial R&D and other expenditures to develop and market additional investigational products. Our failure to become and remain profitable on a sustained basis would decrease the value of the company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

We may need to obtain additional funding. If we do not receive, or are unable to raise additional capital when needed, we may be forced to restrict our operations or delay, reduce or eliminate our product development programs.

The development of biopharmaceutical investigational products is capital intensive. Since our inception, we have used substantial amounts of cash to fund our operations and expect our expenses to increase substantially during the next few years as our investigational products enter and advance into and through large late-stage or registrational clinical trials and we expand our clinical, regulatory, quality and manufacturing capabilities. In addition, if we obtain marketing approval for any of our investigational products, we expect to incur significant commercialization expenses related to marketing, sales, manufacturing and distribution.

As of March 31, 2024, we had $1.1 billion of cash, cash equivalents and marketable securities, which we believe will be sufficient to fund our anticipated level of operations into 2027. We cannot guarantee that we will be able to obtain additional capital in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise capital when needed

or on attractive terms, we would be forced to delay, reduce or eliminate some or all of our R&D programs or future commercialization efforts. In addition, if we are able to raise additional capital, raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our intellectual property or investigational products. Our future capital requirements will depend on many factors related to the cost and timing of developing our investigational products, including:

- the number, scope, rate of progress and costs of clinical programs and investigational products as well as drug discovery, preclinical development activities, and laboratory testing;
- the scope of any cost sharing arrangements with our strategic partners;
- the timing and amount of milestone payments and option fees we receive under the Gilead Collaboration Agreement and Taiho Agreement;
- the cost, timing and outcome of regulatory review of our investigational products; and
- the cost associated with commercializing our investigational products, if they receive marketing approval.

Risks Related to the Discovery and Development of our Investigational Products

If we are unable to obtain regulatory approval for our investigational products, or experience significant delays in doing so, our business will be materially harmed.

We have no products approved for sale and our investigational products must be approved by the FDA in the U.S. and similar regulatory authorities outside the U.S., such as the EMA, prior to commercialization. The process of obtaining marketing approvals, both in the U.S. and abroad, is expensive and takes many years, if approval is obtained at all, and can vary substantially based upon a variety of factors. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the investigational product's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities, among other requirements. Our investigational products may not be effective, may be only moderately effective, may not have an acceptable durability of response, may not have an acceptable risk-benefit profile or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude us from obtaining marketing approval or limit their commercial use. Our investigational products may not be approved even if they achieve their primary endpoints in any Phase 3 clinical trials or registrational trials we or our collaborators conduct.

The FDA and comparable foreign regulatory authorities have substantial discretion in the approval process and in determining when or whether marketing approval will be obtained for any of our investigational products. Regulatory authorities may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of an investigational product. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may also cause delays in or prevent the approval of an application. For example, since a key element of our strategy is the development of intra-portfolio combinations, regulatory authorities may disagree that we have sufficiently demonstrated the contribution of each investigational product or other agent in our combination trials and require further studies.

Even if we are able to obtain marketing approvals for any of our investigational products, those approvals may be for indications that are not as broad as desired or may contain other limitations that would adversely affect our ability to generate revenue from sales of those products. Moreover, if we are not able to differentiate our product against other approved products within the same class of drugs, or if any of the other circumstances described above occur, our business would be materially harmed and our ability to generate revenue from that class of drugs would be severely impaired.

If we experience delays in obtaining approval or if we fail to obtain approval of our investigational products, the commercial prospects for our investigational products may be harmed and our ability to generate revenues will be materially impaired.

Clinical drug development is a lengthy, expensive and uncertain process. If we do not achieve our projected development goals in the time frames we announce and expect, the commercialization of our investigational products, if approved, may be delayed and the credibility of our management team may be adversely affected and, as a result, our stock price may decline.

The R&D of drugs and biological products is an extremely risky industry. Only a small percentage of investigational products that enter the development process ever receive marketing approval. Before obtaining marketing

approval from regulatory authorities for the sale of any investigational product, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our investigational products in humans. Clinical testing is expensive, can take many years to complete and its outcome is uncertain.

Further, from time to time, we may provide guidance regarding the expected timing or costs of various scientific, clinical, regulatory and other product development goals; including goals regarding the commencement or completion of, or the availability of data from, scientific studies and clinical trials and the submission of regulatory filings. Any such guidance will be based on a variety of assumptions. The actual timing or cost of these goals can vary dramatically compared to our guidance, in some cases for reasons beyond our control. If we do not meet such guidance the commercialization of our products may be delayed and the credibility of our management team may be adversely affected and, as a result, our stock price may decline.

The results of preclinical studies and early clinical trials are not always predictive of future results.

The results of preclinical and early clinical trials of our investigational products and other products with the same mechanism of action may not be predictive of the results of later-stage clinical trials. Clinical trial failure may result from a multitude of factors including flaws in study design, dose selection, placebo effect, patient enrollment criteria and failure to demonstrate favorable safety or efficacy traits. As such, failure in clinical trials can occur at any stage of testing. A number of companies in the biopharmaceutical industry have suffered setbacks in the advancement of clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. In addition, data obtained from clinical trials are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may further delay, limit or prevent marketing approval. In particular, results from uncontrolled trials, meaning trials in which there is no control group such as a placebo group, are inherently difficult to interpret. This difficulty is compounded in clinical trials such as ours, in which two or more investigational products that have not yet been approved are being evaluated. Accordingly, the preliminary data from clinical trials of certain of our investigational products may not be predictive of future clinical trial results for these or other investigational products when studied in a randomized environment or larger patient populations.

Preliminary and interim data from our clinical studies that we announce or publish from time to time are subject to audit and verification procedures that could result in material changes in the final data and may change as more patient data become available.

From time to time, we publish preliminary or interim data from our clinical studies. Preliminary data remain subject to audit confirmation and verification procedures that may result in the final data being materially different from the preliminary data we previously published. Interim data are also subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. As a result, topline results that we report may differ from future results of the same studies and interim data should be viewed with caution until the final data are available. Material adverse changes in the final data could significantly harm our business prospects and our stock price may decline.

Most of our clinical trials are open-label studies and may be susceptible to bias.

Most of our clinical trials, including our Phase 3 trials, are open-label studies in which both the patient and investigator know whether the patient is receiving the investigational products or either an existing approved drug or placebo. Open-label clinical trials are susceptible to bias that may exaggerate any therapeutic effect or overestimate the risk associated with the investigational product. Patients may perceive their symptoms to have improved merely due to their awareness of receiving an experimental treatment. Investigators may interpret the information of the treated group more favorably given their awareness of the treatment regimen or may attribute safety risks to the investigational product.

Enrollment and retention of subjects in clinical trials is expensive and time consuming, can be made more difficult or rendered impossible by competing treatments, clinical trials of competing investigational products, geopolitical instability and public health epidemics, each of which could result in significant delays and additional costs in our product development activities, or in the failure of such activities.

We may encounter delays in enrolling, or be unable to enroll and maintain, a sufficient number of subjects to complete any of our clinical trials. Patient enrollment and retention in clinical trials is a significant factor in the timing and cost of clinical trials and depends on many factors, including the size of the patient population required for analysis of the trial's primary endpoints, the nature of the trial protocol, our ability to recruit clinical trial investigators with the appropriate competencies and experience, the existing body of safety and efficacy data with respect to the investigational product (including data that we report in our other clinical trials using the same investigational products) or with respect to other investigational products with the same mechanism of action as our investigational products, the number and nature of competing products or investigational products and ongoing clinical trials of competing investigational products for the same indication, the proximity of subjects to clinical trial sites, the eligibility criteria for the clinical trial and our ability to obtain and maintain subject consents.

For example, enrollment of oncology subjects in our clinical trials evaluating zimberelimab may be hampered by nivolumab from Bristol-Myers Squibb and pembrolizumab from Merck, both of which are approved and on the market. Subjects may opt to be treated with an approved product rather than our anti-PD-1 antibody investigational product. In addition, Roche/Genentech, Merck and BeiGene have initiated numerous Phase 3 trials with their respective anti-TIGIT antibodies, which could reduce the number of clinical sites and subjects available for our registrational program for domvanalimab (our anti-TIGIT antibody), including STAR-121 and STAR-221, Phase 3 trials in lung cancer and in upper gastrointestinal tract cancer, respectively.

Geopolitical instability and public health outbreaks may also have an adverse impact on our clinical trial operations. Delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our investigational products. Failures in planned subject enrollment or retention may result in increased costs or program delays and could render further development impossible.

Serious adverse events, undesirable side effects or other unexpected properties of our investigational products may be identified during development or after approval, which could lead to the discontinuation of our clinical development programs, refusal by regulatory authorities to approve our investigational products or limitations on the use of our investigational products or, if discovered following marketing approval, revocation of marketing authorizations or subsequent limitations on the use of our investigational products.

As we continue to develop our investigational products and initiate clinical trials of additional investigational products, serious adverse events, undesirable side effects or unexpected characteristics may emerge causing us to abandon these investigational products or limit their development to more narrow uses or subpopulations in which the serious adverse events, undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Even if our investigational products initially show promise in early clinical trials, the side effects of drugs are frequently only detectable after they are tested in large, Phase 3 clinical trials or, in some cases, after they are made available to patients on a commercial scale after approval. Sometimes, it can be difficult to determine if the serious adverse or unexpected side effects were caused by the investigational product or another factor, especially in oncology subjects who may suffer from other medical conditions and be taking other medications. If serious adverse or unexpected side effects are identified during development and are determined to be attributed to our investigational product, we may be required to develop risk evaluation and mitigation strategies to mitigate those serious safety risks, which could impose significant distribution and use restrictions on our products and could significantly harm our business, results of operations and prospects

Adverse findings from clinical trials conducted by third parties investigating the same investigational products as us in different territories or different investigational products directed to the same target as one of our programs could adversely affect our development program.

Lack of efficacy, adverse events, undesirable side effects or other adverse findings may emerge in clinical trials conducted by third parties investigating the same investigational products as us in different territories or different investigational products directed to the same target as one of our programs. For example, we and Gloria Biosciences, each licensed our rights to the same anti-PD-1 antibody (which we refer to as zimberelimab) from WuXi Biologics. Gloria Biosciences refers to this antibody as GLS-010 and is conducting clinical trials with GLS-010 in China. We have no control over their clinical trials or development program, and adverse findings from the results or their conduct of clinical trials could adversely affect our development of zimberelimab or even the viability of zimberelimab as an investigational

product. We may be required to report Gloria Biosciences' adverse events or unexpected side effects to the FDA or comparable foreign regulatory authorities, which could, among other things, order us to cease further development of zimberelimab. We may face similar risks from any independent development conducted with our investigational products by Gilead and Taiho, following any exercise of their respective options to our programs.

Further, we have no control over the clinical trials or development programs of third parties developing investigational products directed to the same target as one of our programs. Adverse findings or results from any of their clinical trials could adversely affect the commercial prospects of our investigational products and cause our stock price to fluctuate or decline.

A key element of our strategy is the development of intra-portfolio combinations. If we are not successful in discovering, developing and commercializing investigational products that take advantage of different mechanisms of action to achieve superior outcomes relative to the use of single agents or other combination therapies, our ability to achieve our strategic objectives would be impaired.

A key element of our strategy is to build a broad portfolio of investigational products that will allow for the development of intra-portfolio combinations. We believe that by developing or licensing these investigational products, we can control the combinations we pursue and, if and when approved, maximize the commercial potential of these combinations. However, these combinations have not been tested before and may fail to demonstrate synergistic activity against immunological targets, may fail to achieve superior outcomes relative to the use of single agents or other combination therapies, may exacerbate adverse events associated with one of the investigational products when used as monotherapy, or may fail to demonstrate sufficient safety or efficacy traits in clinical trials to enable us to complete those clinical trials or obtain marketing approval for the combination therapy. In addition, our early clinical trials may test more than one investigational product in uncontrolled studies, and it may be difficult to interpret the results of those uncontrolled trials or evaluate the contribution of each investigational agent in such combination.

Even if we are successful in developing combination therapies, competition from other investigational products in the same class which are either already approved or further along in development than ours may prevent us from realizing the commercial potential of our combination therapies and prevent us from achieving our strategic objectives.

Development of combination therapies may present more or different challenges than development of single agent therapies.

Many of our investigational products are being pursued in combination with one or more additional products or investigational products. The development of combination therapies may be more complex than the development of single agent therapies and generally requires that sponsors demonstrate the contribution of each investigational product to the claimed effect and the safety and efficacy of the combination as a whole. This requirement may make the design and conduct of clinical trials more complex, requiring more clinical trial subjects. We also may not be able to meet the FDA's current or future approval standards required for combination therapies or combination products, if we decided to administer or package a combination therapy as a single drug product. For example, under the "combination rule", the FDA may not file or approve a fixed-dose combination product unless each component of a proposed drug product is shown to make a contribution to the claimed effects and the dosage of each component (amount, frequency, duration) is safe and effective for the intended population. To satisfy these requirements, the FDA typically requires a clinical factorial study, designed to assess the effects attributable to each drug in the combination product. This is particularly true when the ingredients are directed at the same sign or symptom of the disease or condition. The FDA has accepted a variety of approaches to satisfy the combination rule but the FDA has stated that factorial studies may be unethical (e.g., omitting a drug known to improve survival) or impractical (there may be too many components to conduct a factorial study, meaning the trial cannot be conducted). The FDA has also stated that it may be possible to use other types of clinical and nonclinical data and mechanistic information available to demonstrate the contributions of the individual active ingredients to the effect of the combination. Moreover, the applicable requirements for approval of a combination therapy may differ from country to country.

In the event that one of our investigational products were to fail to demonstrate sufficient safety and efficacy or establish its contribution to the claimed effects of a combination therapies, we would need to identify alternatives. For example, we expect that our anti-PD-1 antibody, zimberelimab, will form the backbone of many of the combination therapies we are pursuing. If we are unable to demonstrate the contribution of zimberelimab to the claimed effects of a combination therapy, we would need to identify an anti-PD-1 antibody for use in such combination therapy. In the event we are unable to do so or are unable to do so on commercially reasonable terms, our business and prospects would be materially harmed.

Certain of our investigational products may require companion diagnostics in certain indications. Failure to successfully develop, validate and obtain regulatory clearance or approval for such tests could harm our product development strategy or prevent us from realizing the full commercial potential of our investigational products.

Companion diagnostics are subject to regulation by the FDA and comparable foreign regulatory authorities as a medical device and may require separate regulatory authorization prior to commercialization. Certain clinical trials that we are conducting, such as our STAR-221 trial, use a diagnostic test to measure PD-L1 levels in tumor samples provided by enrolled patients. Our future trials may also use a diagnostic test to help identify eligible patients. In addition, we have significant efforts directed to identifying changes in various cells and proteins to understand their relationship, if any, to the clinical activity observed in our clinical trials and to assess if such cells and/or proteins could be used as predictive biomarkers to select for patients more likely to respond to our investigational products. However, we cannot be certain that we will be able to identify any such biomarkers, that such biomarkers will result in us identifying the appropriate patients for our investigational products or that we or any third-party collaborators will be able to validate any diagnostic tests incorporating any predictive biomarkers we may identify.

We currently do not have any plans to develop diagnostic tests internally. We are therefore dependent on the sustained cooperation and effort of third-party collaborators in developing and, if our investigational products are approved for use only with an approved companion diagnostic test, obtaining approval and commercializing these tests. If these parties are unable to successfully develop companion diagnostics for these investigational products, or experience delays in doing so, the development of our investigational products may be adversely affected and we may not be able to obtain marketing authorization for these investigational products. Furthermore, our ability to market and sell, as well as the commercial success, of any of our investigational products that require a companion diagnostic will be tied to, and dependent upon, the receipt of required regulatory authorization and the continued ability of such third parties to make the companion diagnostic commercially available on reasonable terms in the relevant geographies. Any failure to develop, validate, obtain and maintain marketing authorization and supply for a companion diagnostic we need will harm our business prospects.

The design or our execution of our ongoing and future clinical trials may not support marketing approval.

The design or execution of a clinical trial can determine whether its results will support marketing approval, and flaws in the design or execution of a clinical trial may not become apparent until the clinical trial is well advanced. In some instances, there can be significant variability in safety or efficacy results between different trials with the same investigational product due to numerous factors, including differences in trial protocols, size and type of the patient populations, variable adherence to the dosing regimen or other protocol requirements and the rate of dropout among clinical trial participants. The FDA or comparable foreign regulatory authorities may disagree with our trial designs and our interpretation of data from preclinical studies or clinical trials. Even if we adhere to guidance or advice given by the FDA or comparable foreign regulatory authorities, such adherence does not guarantee that the FDA will agree with our trial designs or data interpretations or prevent the FDA from changing the requirements for the approval of any investigational product.

We have conducted, and continue to conduct, portions of our clinical trials outside the U.S., and the FDA may not accept data from trials conducted in foreign locations.

We have conducted, and we expect to continue to conduct, portions of our clinical trials outside the U.S. Although the FDA may accept data from clinical trials conducted outside the U.S., acceptance of these data is subject to certain conditions imposed by the FDA. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with ethical principles. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. In general, the patient population for any clinical trials conducted outside the U.S. must be representative of the population for which we intend to label the product in the U.S. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon its determination that the trials also complied with all applicable U.S. laws and regulations. We cannot assure you that the FDA will accept data from trials conducted outside the U.S. If the FDA does not accept the data from such clinical trials, we would likely need to conduct additional trials, which would be costly and time-consuming and delay or permanently halt our development of our investigational products.

Risks Related to Reliance on Third Parties, Manufacturing and Commercialization

We expect to depend on our collaboration with Gilead for the research, development, manufacture and commercialization of our investigational products. If this collaboration is not successful, our business could be adversely affected.

Our strategy for fully developing and commercializing our investigational products is dependent upon maintaining our current arrangements with Gilead and our other strategic partners. Our ability to leverage these arrangements to produce commercial success will depend, among other things, on our collaborators' cooperation and ability to successfully meet their responsibilities with regards to a clinical program. We cannot predict the success of any collaboration that we enter into. Our partnership with Gilead poses a number of risks that could materially impact our operations and financial condition including, but not limited to, the following:

- conflicts may arise between us and Gilead, such as conflicts regarding the combinations or indications to pursue or concerning the interpretation of clinical data, the commercial potential of any optioned investigational products, the interpretation of financial provisions or the ownership of intellectual property developed during the collaboration;
- if our joint development program does not result in the successful development and commercialization of products or if Gilead terminates the collaboration agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration;
- we will be heavily dependent on Gilead for its further development and commercialization of the investigational products from the programs that it opts in to;
- we may not be successful in this collaboration due to various other factors, including our ability to demonstrate proof of concept in one or more clinical studies so that Gilead will exercise its option to these programs;
- we have appointed three individuals that were designated by Gilead to our board of directors pursuant to the terms of the Investor Rights Agreement, and Gilead owns approximately 33.1% of our outstanding common stock as of March 31, 2024 and has the right (but not the obligation) to acquire additional shares from us up to an amount resulting in Gilead owning a total of 35% of our outstanding common stock and, as a result, may be able to exert significant influence over our company;
- Gilead could independently develop, or develop with third parties, products that compete directly or indirectly with our investigational products if Gilead believes that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours; and
- because Gilead has an option to all of our programs, it will be difficult for us to enter into new collaborations.

Given the breadth of the collaboration with Gilead, our ability to form new collaborations in the future will be limited. If Gilead declines to exercise its option to a program, we may need to enter into new collaborations for such programs with companies that have more resources and experience than us. We may not be successful in these efforts because third parties may not view our investigational products as having the requisite potential to demonstrate safety and efficacy. If and when we collaborate with a third party for development and commercialization of an investigational product, we can expect to relinquish some or all of the control over the future success of that investigational product to the third party. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors.

We rely on third parties to conduct our clinical trials and perform some of our research and preclinical studies. If these third parties do not satisfactorily carry out their contractual duties or fail to meet expected deadlines, our development programs may be delayed or subject to increased costs, each of which may have an adverse effect on our business and prospects.

We are and expect to remain dependent on third parties, such as Contract Research Organizations ("CROs"), clinical investigators and consultants, to conduct our ongoing clinical trials and any future clinical trials of our investigational products. The timing of the initiation and completion of these trials will therefore be partially controlled by such third parties and may result in delays to our development programs.

There is no guarantee that any CROs, investigators or other third parties that help conduct or participate in our clinical trials will devote adequate time and resources to such trials or perform as contractually required. For example, many of these third parties have and continue to suffer from personnel constraints resulting from COVID-19 and other economic factors which may impact their ability to perform their contractual obligations.

If any of these third parties fails to meet expected deadlines, fails to adhere to our clinical protocols, fails to meet regulatory requirements or guidelines (including any GCP enforced by the FDA or comparable foreign regulatory authorities), or otherwise performs in a substandard manner, our ability to use data generated from our clinical trials may be jeopardized the timelines for our clinical trials may be extended or delayed, or our development activities may be suspended or terminated. If any of our clinical trial sites terminates for any reason, we may experience the loss of follow-up information on subjects enrolled in our ongoing clinical trials unless we are able to transfer those subjects to another qualified clinical trial site.

In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and may receive compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, the utility of certain data from the clinical trial may be questioned and the utility of the clinical trial itself may be jeopardized, which could result in the delay or rejection of any NDA or BLA we submit to the FDA, or equivalent marketing application to other regulatory authorities outside the U.S. Any such delay or rejection could prevent us from commercializing our products.

Supply by third parties of the investigational products, standard-of-care drugs or comparator agents used in our clinical trials may become limited or interrupted which could delay, prevent or impair our development efforts.

Manufacturing biologics, especially in large quantities, is often complex and may require the use of innovative technologies to handle living cells. We rely, and expect to continue to rely, on third parties for the manufacture and supply of our investigational products for preclinical and clinical testing, as well as for commercial manufacture if any of our investigational products are approved. If any of these third-parties fail to perform these activities for us, nonclinical or clinical development of our investigational products could be delayed, which could have an adverse effect on our business, financial condition, results of operations, and/or growth prospects. Further, we currently have limited manufacturing arrangements for our investigational products and expect that each of our investigational products will only be covered by single source suppliers for the foreseeable future. Our reliance on limited manufacturing arrangements increases the risk that we will not have and may not be able to obtain sufficient quantities of our investigational products for use in our clinical trials and, if approved, commercial activities. For example, WuXi Biologics, located in China, is currently our sole manufacturer of zimberelimab and domvanalimab. We regularly assess our supply needs against our manufactured quantities, however, if WuXi Biologics, or any other manufacturer that we rely on, is unable or unwilling to provide the quantity of material we require, there is no guarantee that the reserve of our investigational products that we currently have will be sufficient for our future clinical development plans. If our reserves are depleted and we are unable to establish a reliable source of supply, our development efforts, and if approved, commercial activities, could be delayed or impaired. See the risk factor titled “Unfavorable global economic, political and trade conditions could adversely affect our business, financial condition or results of operations and may exacerbate the effects of the risks described herein.”

Any supply chain challenges may affect our ability to supply clinical sites with our investigational products and any standard-of-care drugs and comparator agents that we use in our clinical trials. These supply chain challenges can include longer lead times for the manufacturers of our investigational products to obtain raw materials, longer timeframes to procure or lack of supply for standard-of-care drugs or comparator agents used in our clinical trials, and transit delays at each point in the manufacturing, supply or distribution chain. For example, we use various standard-of-care chemotherapies, including 5-flourouracil and oxaliplatin in our STAR-221 clinical trial, and carboplatin in certain of our clinical trials. However, certain of the countries where we conduct these clinical trials are experiencing a shortage in the supply of these chemotherapies. These supply chain challenges may prevent us from enrolling subjects into our clinical trials, may result in increased costs for our clinical trials, and may otherwise delay, prevent or impair our development efforts.

Our manufacturing partners are subject to extensive regulation. In the event any of our manufacturers fail to comply with such regulations or perform its obligations, our business may be adversely affected and we may need to delay or halt the development of our investigational products.

We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners. In the event that any of our manufacturers fail to comply with regulatory requirements, such as the requirement to implement and operate quality systems to control and assure the quality of investigational products and products approved for sale and other requirements imposed by cGMP regulations, or if any of our manufacturers fail to perform its obligations to us in relation to quality, timing or otherwise, we may be forced to suspend or terminate our development activities. We currently do not have the capabilities or resources to manufacture our investigational products ourselves and any

replacement of our manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In some cases, the technical skills or technology required to manufacture our investigational products may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to another third party and a feasible alternative may not exist. If we are required to change manufacturers for any reason, including as a result of geopolitical tensions, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. If any of our current or future manufacturing partners fail to comply with such standards, regulations or guidelines we would experience delays or be required to halt the development of our investigational products and our business would be harmed. For more on risks relating to geopolitical tensions, see the risk factor titled "Unfavorable global economic, political and trade conditions could adversely affect our business, financial condition or results of operations and may exacerbate the effects of the risks described herein."

Our employees, clinical trial investigators, CROs, consultants, vendors, collaboration partners and any potential commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, clinical trial investigators, CROs, consultants, vendors, collaboration partners and any potential commercial partners. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) FDA laws and regulations or those of comparable foreign regulatory authorities, including those laws that require the reporting of true, complete and accurate information, (ii) manufacturing standards, (iii) federal and state health and data privacy, security, fraud and abuse, government price reporting, transparency reporting requirements, and other healthcare laws and regulations in the U.S. and abroad, or (iv) laws that require the true, complete and accurate reporting of financial information or data. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. We have adopted a code of conduct applicable to all of our employees, as well as a disclosure program and other applicable policies and procedures, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Even if we receive marketing approval, we may not be successful in commercializing our investigational products.

We have no sales, marketing or distribution capabilities or experience. If any of our investigational products ultimately obtains regulatory approval, we, whether alone or in collaboration with Gilead for programs that we commercialize together, may not be able to effectively or successfully market the product due to a number of factors, including:

- the imposition by regulatory authorities of significant restrictions on a product's indicated uses, marketing or distribution;
- the imposition by regulatory authorities of costly and time-consuming post-approval studies, post-market surveillance or additional clinical trials;
- our failure to establish sales and marketing capabilities;
- the failure of our products to achieve the degree of market acceptance by physicians, patients, hospitals, cancer treatment centers, healthcare payors and others in the medical community necessary for commercial success;
- unfavorable pricing regulations or third-party coverage and reimbursement policies; and
- inaccuracies in our estimates of the addressable patient population resulting in a smaller market opportunity than we believed.

Even if we receive marketing approval for one or more of our investigational products, our commercial success is dependent on obtaining coverage and reimbursement approval for a product from a government or other third-party payor, which coverage may be delayed or may not be sufficient to cover our costs.

Our commercial success is dependent on obtaining coverage and reimbursement approval for a product from a government or other third-party payor, which is a time-consuming and costly process that could require us and any collaborators to provide supporting scientific, clinical and cost effectiveness data for the use of our products to the payor. There may be significant delays in obtaining such coverage and reimbursement for newly approved products, and coverage

may be more limited than the purposes for which the product is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a product will be paid for in all cases or at a rate that covers our costs, including research, development, intellectual property, manufacture, sale and distribution expenses. Interim reimbursement levels for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with branded therapeutics and therapeutics administered under the supervision of a physician. Additionally, our collaborators will be required to obtain coverage and reimbursement for any related companion diagnostics tests they develop separate and apart from the coverage and reimbursement we seek for our investigational products, once approved.

Reimbursement may also impact the demand for, and the price of, any product for which we obtain marketing approval. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with those medications. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the cost of our products. Therefore, coverage and adequate reimbursement is critical to new product acceptance and we expect to experience pricing pressures in connection with the sale of any of our investigational products due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes.

Our ability to obtain coverage and reimbursement approval for any of our investigational products, if approved, could have a material adverse effect on the demand for that investigational product, and on our business and our overall financial condition.

Even if our investigational products are approved by the FDA, they may never be approved or commercialized outside the U.S., which would limit our ability to realize their full market potential.

In order to market any products outside the U.S., we or our collaborators must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. For example, the approval of zimberelimab for the treatment of recurrent or refractory classical Hodgkin's Lymphoma in China by Gloria Biosciences does not improve the chances of FDA approval for any BLA that we may submit for zimberelimab in the U.S. in any indication. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking foreign regulatory approvals could result in significant delays, difficulties and costs for us or our collaborators and may require additional preclinical studies or clinical trials which would be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our or our collaborators' failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any investigational products approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we or our collaborators fail to comply with regulatory requirements in international markets or fail to obtain and maintain required approvals, our ability to realize the full market potential of our products will be harmed.

Any investigational products for which we intend to seek approval as biologic products may face competition sooner than anticipated.

The BPCIA created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until twelve years from the date on which the reference product was first licensed. During this twelve-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of its product. The law is complex and is still being interpreted and implemented by the FDA. As a result, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

Zimberelimab and domvanalimab are biological products and we may develop additional biological products in the future. We believe that any of our current and future investigational products approved as a biological product under a

BLA should qualify for the twelve-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to Congressional action or otherwise, or that the FDA will not consider our investigational products to be reference products for competing products, potentially creating the opportunity for biosimilar competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, could be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products will depend on a number of marketplace and regulatory factors that are still developing.

Risks Related to our In-Licenses and Other Strategic Agreements

We are currently party to several in-license agreements under which we acquired rights to use, develop, manufacture and/or commercialize certain of our investigational products. If we breach our obligations under these agreements, we may be required to pay damages, lose our rights to these investigational products or both, which would adversely affect our business and prospects.

We rely, in part, on license and other strategic agreements, which subject us to various obligations, including diligence obligations with respect to development and commercialization activities, reporting and notification obligations, payment obligations for achievement of certain milestones and royalties on product sales, negative covenants and other material obligations. We may need to devote substantial time and attention to ensuring that we are compliant with our obligations under these agreements. If we fail to comply with the obligations under our license agreements or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and our licensors may have the right to terminate the license. If our license agreements are terminated, we may not be able to develop, manufacture, market or sell the products covered by our agreements and those being tested or approved in combination with such products. Such an occurrence could materially adversely affect the value of the investigational product being developed under any such agreement and any other investigational products being developed or tested in combination. Domvanalimab, which we in-licensed from Abmuno Therapeutics, and zimberelimab, which we in-licensed from WuXi Biologics, are being evaluated in combination in our two most advanced Phase 3 studies, STAR-121 and STAR-221. In the event we breach our license agreement with Abmuno Therapeutics and/or WuXi Biologics, and our license agreements are terminated, we would have to cease these development activities, or we would have to negotiate a new or reinstated agreement, which may not be available to us on equally favorable terms, or at all.

In addition, the agreements under which we license intellectual property or technology to or from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our collaborations or other strategic partnerships on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected investigational products.

We may not realize the benefits of any acquisitions, in-license or other collaborations or strategic alliances that we enter into.

We have entered into in-license agreements with multiple licensors and option agreements to enable the development and commercialization of our investigational products worldwide. In the future, we may seek to enter into acquisitions or additional licensing arrangements with third parties to expand our pipeline or that we believe will complement or augment our development and commercialization efforts with respect to our investigational products and any future investigational products that we may develop. These transactions can entail numerous operational and financial risks, including exposure to unknown liabilities, disruption of our business and diversion of our management's time and attention in order to manage a collaboration or develop acquired products, investigational products or technologies, incurrence of substantial debt or dilutive issuances of equity securities to pay transaction consideration or costs, higher than expected collaboration, acquisition or integration costs, write-downs of assets or goodwill or impairment charges, increased amortization expenses, difficulty and cost in facilitating the collaboration or combining the operations and personnel of any acquired business, impairment of relationships with key suppliers, manufacturers or customers of any acquired business due to changes in management and ownership and the inability to retain key employees of any acquired business. As a result, if we enter into in-license, acquisition or collaboration agreements, or strategic partnerships, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business.

Risks Related to Intellectual Property

If we are unable to obtain and maintain sufficient intellectual property protection for our investigational products, or if the scope of the intellectual property protection is not sufficiently broad, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our products may be adversely affected.

Our success depends in large part on our ability to obtain and maintain patent protection in the U.S. and other countries with respect to our investigational products and research programs. We seek to protect our proprietary position by filing patent applications in the U.S. and abroad related to our novel discoveries and technologies that are important to our business, however, we cannot predict:

- if and when patents may issue based on our patent applications;
- the scope of protection of any patent issuing based on our patent applications;
- whether the claims of any patent issuing based on our patent applications will protect our investigational products and their intended uses or prevent others from commercializing competitive technologies or products;
- whether or not third parties will find ways to invalidate or circumvent our patent rights;
- whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications; and/or
- whether we will need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose.

Obtaining and enforcing patents is expensive and time-consuming and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if we successfully file and prosecute a patent application, we may not be able to maintain and/or enforce the issued patent. We may determine that filing or maintaining such a patent or any action to enforce a patent may be too high or not in the best interest of our company or our stockholders. It is also possible that we will fail to identify patentable aspects of our R&D results before it is too late to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of our R&D output, such as our employees, corporate collaborators, outside scientific collaborators, CROs, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach these agreements and disclose such results before a patent application is filed, thereby jeopardizing our ability to seek patent protection.

We also cannot be certain that the claims in our pending patent applications directed to our investigational products and/or technologies will be considered patentable by the U.S. Patent and Trademark Office ("USPTO") or by patent offices in foreign countries. One aspect of the determination of patentability of our inventions depends on the scope and content of the “prior art,” information that was or is deemed available to a person of skill in the relevant art prior to the priority date of the claimed invention. There may be prior art of which we are not aware that may affect the patentability of our patent claims or, if issued, affect the validity or enforceability of a patent claim. Even if the patents do issue based on our patent applications, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, patents in our portfolio may not adequately exclude third parties from practicing relevant technology or prevent others from designing around our claims. If the breadth or strength of our intellectual property position with respect to our investigational products is threatened, it could dissuade companies from collaborating with us to develop and threaten our ability to commercialize our investigational products. In the event of litigation or administrative proceedings, we cannot be certain that the claims in any of our issued patents will be considered valid by courts in the U.S. or foreign countries.

We may become involved in lawsuits alleging that we have infringed the intellectual property rights of third parties or to protect or enforce our patents or other intellectual property, which litigation could be expensive, time consuming and adversely affect our ability to develop or commercialize our investigational products.

The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our products candidates. Third parties may assert infringement claims against us based on existing or future intellectual property rights. For example, we are aware of certain patents held by Genentech relating to methods of using an anti-PD-1 or anti-PD-L1 antibody in combination with an anti-TIGIT antibody for the treatment of cancer (the "Genentech

Patents"), which expire in 2034, two of which were statutorily disclaimed. These patents are, or have been, the subject of post-grant proceedings at the USPTO and other global patent offices. If the validity of the Genentech Patents are upheld following all challenges, and if we receive regulatory approval for domvanalimab in combination with zimberelimab in a territory with standing intellectual property rights prior to expiration of the Genentech Patents, then we may need to delay commercialization or we may need to obtain a license, which license may not be available on commercially reasonable terms, or at all. If we were sued for patent infringement, we would need to demonstrate that our investigational products, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity may be difficult. For example, in the U.S., proving invalidity in court requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing investigational product or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing investigational product. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our investigational products or force us to cease some of our business operations, which could materially harm our business.

In addition, we may find that competitors are infringing our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against which we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of shares of our common stock. Moreover, we cannot assure you that we will have sufficient financial or other resources to defend or pursue such litigation, which typically last for years before they are concluded. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could have a material adverse effect on our business and operations. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties.

We could in the future be subject to claims that we or our employees have inadvertently or otherwise used or disclosed alleged trade secrets or other confidential information of former employers or competitors. Although we try to ensure that our employees and consultants do not use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may become subject to claims that we caused an employee to breach the terms of his or her non-competition or non-solicitation agreement, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a former employer or competitor.

While we may litigate to defend ourselves against these claims, even if we are successful, litigation could result in substantial costs and could be a distraction to management. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies or features that are essential to our

investigational products, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. Moreover, any such litigation or the threat thereof may adversely affect our reputation, our ability to form strategic alliances or sublicense our rights to collaborators, engage with scientific advisors or hire employees or consultants, each of which would have an adverse effect on our business, results of operations and financial condition.

We may not be able to protect our intellectual property rights outside of the U.S.

Patents are of national or regional effect, and filing, prosecuting and defending patents on all of our investigational products throughout the world would be prohibitively expensive. As such, we may not be able to prevent third parties from practicing our inventions in all countries outside the U.S., or from selling or importing products made using our inventions in and into the U.S. or other jurisdictions. Further, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals or biologics, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. In addition, certain developing countries, including China and India, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. Further, we file patent applications in Russia and the Eurasian patent office, which is headquartered in Moscow. Sanctions against Russia may make it difficult to file and maintain patents in these countries, and Russia has begun taking actions against "unfriendly" countries, including the U.S., which may adversely affect the scope of and/or our ability to enforce our intellectual property rights. In any of these countries, we and our licensors may have limited remedies if patents are infringed or if we or our licensors are compelled to grant a license to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Changes in patent law in the U.S. and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our investigational products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. However, the patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation, resulting in court decisions, including Supreme Court decisions, which have increased uncertainties as to the ability to obtain and enforce patent rights in the future. Changes in either the patent laws or interpretation of the patent laws in the U.S. and other countries could increase the uncertainties and costs. For example, in September 2011 the Leahy-Smith America Invents Act (the "America Invents Act") was signed into law and included a number of significant changes to U.S. patent law as then existed. These include provisions that affect the way patent applications are prosecuted, redefine prior art and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, *inter partes* review, and derivation proceedings. After March 2013, under the America Invents Act, the U.S. transitioned to a first inventor to file system in which, assuming that the other statutory requirements are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. However, the America Invents Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may rely on trade secret and proprietary know-how which can be difficult to trace and enforce and, if we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to seeking patents for some of our technology and investigational products, we may also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. Elements of our investigational product, including processes for their preparation and manufacture, may involve proprietary know-how, information, or technology that is not covered by patents, and thus for these aspects we may consider trade secrets and know-how to be our primary intellectual property. Any disclosure, either intentional or

unintentional, by our employees, third parties with which we share our facilities or third-party consultants and vendors that we engage to perform research, clinical trials or manufacturing activities, or misappropriation by third parties (such as through a cybersecurity breach) of our trade secrets or proprietary information could enable competitors to duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

Trade secrets and know-how can be difficult to protect. We require our employees to enter into written employment agreements containing provisions of confidentiality and obligations to assign to us any inventions generated in the course of their employment. We and any third parties with which we share facilities enter into written agreements that include confidentiality and intellectual property obligations to protect each party's property, potential trade secrets, proprietary know-how, and information. We further seek to protect our potential trade secrets, proprietary know-how, and information in part, by entering into non-disclosure and confidentiality agreements with parties who are given access to them, such as our corporate collaborators, outside scientific collaborators, CROs, contract manufacturers, consultants, advisors and other third parties. With our consultants, contractors, and outside scientific collaborators, these agreements typically include invention assignment obligations. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the U.S. are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third party, our competitive position would be harmed.

We may become subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our investigational products or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be necessary to resolve these and other claims challenging inventorship and/or ownership. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

Patent terms may be inadequate to protect our competitive position on our investigational products for an adequate amount of time.

Patent rights are of limited duration. Given the amount of time required for the development, testing and regulatory review of new investigational products, patents protecting such candidates might expire before or shortly after such investigational products are commercialized. Even if patents covering our investigational products are obtained, once the patent life has expired for a product, we may be open to competition from biosimilar or generic products. A patent term extension based on regulatory delay may be available in the U.S. However, only a single patent can be extended for each marketing approval, and any patent can be extended only once, for a single product. Moreover, the scope of protection during the period of the patent term extension does not extend to the full scope of the claim, but instead only to the scope of the product as approved. Laws governing analogous patent term extensions in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Additionally, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially.

Risks Related to our Business Operations and Industry

We expect to expand our business operations and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to grow our business operations, including, if any of our investigational products receives marketing approval, adding employees in sales and marketing. To manage our anticipated future growth, we must:

- identify, recruit, integrate, maintain and motivate additional qualified personnel;
- manage our development efforts effectively, including the initiation and conduct of clinical trials for our investigational products; and
- improve our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to develop, manufacture and commercialize our investigational products will depend, in part, on our ability to effectively manage any future growth, and our management may also have to divert financial and other resources, and a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time, to managing these growth activities.

If we are not able to effectively expand our organization by hiring new employees and expanding our groups of consultants and contractors, we may not be able to successfully implement the tasks necessary to further develop and commercialize our investigational products and, accordingly, may not achieve our research, development and commercialization goals.

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

Our ability to compete in the highly competitive biopharmaceuticals industry depends upon our ability to attract, retain and motivate highly skilled and experienced personnel with scientific, medical, regulatory, manufacturing and management skills and experience. We conduct our operations in the San Francisco Bay Area, a region that is home to many other biopharmaceutical companies as well as many academic and research institutions, resulting in fierce competition for qualified personnel and rapidly increasing wages. Our industry also has experienced a high rate of turnover in recent years. While we have expanded a number of our in-office roles to permit remote work arrangements, allowing us to seek talent from outside the San Francisco Bay Area, we still may not be able to attract or retain qualified personnel in the future due to the intense competition for a limited number of qualified personnel among biopharmaceutical companies. Many of the other biopharmaceutical companies against which we compete have greater financial and other resources, different risk profiles and a longer history in the industry than we do. Our competitors may provide higher compensation, more diverse opportunities and/or better opportunities for career advancement. Any or all of these competing factors may limit our ability to continue to attract and retain high quality personnel, which could negatively affect our ability to successfully develop and commercialize our investigational products and to grow our business and operations as currently contemplated.

We are highly dependent on the services of our founders, Terry Rosen, Ph.D., who serves as our Chief Executive Officer, and Juan Jaen, Ph.D., who serves as our President.

We are highly dependent on the services of our founders, Terry Rosen, Ph.D., who serves as our Chief Executive Officer, and Juan Jaen, Ph.D., who serves as our President. Although we have entered into employment agreements with them, they are not for a specific term and each of them may terminate their employment with us at any time, though we are not aware of any present intention of either of these individuals to leave us.

Drs. Rosen and Jaen have significant experience identifying and developing biopharmaceuticals. We believe that their drug discovery and development experience, and overall biopharmaceutical company management experience, would be difficult to replace. However, the historical results, past performance and/or acquisitions of companies with which they were affiliated do not necessarily predict or guarantee similar results for our company. Further, Drs. Rosen and Jaen have certain other business and personal commitments outside of serving as the Chief Executive Officer and President of Arcus, including serving on the boards of other companies and foundations, which may result in diversion of their focus and attention on our company.

We face substantial competition, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their investigational products are shown to be safer or more effective than ours, then our commercial opportunity will be reduced or eliminated.

We compete in the segments of the pharmaceutical, biotechnology and other related markets that develop immunotherapies for the treatment of cancer, which is highly competitive with rapidly changing standards of care. As such, our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any products that we may develop or that would render any products that we may develop obsolete or non-competitive. Our competitors also may obtain marketing approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

We are aware of several pharmaceutical companies developing products in the same class as our investigational products, some of which are further along in development than our corresponding assets. See “Item 1. Business—Competition” in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding our competitors.

As more investigational products within a particular class of drugs proceed through clinical development to regulatory review and approval, the amount and type of clinical data that may be required by regulatory authorities may increase or change. Consequently, the results of our clinical trials for investigational products in that class will likely need to show a risk benefit profile that is competitive with or more favorable than those products and investigational products in order to obtain marketing approval or, if approved, a product label that is favorable for commercialization. If the risk benefit profile is not competitive with those products or investigational products, or if the approval of other agents for an indication or patient population significantly alters the standard of care with which we tested our investigational products, we may have developed a product that is not commercially viable, that we are not able to sell profitably or that is unable to achieve favorable pricing or reimbursement. In such circumstances, our future product revenue and financial condition would be materially and adversely affected.

Our internal information technology systems, and those of our third-party CROs and other third parties upon which we rely, are subject to failure, security breaches and other disruptions, which could result in a material disruption of our investigational products’ development programs, jeopardize sensitive information, prevent us from accessing critical information or result in a loss of our assets, and potentially expose us to notification obligations, loss, liability or reputational damage and otherwise adversely affect our business.

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we collect, store and transmit confidential information, including but not limited to intellectual property, proprietary business information and personal information (collectively, "Sensitive Information").

We also have outsourced elements of our operations to third parties, and as a result we manage a number of third-party contractors and other parties who have access to our sensitive information. Our ability to monitor these third parties’ information security practices is limited, and these third parties may not have adequate information security measures in place. If the third parties we rely on experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if these third parties fail to satisfy their privacy- or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such an award. In addition, supply chain attacks have increased in frequency and severity, and we cannot guarantee that third parties’ infrastructure in our supply chain or our third-party partners’ supply chains have not been compromised.

Despite the implementation of security measures, given the size and complexity and the increasing amounts of sensitive information that they maintain, our internal information technology systems and those of our third-party CROs and other third parties upon which we rely are vulnerable to breakdown or other damage or interruption from service interruptions, system malfunction, natural disasters, terrorism, war and telecommunication and electrical failures, as well as security breaches from inadvertent or intentional actions by our employees, contractors, consultants, business partners, and/or other third parties, or from cyberattacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information and other assets), which may compromise our system infrastructure, lead to data leakage, impair key business processes or other critical business operations, delay our development programs, or result in the loss of assets or other liability. Our reliance on internet technology and the number of our employees who are working remotely has increased the opportunities for cybercriminals to exploit vulnerabilities. We cannot assure you that our data protection efforts and our investment in information technology will prevent

breakdowns, data leakages, breaches in our systems or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition.

Furthermore, as the cyber threat landscape evolves, these attacks are growing in frequency, sophistication and intensity, and becoming increasingly difficult to detect. There can be no assurance that we and our third-party CROs and other third parties upon which we rely will be successful in detecting, preventing or fully recovering systems or data from all breakdowns, service interruptions, attacks or breaches of systems that could adversely affect our business and operations and/or result in the loss or disclosure of critical or sensitive data or other assets, which could result in financial, legal, business or reputational harm to us. Ransomware attacks have risen dramatically and we may be forced to pay to unlock our data and information, re-access our systems and resume our ability to conduct business operations. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. The loss of clinical trial data for our investigational products could significantly increase our costs to recover or reproduce the data and result in delays in our development programs, impair our ability to obtain marketing approval and reduce the commercial opportunity for our investigational products.

We take steps designed to detect, mitigate, and remediate vulnerabilities in our information systems (such as our hardware and/or software, including that of any third parties we rely), but we may not be able to detect and remediate all such vulnerabilities including on a timely basis. Further, we may experience delays in developing and deploying remedial measures and patches designed to address identified vulnerabilities. Vulnerabilities could be exploited and result in a security incident.

Moreover, significant disruptions of our internal information technology systems or security breaches could result in the loss, misappropriation, and/or unauthorized access, use, or disclosure of, or the prevention of access to, confidential information (including trade secrets or other intellectual property, proprietary business information, and personal information), which could result in financial, legal, business, and reputational harm to us. In particular, any such event that leads to unauthorized access, use, or disclosure of personal information, including personal information regarding our clinical trial subjects or employees, could harm our reputation directly, compel us to comply with federal and/or state breach notification laws and foreign law equivalents, subject us to mandatory corrective action, and otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could result in significant legal and financial exposure and reputational damages that could potentially have an adverse effect on our business.

Although we maintain insurance coverage to insure against losses suffered as a result of malicious intrusions and cyberattacks, such coverage may be insufficient to fully compensate us for the loss or there may be disputes with our insurers about the availability of insurance coverage for our claims. Cyber insurance may become increasingly difficult to maintain and we may not be able to maintain coverage at a reasonable cost or in an amount adequate to compensate for any loss or satisfy any liability that may arise. Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations.

Our sensitive information could be leaked, disclosed, or revealed as a result of or in connection with the use of generative artificial intelligence ("AI") technologies by our employees, personnel, or the third parties upon whom we rely. Any sensitive information (including confidential, competitive, proprietary, or personal data) that is inputted into a third-party generative AI platform could be leaked or disclosed to others, including if sensitive information is used to train the third parties' AI model.

Unfavorable global economic, political and trade conditions could adversely affect our business, financial condition or results of operations and may exacerbate the effects of the risks described herein.

Current global economic conditions are highly volatile due to a number of reasons, including geopolitical instability, such as the ongoing military conflict between Russia and Ukraine and the eruption of war between Israel and Hamas, persistent inflation that has increased our operating expenses and disruptions in the capital and credit markets that may reduce our ability to raise additional capital when needed on acceptable terms, if at all.

Emerging international trade relations and new legislation may also adversely impact our operations and/or financial condition by limiting or preventing the activities of third parties that we engage or increasing the cost of our operations. Recent congressional legislative proposals, such as the Biosecure Act, proposed executive orders, sanctions and other measures discourage contracting with Chinese companies on the development or manufacturing of pharmaceutical products and may restrict trade with China. WuXi Biologics, located in China, is currently our sole manufacturer of zimberelimab and domvanalimab. If WuXi Biologics becomes subject to trade restrictions, sanctions or other regulatory requirements by the U.S. government, or if the U.S. or Chinese government take retaliatory actions due to recent or

increased tensions between the United States and mainland China, it could materially impact our ability obtain additional supply of zimberelimab and domvanalimab. Finding a replacement manufacturer could require significant effort and/or be prohibitively expensive, and we may not be able to do so in a timely manner which could have an adverse impact on our operations, operating results and financial condition.

Furthermore, the current inflationary environment related to increased aggregate demand and supply chain constraints has increased our operating expenses and may continue to affect our operating expenses. Economic conditions may also strain our suppliers, possibly resulting in supply disruptions that impact our ongoing clinical trials and other operations. A significant worsening of global economic conditions could materially increase these risks we face.

Any new or prolonged downturn of global economic conditions could harm our business operations and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Our future growth may depend, in part, on our ability to operate in foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.

Our future profitability may depend, in part, on our ability to commercialize our investigational products in foreign markets for which we may rely on collaboration with third parties. We are not permitted to market or promote any of our investigational products before we receive marketing approval from the applicable regulatory authority in that foreign market, and we may never receive such marketing approval for any of our investigational products. To obtain marketing approval in many foreign countries, we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other things, clinical trials and commercial sales, pricing and distribution of our investigational products, and we cannot predict success in these jurisdictions. If we obtain approval of our investigational products and ultimately commercialize our investigational products in foreign markets, we would be subject to additional risks and uncertainties, including:

- our customers' ability to obtain reimbursement for our investigational products in foreign markets;
- our inability to directly control commercial activities because we are relying on third parties;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- import or export licensing requirements;
- longer accounts receivable collection times;
- longer lead times for shipping;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries;
- the existence of additional potentially relevant third-party intellectual property rights;
- foreign currency exchange rate fluctuations; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of our investigational products could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs.

We or the third parties upon which we depend may be adversely affected by earthquakes, fires or other natural disasters and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our headquarters and main research facility are located in the San Francisco Bay Area, which in the past has experienced severe earthquakes and fires. In addition, fires and other natural disasters may increase in frequency and severity over time due to climate change. If these earthquakes, fires, other natural disasters, terrorism and similar unforeseen events beyond our control prevented us from using all or a significant portion of our headquarters or research facility, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. We do not have a disaster recovery or business continuity plan in place and may incur substantial expenses as a result of the absence or limited nature of our internal or third-party service provider disaster recovery and business continuity plans, which, particularly when taken together with our lack of earthquake insurance, could have a material adverse effect on our business. Furthermore, integral parties in our supply chain are operating from single sites, increasing their vulnerability to

natural disasters or other sudden, unforeseen and severe adverse events. If such an event were to affect our supply chain, it could have a material adverse effect on our ability to conduct our clinical trials, our development plans and business.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred substantial losses during our history and our ability to generate profits in the future is uncertain. Unused net operating loss carryforwards ("NOLs") for the tax year ended December 31, 2017 and prior tax years will carry forward to offset future taxable income, if any, until such unused NOLs expire. Unused NOLs generated after December 31, 2017, under current tax law, will not expire. Our NOLs may be carried forward indefinitely. In addition, the future deductibility of such NOLs will be limited to 80% of current year taxable income in any given year.

Both our current and our future unused losses (and tax credit carryforwards) may be subject to further limitation under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "IRC"), if we undergo an “ownership change,” generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period. We performed an analysis under IRC Section 382 and 383 through October 31, 2020 with respect to our net operating loss and credit carryforwards. We concluded that an ownership change, as defined under IRC Section 382, occurred in previous years but that such ownership change did not result in the expiration of our net operating loss or credit carryforwards prior to utilization. We may incur additional ownership changes in the future in connection with any equity issuance, including any additional issuances to Gilead. If we experience any such ownership change, we may be limited in our ability to use our net operating loss and credit carryforwards and be required to make material cash tax payments.

Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited. For example, while California recently enacted a franchise tax law restoring the usability of California state NOLs to offset taxable income for tax years beginning on January 1, 2022, previous law significantly limited the use of California state NOLs for taxable years 2020 and 2021. Similar laws in the future could accelerate or permanently increase state taxes owed. Therefore, even if we attain sustained profitability, we may be unable to use all or a material portion of our NOLs and other tax attributes, which could adversely affect our future cash flows.

Changes in tax laws and regulations or exposure to additional tax liabilities could adversely affect our financial results.

The rules dealing with U.S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service, or IRS, and the U.S. Treasury Department. We actively monitor legislative and regulatory developments that may affect our tax liability in order to identify and evaluate if such proposals would have a material impact, whether detrimental or beneficial, on our financial results. Changes to tax laws (which changes may have retroactive application) could adversely affect us or holders of our common stock. In recent years, many such changes have been made and changes are likely to continue to occur in the future. For example, beginning in 2022, the Tax Cuts and Jobs Act of 2017 eliminates the option to currently deduct R&D expenditures and requires taxpayers to capitalize and amortize U.S. based and non-U.S. based R&D expenditures over five and fifteen years, respectively, pursuant to IRC Section 174. We cannot predict whether, when, in what form, or with what effective dates, tax laws, regulations and rulings may be enacted, promulgated or issued, which could result in an increase in our or our stockholders’ tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law.

Risks Related to Our Industry

Product liability lawsuits against us could cause us to incur substantial liabilities and could limit our commercialization of any investigational products that we may develop.

We face an inherent risk of product liability exposure related to the testing of our investigational products in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that our investigational products or products caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- delay or termination of clinical trials;
- decreased demand for any investigational products or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial subjects;

- initiation of investigations by regulators;
- significant costs to defend the related litigation and diversion of management's time and our resources;
- substantial monetary awards to study subjects or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

Although we maintain product liability insurance coverage, it may not be adequate to cover all liabilities that we may incur. We anticipate that we will need to increase our insurance coverage as our investigational products advance through clinical trials and if we successfully commercialize any products. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Failure to comply with privacy and data protection laws, regulations, or other obligations could lead to government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business.

We and third parties upon whom we rely may be subject to federal, state, and foreign data protection, privacy, and information security laws, regulations, guidance, industry standards, external and internal privacy and security policies, contractual requirements, and other obligations. In the U.S., numerous federal and state laws and regulations, including federal health information privacy laws, state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws (e.g., Section 5 of the FTC Act), that govern the collection, use, disclosure, and protection of health-related and other personal information could apply to our operations or the operations of our collaborators. In addition, we may obtain health information from third parties (including research institutions from which we obtain clinical trial data) that are subject to privacy and security requirements under the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA") as amended by the Health Information Technology for Economic and Clinical Health Act of 2009. Depending on the facts and circumstances, we could be subject to significant penalties if we violate HIPAA.

The legislative and regulatory landscape for privacy and data security continues to evolve, and we expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy and data security in the U.S., the EU and other jurisdictions. This increased focus on privacy and data security issues may negatively affect our operating results and our business. For example, the California Consumer Privacy Act of 2018, as amended by the California Privacy Rights Act of 2020 (collectively, "CCPA") applies to personal information of consumers, business representatives, and employees who are California residents, and requires businesses to provide specific disclosures in privacy notices and honor requests of such individuals to exercise certain privacy rights. In addition, the CCPA provides for administrative noncompliance that may carry fines of up to $7,500 per violation and the CCPA authorizes private lawsuits to recover statutory damages for certain data breaches. Similar laws are being considered in several other states, as well as at the federal and local levels, and we expect more states to pass similar laws in the future.

Foreign data protection laws also apply to health-related and other personal data obtained outside the U.S. GDPR, and Canada's Personal Information Protection and Electronic Documents Act ("PIPEDA"), or the applicable provincial alternatives, impose strict requirements, including the obligation to appoint data protection officers in certain circumstances, rights for individuals to be "forgotten" and to data portability, and the obligation to make public notification of significant data breaches. Under the GDPR, data protection authorities can impose temporary or definitive bans on data processing and other corrective actions or fines of up to 4% of our total worldwide turnover or up to €20 million under the EU GDPR/17.5 million pounds sterling under the UK GDPR (in either case, whichever is higher), or private litigation related to processing of personal data brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests. In Canada, PIPEDA and various related provincial laws, as well as Canada's Anti-Spam Legislation ("CASL"), may apply to our operations. We also target customers in Asia and may be subject to new and emerging data privacy regimes, including China's Personal Information Protection Law ("PIPL").

We may also be subject to new laws governing the privacy of consumer health data. For example, Washington's My Health My Data Act ("MHMD") broadly defines consumer health data, places restrictions on processing such data (including imposing stringent requirements for consent), provides consumers certain rights with respect to their health data, and creates a private right of action to allow individuals to sue for violations of the law. Other states are considering and may adopt similar laws.

In the ordinary course of business, we may transfer personal data from Europe and other jurisdictions to the U.S. or other countries. Europe and other jurisdictions have enacted laws requiring data to be localized or limiting the transfer of personal data to other countries. In particular, the EEA and the UK have significantly restricted the transfer of personal data to the U.S. and other to countries whose privacy laws it generally believes are inadequate. Other jurisdictions may adopt similarly stringent interpretations of their data localization and cross-border data transfer laws. Although there are currently various mechanisms that may be used to transfer personal data from the EEA and UK to the U.S. in compliance with law, such as the EEA standard contractual clauses, the UK's International Data Transfer Agreement / Addendum, and the EU-U.S. Data Privacy Framework and the UK extension thereto (which allows for transfers to relevant organizations based in the U.S. who self-certify compliance and participate in the Framework), these mechanisms are subject to legal challenges, and there is no assurance that we can satisfy or rely on these measures to lawfully transfer personal data to the U.S. If there is no lawful manner for us to transfer personal data from the EEA, the UK or other jurisdictions to the U.S., or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part of or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors and other third parties, and injunctions against our processing or transferring of personal data necessary to operate our business. Additionally, companies that transfer personal data out of the EEA and UK to other jurisdictions, particularly to the United States, are subject to increased scrutiny from regulators, individual litigants, and activist groups. Some European regulators have ordered certain companies to suspend or permanently cease certain transfers out of Europe for allegedly violating the GDPR's cross-border data transfer limitations.

We are also bound by other contractual obligations related to data privacy and security, and our efforts to comply with such obligations may not be successful. For example, clinical trial subjects about whom we or our potential collaborators obtain information, as well as the providers who share this information with us, may contractually limit our ability to use and disclose the information. We publish privacy policies, notices and other statements regarding data privacy and security. If these policies, notices or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences.

Obligations related to data privacy and security (and consumers' data privacy expectations) are quickly changing, becoming increasingly stringent, and creating uncertainty. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources, which may necessitate changes to our services, information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. In addition, these obligations may require us to change our business model.

Our failure (or that of the third parties upon whom we rely) to comply with U.S. and foreign data protection laws and regulations could result in government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity and could negatively affect our operating results and business. Claims that we or the third parties upon whom we rely have violated individuals' privacy rights, failed to comply with data protection laws, or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business. In particular, plaintiffs have become increasingly more active in bringing privacy-related claims against companies, including class claims and mass arbitration demands. Some of these claims allow for the recovery of statutory damages on a per violation basis; if viable, these claims carry the potential for monumental statutory damages, depending on the volume of data and the number of violations. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations (including, as relevant, clinical trials); inability to process personal data or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or substantial changes to our business model or operations.

Our business operations expose us to broadly applicable fraud and abuse, transparency, government price reporting, and other healthcare laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Our operations are subject, either directly or indirectly through our customers and third-party payors, to various U.S. federal and state health care laws, including fraud and abuse, transparency and other healthcare laws and regulations, and similar laws in other jurisdictions in which we conduct our business. These laws may impact, among other things, our research and proposed sales, marketing and education programs and constrain the business of financial arrangements and relationships with healthcare providers, physicians and other parties through which we market, sell and distribute our

products for which we obtain marketing approval. The laws that may affect our ability to operate include, but are not limited to the federal Anti-Kickback Statute; federal civil and criminal false claims laws, such as the False Claims Act; HIPAA; federal and state consumer protection and unfair competition laws; the federal transparency requirements under the federal Physician Payments Sunshine Act (the "Sunshine Act"); state and foreign law equivalents of each of these federal laws; and state and foreign laws that require pharmaceutical companies to implement compliance programs. Many of these laws are discussed in detail above under “Item 1. Business—Government Regulation—Other U.S. Healthcare Laws and Compliance Requirements” in our Annual Report on Form 10-K for the year ended December 31, 2023.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform. Federal and state enforcement bodies have continued their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management’s attention from the business. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. We have entered into consulting and advisory board arrangements with physicians and other healthcare providers, including some who could influence the use of our investigational products, if approved. Because of the complex and far-reaching nature of these laws, regulatory agencies may view these transactions as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to other significant civil, criminal and administrative penalties such as fines, disgorgement, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could substantially disrupt our operations. If any of the physicians or other healthcare providers or entities with which we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Changes in healthcare law and implementing regulations, as well as changes in healthcare policy, may impact our business in ways that we cannot currently predict, and may have a significant adverse effect on our business and results of operations.

In the U.S. and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of investigational products, restrict or regulate post-approval activities, and affect the ability to profitably sell investigational products for which marketing approval is obtained. Among policy makers and payors in the U.S. and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the U.S., the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. For example, on August 16, 2022, President Biden signed into law the Inflation Reduction Act ("IRA"), which, among other things, (1) directs the U.S. Department of Health and Human Services ("HHS") to negotiate the price of certain single-source drugs and biologics covered under Medicare and (2) imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation. The IRA also extends enhanced subsidies for individuals purchasing health insurance coverage in Affordable Care Act marketplaces through plan year 2025 and eliminates the “donut hole” under the Medicare Part D program by significantly lowering the beneficiary maximum out-of-pocket cost and through a newly established manufacturer discount program. These provisions take effect progressively starting in fiscal year 2023, although the Medicare drug price negotiation program is currently subject to legal challenges. The HHS has and will continue to issue and update guidance as these programs are implemented. It is currently unclear how the IRA will be implemented but is likely to have a significant impact on the pharmaceutical industry. We expect that other healthcare reform measures may be adopted in the future, and that any such health reform measures could have an adverse effect on our business and/or results of operation.

We are subject to certain U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations. We can face serious consequences for violations.

U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations (collectively, "Trade Laws") prohibit, among other things, companies and their employees, agents, clinical research organizations, legal counsel, accountants, consultants, contractors, and other partners from authorizing, promising, offering, providing, soliciting, or receiving directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of Trade Laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation,

reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We also expect our non-U.S. activities to increase over time. We expect to rely on third parties for research, preclinical studies, and clinical trials and/or to obtain necessary permits, licenses, patent registrations, and other marketing approvals. We can be held liable for the corrupt or other illegal activities of our personnel, agents, or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We, and the third parties with which we share our facilities, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Each of our operations involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Each of our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. We could be held liable for any resulting damages in the event of contamination or injury resulting from the use of hazardous materials by us or the third parties with which we share our facilities, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover us for costs and expenses, we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our R&D. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Risks Related to Owning our Common Stock

The stock price of our common stock has been and may continue to be volatile or may decline regardless of our operating performance.

The market price of our common stock has fluctuated and may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- results from our ongoing clinical trials and future clinical trials with our current and future investigational products or of our competitors;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- regulatory, trade or legal developments in the U.S. and other countries, including changes in tariffs or other trade restrictions and the changes in the structure of healthcare payment systems;
- the level of expenses related to future investigational products or clinical development programs;
- our failure to achieve product development goals in the timeframe we announce;
- announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the size of our market float; and
- any other factors discussed in this report.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many immuno-oncology companies. Stock prices of many immuno-oncology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

The amount of our future losses is uncertain and our quarterly operating results may fluctuate significantly or may fall below the expectations of investors or securities analysts, each of which may cause our stock price to fluctuate or decline.

Our quarterly and annual operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control and may be difficult to predict, including the following:

- the timing and success or failure of clinical trials for our investigational products or competing investigational products, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- our progress towards the achievement of any product development goals or milestones we announce, including any delays or failures which lead to the suspension or termination of any clinical trial or development program;
- the timing and cost of, and level of investment in, R&D activities relating to our investigational products, which may change from time to time;
- option fees received by us in connection with option exercises by Gilead and/or Taiho pursuant to their respective option agreements and/or payments received by us from Gilead or Taiho in connection with the achievement of certain development and/or regulatory milestones;
- amounts payable by us in connection with the achievement of development, regulatory and commercial milestones under our in-license and other strategic agreements;
- our ability to attract, hire and retain qualified personnel;
- expenditures that we will or may incur to develop additional investigational products;
- our ability to obtain marketing approval for our investigational products, and the timing and scope of any such approvals we may receive;
- the changing and volatile U.S. and global economic environments; and
- future accounting pronouncements or changes in our accounting policies.

The cumulative effects of these factors could result in large fluctuations and unpredictability in our quarterly and annual operating results. As a result, comparing our operating results on a period-to-period basis may not be meaningful. This variability and unpredictability could also result in our failing to meet the expectations of industry or financial analysts or investors for any period. If our revenue or operating results fall below the expectations of analysts or investors or below any forecasts we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met any previously publicly stated guidance we may provide.

The concentration of our stock ownership will likely limit our stockholders' ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

Based upon shares outstanding as of March 31, 2024, our executive officers, directors and the holders of more than 5% of our outstanding common stock, in the aggregate, beneficially owned approximately 62.2% of our common stock. In particular, as of March 31, 2024, Gilead owns approximately 33.1% of our outstanding common stock (and has the right to acquire additional shares of our common stock from us to enable it to own up to 35% of our outstanding common stock), and we have appointed its three designees to our board of directors pursuant to the terms of the Investor Rights Agreement. As a result, these stockholders, acting together, will have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate actions might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 ⅔% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the management of our business or our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delay or impede a merger, tender offer or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for our stockholders to realize value in a corporate transaction.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation and our bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws provide that the federal district courts of the U.S. will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that

it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. While the Delaware courts have determined that these types of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of these provisions, which may require significant additional costs associated with resolving such action in other jurisdictions, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

General Risk Factors

Sales of substantial amounts of our shares may cause the price of our common stock to decline.

The price of our common stock could decline if there are substantial sales of our common stock, including any sales by us, our directors, executive officers, significant stockholders or the sales agents under the equity distribution agreement, or if there is a large number of shares of our common stock available for sale and the market perceives that sales will occur. We have also registered shares of common stock that we have issued and may issue under our employee equity incentive plans. These shares can be sold freely in the public market upon issuance, subject to vesting conditions and, in the case of our affiliates, volume limitations under Rule 144 under the Securities Act.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could result in sanctions or other penalties that would harm our business.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the New York Stock Exchange. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. Accordingly, we cannot assure you that we will not in the future identify one or more material weaknesses in our internal control over financial reporting, which may have a negative impact on our ability to timely and accurately produce financial statements, may result in a material misstatement of our Condensed Consolidated Financial Statements or may negatively impact the confidence level of our stockholders and other market participants with respect to our reported financial information.

Ensuring that we have adequate internal controls over financial reporting is a costly and time-consuming effort that needs to be re-evaluated frequently. Recent trends in remote work arrangements have led to changes in work patterns that can make it more difficult to properly perform our controls and may create risks that result in deficiencies in the design of our controls. To the extent necessary, implementing any changes to our internal controls may distract our officers and employees, entail substantial costs to modify our existing processes and take significant time to complete. These changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Rule 10b5-1 Trading Arrangements

The adoption, modification or termination of contracts, instructions or written plans for the purchase or sale of our securities by our Section 16 officers and directors for the three months ended March 31, 2024, which are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act, were as follows:

Name and Title	Action	Date	Total Shares to be Sold	Expiration Date
Robert C. Goeltz, II *Chief Financial Officer*	Amendment	March 1, 2024	67,125	January 30, 2026

Item 6. Exhibits.

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation	10-Q	001-38419	3.1	May 9, 2018
3.2	Amended and Restated Bylaws	8-K	001-38419	3.1	May 26, 2020
10.1[A]	Amendment No. 3 to the Option, License and Collaboration Agreement between Arcus Biosciences, Inc. and Gilead Sciences, Inc., dated January 29, 2024.	10-K	001-38419	10.35	February 21, 2024
10.2[A]	Third Amended and Restated Common Stock Purchase Agreement, dated January 29, 2024 between Arcus Biosciences, Inc. and Gilead Sciences, Inc.	SC 13D/A	005-90423	99.1	January 31, 2024
10.3[A]	Amended and Restated Investor Rights Agreement dated January 29, 2024 between Arcus Biosciences, Inc. and Gilead Sciences, Inc.	SC 13D/A	005-90423	99.2	January 31, 2024
10.4[B]	Arcus Biosciences, Inc. Severance Benefits Plan.	10-K	001-38419	10.4	February 21, 2024
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	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				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in exhibit 101)				

* Filed herewith.

† This certification is deemed furnished but 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.

A This exhibit omits certain information the Company deems immaterial and either of the type that it treats as confidential or would be competitively harmful if disclosed.

B Indicates management contract or compensatory plan or arrangement.

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.

ARCUS BIOSCIENCES, INC.

Date: May 8, 2024

By: /s/ Terry Rosen

Terry Rosen, Ph.D.

Chief Executive Officer

(Principal Executive Officer)

Date: May 8, 2024

By: /s/ Alexander Azoy

Alexander Azoy

Chief Accounting Officer

(Principal Accounting Officer)

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, Terry Rosen, certify that:

1. I have reviewed this Form 10-Q of Arcus Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

By: /s/ Terry Rosen

Terry Rosen, Ph.D.

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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, Robert C. Goeltz II, certify that:

1. I have reviewed this Form 10-Q of Arcus Biosciences, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

By: /s/ Robert C. Goeltz II

Robert C. Goeltz II
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Arcus Biosciences, Inc. (the "Company") on Form 10-Q for the period ending 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 the best of 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: May 8, 2024

By: /s/ Terry Rosen

Terry Rosen, Ph.D.

Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Arcus Biosciences, Inc. (the "Company") on Form 10-Q for the period ending 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 the best of 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: May 8, 2024

By: /s/ Robert C. Goeltz II

Robert C. Goeltz II

Chief Financial Officer
(Principal Financial Officer)