

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended September 30, 2024

**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: 001-36721

**Coherus BioSciences, Inc.**

*(Exact Name of Registrant as Specified in Its Charter)*

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

27-3615821  
(I.R.S. Employer Identification No.)

333 Twin Dolphin Drive, Suite 600  
Redwood City, California  
(Address of Principal Executive Office)

94065  
(Zip Code)

(650) 649-3530

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	CHRS	The Nasdaq Global Market

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

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

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

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

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

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

As of October 31, 2024, 115,213,407 shares of the registrant's common stock were outstanding.

**COHERUS BIOSCIENCES, INC.**  
**FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2024**  
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**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements contained herein that are not statements of historical facts contained in this Quarterly Report on Form 10-Q may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by words such as "aim," "anticipate," "assume," "attempt," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "seek," "should," "strive," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- whether we will be able to continue to maintain or increase sales for our products;
- our expectations regarding our ability to develop and commercialize our product candidates;
- our ability to maintain regulatory approval for our products and our ability to obtain and maintain regulatory approval of our product candidates, if and when approved;
- our expectations regarding government and third-party payer coverage and reimbursement;
- our ability to manufacture our products and product candidates in conformity with regulatory requirements and to scale up manufacturing capacity of these products for commercial supply;
- our reliance on third-party contract manufacturers to supply our products candidates and product for us;
- our expectations about the time it will take for our labeling and packaging contract manufacturing organization ("CMO") to resume UDENYCA production, for us to restock the distribution channels and resume shipping final UDENYCA product lots to customers, our expectations about completing production of a significant number of units of UDENYCA by the end of 2024 and our expectations about the timing for our additional packaging and labeling CMO to manufacture final saleable product and commence commercial supply of UDENYCA;
- our expectations regarding the potential market size and the size of the patient populations for our products and product candidates, if approved for commercial use;
- our expectations about making required future interest and principal payments as they become due in connection with our debt obligations;
- our financial performance, including, but not limited to, projected future performance of our gross margins, projected future cash reserves, research and development expenses and selling and general administrative expenses;
- the implementation of strategic plans for our business, products and product candidates;
- the initiation, timing, progress and results of future preclinical and clinical studies and our research and development programs;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our products and product candidates;

- *our expectations regarding the scope or enforceability of third-party intellectual property rights, or the applicability of such rights to our products and product candidates;*
- *the cost, timing and outcomes of litigation involving our products and product candidates;*
- *our reliance on third-party contract research organizations to conduct clinical trials of our product candidates;*
- *the benefits of the use of our products and product candidates;*
- *our expectations about potential risks, disruptions and losses from future cyberattacks and security incidents;*
- *the rate and degree of market acceptance of our current or any future products and product candidates;*
- *our ability to compete with companies currently producing competitor products, including Neulasta and other biosimilar products made by other companies;*
- *developments and projections relating to our competitors, our market opportunity and our industry; and*
- *the potential impact of COVID-19 and the continuation of the war in Ukraine and conflicts in the Middle East on our business and prospects.*

*We have based these forward-looking statements on our current expectations about future events. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Our actual results may differ materially from those suggested by these forward-looking statements for various reasons, including those identified in Part II, Item 1A Risk Factors and discussed elsewhere in this Quarterly Report on Form 10-Q. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. Except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission ("SEC"), we do not undertake, and specifically decline, any obligation to update any of these statements or to publicly announce the results of any revisions to any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make or enter into, except for the acquisition of Surface to the extent described herein.*

*This Quarterly Report on Form 10-Q also contains estimates, projections, market opportunity estimates and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, publicly filed reports and similar sources.*

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Unaudited Condensed Consolidated Financial Statements**

**Coherus BioSciences, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(in thousands, except share and per share data)**  
**(unaudited)**

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 97,690	\$ 102,891
Investments in marketable securities	—	14,857
Trade receivables, net	167,559	260,522
TSA receivables, net (Note 6)	31,241	—
Inventory	47,640	62,605
Prepaid manufacturing	10,718	23,657
Other prepaids and current assets	14,176	11,099
Total current assets	369,024	475,631
Property and equipment, net	2,911	5,119
Inventory, non-current	71,375	67,495
Intangible assets, net	54,313	71,673
Other assets, non-current	7,377	9,686
Total assets	\$ 505,000	\$ 629,604
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Accounts payable	\$ 21,893	\$ 35,219
Accrued rebates, fees and reserves	163,315	169,645
TSA payables and other accrued liabilities (Note 6)	33,637	—
Accrued compensation	15,756	21,521
Accrued and other current liabilities	60,965	105,386
Total current liabilities	295,566	331,771
Term loans, non-current	36,618	246,481
Convertible notes	227,891	226,888
Lease liabilities, non-current	3,737	5,328
Other liabilities, non-current	29,161	12,561
Total liabilities	592,973	823,029
Commitments and contingencies (Note 9)		
Stockholders' deficit:		
Preferred stock (\$0.0001 par value; shares authorized: 5,000,000; shares issued and outstanding: 0 at September 30, 2024 and December 31, 2023)	—	—
Common stock (\$0.0001 par value; shares authorized: 300,000,000; shares issued and outstanding: 115,213,407 and 112,215,260 at September 30, 2024 and December 31, 2023, respectively)	12	11
Additional paid-in capital	1,412,587	1,386,312
Accumulated other comprehensive loss	(275)	(248)
Accumulated deficit	(1,500,297)	(1,579,500)
Total stockholders' deficit	(87,973)	(193,425)
Total liabilities and stockholders' deficit	\$ 505,000	\$ 629,604

See accompanying notes.

**Coherus BioSciences, Inc.**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except share and per share data)  
**(unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net revenue	\$ 70,774	\$ 74,568	\$ 212,816	\$ 165,720
Costs and expenses:				
Cost of goods sold	20,741	32,703	83,695	74,425
Research and development	21,676	25,647	72,101	83,068
Selling, general and administrative	34,744	48,224	126,441	142,521
Total costs and expenses	77,161	106,574	282,237	300,014
Loss from operations	(6,387)	(32,006)	(69,421)	(134,294)
Interest expense	(5,362)	(10,268)	(21,812)	(29,923)
Gain (loss) on Sale Transactions, net (Note 6)	(1,086)	—	176,646	—
Loss on debt extinguishment	—	—	(12,630)	—
Other income (expense), net	2,084	2,253	6,420	5,598
Income (loss) before income taxes	(10,751)	(40,021)	79,203	(158,619)
Income tax provision	—	(380)	—	(380)
Net income (loss)	\$ (10,751)	\$ (39,641)	\$ 79,203	\$ (158,239)
Net income (loss) per share:				
Basic	\$ (0.09)	\$ (0.41)	\$ 0.69	\$ (1.79)
Diluted	\$ (0.09)	\$ (0.41)	\$ 0.65	\$ (1.79)
Weighted-average number of shares used in computing net income (loss) per share:				
Basic	115,210,091	97,738,509	114,263,256	88,277,936
Diluted	115,210,091	97,738,509	126,563,551	88,277,936

See accompanying notes.

**Coherus BioSciences, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**(in thousands)**  
**(unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net income (loss)	\$ (10,751)	\$ (39,641)	\$ 79,203	\$ (158,239)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net of tax	—	32	(24)	(15)
Foreign currency translation adjustments, net of tax	(3)	—	(3)	(1)
Comprehensive income (loss)	<u>\$ (10,754)</u>	<u>\$ (39,609)</u>	<u>\$ 79,176</u>	<u>\$ (158,255)</u>

See accompanying notes.

**Coherus BioSciences, Inc.**  
**Condensed Consolidated Statements of Stockholders' Deficit**  
**(in thousands, except share and per share data)**  
**(unaudited)**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balances at December 31, 2023	112,215,260	\$ 11	\$ 1,386,312	\$ (248)	\$ (1,579,500)	\$ (193,425)
Net income	—	—	—	—	102,875	102,875
Issuance of common stock upon exercise of stock options	174,651	—	291	—	—	291
Issuance of common stock upon vesting of restricted stock units ("RSUs")	741,213	—	—	—	—	—
Issuance of common stock under ATM Offering, net of issuance costs	650,005	—	1,507	—	—	1,507
Taxes paid related to net share settlement of RSUs	(284,275)	—	(745)	—	—	(745)
Stock-based compensation expense	—	—	7,677	—	—	7,677
Other comprehensive loss, net of tax	—	—	—	(24)	—	(24)
Balances at March 31, 2024	113,496,854	11	1,395,042	(272)	(1,476,625)	(81,844)
Net loss	—	—	—	—	(12,921)	(12,921)
Issuance of common stock upon vesting of RSUs	21,583	—	—	—	—	—
Issuance of common stock - partial payout of 2023 bonus in RSUs	1,976,750	1	4,407	—	—	4,408
Offering costs associated with ATM Offering	—	—	(52)	—	—	(52)
Taxes paid related to net share settlement of RSUs	(767,971)	—	(1,711)	—	—	(1,711)
Issuance of common stock under the employee stock purchase plan ("ESPP")	471,439	—	685	—	—	685
Stock-based compensation expense	—	—	7,327	—	—	7,327
Balances at June 30, 2024	115,198,655	12	1,405,698	(272)	(1,489,546)	(84,108)
Net loss	—	—	—	—	(10,751)	(10,751)
Issuance of common stock upon vesting of RSUs	22,915	—	—	—	—	—
Taxes paid related to net share settlement of RSUs	(8,163)	—	(10)	—	—	(10)
Stock-based compensation expense	—	—	6,899	—	—	6,899
Other comprehensive loss, net of tax	—	—	—	(3)	—	(3)
Balances at September 30, 2024	115,213,407	\$ 12	\$ 1,412,587	\$ (275)	\$ (1,500,297)	\$ (87,973)



**Coherus BioSciences, Inc.**  
**Condensed Consolidated Statements of Stockholders' Deficit**  
**(in thousands, except share and per share data)**  
**(unaudited)**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balances at December 31, 2022	78,851,516	\$ 8	\$ 1,204,431	\$ (249)	\$ (1,341,608)	\$ (137,418)
Net loss	—	—	—	—	(75,729)	(75,729)
Issuance of common stock upon exercise of stock options	24,107	—	103	—	—	103
Issuance of common stock upon vesting of RSUs	771,167	—	—	—	—	—
Issuance of common stock under ATM Offering, net of issuance costs	1,131,450	—	7,059	—	—	7,059
Taxes paid related to net share settlement of RSUs	(289,944)	—	(2,781)	—	—	(2,781)
Stock-based compensation expense	—	—	12,288	—	—	12,288
Other comprehensive loss, net of tax	—	—	—	(29)	—	(29)
Balances at March 31, 2023	80,488,296	8	1,221,100	(278)	(1,417,337)	(196,507)
Net loss	—	—	—	—	(42,869)	(42,869)
Issuance of common stock upon exercise of stock options	8,182	—	14	—	—	14
Issuance of common stock upon vesting of RSUs	142,982	—	—	—	—	—
Issuance of common stock under Public Offering, net of issuance costs	13,529,411	1	53,624	—	—	53,625
Offering costs associated with ATM offering	—	—	(74)	—	—	(74)
Taxes paid related to net share settlement of RSUs	(48,529)	—	(305)	—	—	(305)
Issuance of common stock under the ESPP	321,672	—	1,337	—	—	1,337
Stock-based compensation expense	—	—	10,034	—	—	10,034
Other comprehensive loss, net of tax	—	—	—	(19)	—	(19)
Balances at June 30, 2023	94,442,014	9	1,285,730	(297)	(1,460,206)	(174,764)
Net loss	—	—	—	—	(39,641)	(39,641)
Issuance of common stock upon exercise of stock options	27,977	—	53	—	—	53
Issuance of common stock upon vesting of RSUs	72,918	—	—	—	—	—
Issuance of common stock in connection with Surface Acquisition: <sup>(1)</sup>						
Issuance to Surface shareholders for acquisition	11,971,460	1	58,540	—	—	58,541
Accelerated vesting of equity awards	261,239	—	1,053	—	—	1,053
Taxes paid related to net share settlement of equity awards	(65,732)	—	(347)	—	—	(347)
Issuance of common stock under ATM Offering, net of issuance costs	2,428,311	1	11,436	—	—	11,437
Taxes paid related to net share settlement of RSUs	(25,141)	—	(115)	—	—	(115)
Stock-based compensation expense	—	—	10,152	—	—	10,152
Other comprehensive gain, net of tax	—	—	—	32	—	32
Balances at September 30, 2023	109,113,046	\$ 11	\$ 1,366,502	\$ (265)	\$ (1,499,847)	\$ (133,599)

(1) See Note 6 for further discussion.

See accompanying notes.

**Coherus BioSciences, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(in thousands)**  
**(unaudited)**

	Nine Months Ended September 30,	
	2024	2023
<b>Operating activities</b>		
Net income (loss)	\$ 79,203	\$ (158,239)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	4,243	2,728
Stock-based compensation expense	21,418	32,312
Impairment of out-license asset and remeasurement of CVR liability, net	6,772	—
Loss on debt extinguishment	12,630	—
Gain on Sale Transactions, net (Note 6)	(176,646)	—
Inventory write-downs, net	2,481	4,369
Other non-cash adjustments, net	(505)	78
Changes in operating assets and liabilities:		
Trade receivables, net	93,024	(106,626)
Inventory	(25,499)	(34,941)
Prepaid manufacturing	5,582	4,108
Other prepaid, current and non-current assets	(4,306)	10,702
Accounts payable	(10,280)	24,545
Accrued rebates, fees and reserves	(7,617)	60,602
TSA related operating assets and liabilities, net (Note 6)	2,396	—
Accrued compensation	(1,039)	(8,810)
Accrued and other current and non-current liabilities	(50,905)	7,225
Net cash used in operating activities	(49,048)	(161,947)
<b>Investing activities</b>		
Proceeds from maturities of investments in marketable securities	6,200	108,148
Proceeds from sale of investments in marketable securities	8,688	13,282
Cash received from CIMERLI Sale (Note 6)	187,823	—
Cash received from YUSIMRY Sale (Note 6)	40,000	—
Cash and cash equivalents acquired from Surface Acquisition	—	6,997
Milestone based license fee payment to Junshi Biosciences	(12,500)	—
Purchases of investments in marketable securities	—	(19,507)
Other investing activities, net	652	517
Net cash provided by investing activities	230,863	109,437
<b>Financing activities</b>		
Proceeds from 2029 Term Loan, net of debt discount & issuance costs	36,979	—
Proceeds from Revenue Purchase and Sale Agreement, net of issuance costs	36,486	—
Proceeds from issuance of common stock under ATM Offering, net of issuance costs	1,455	18,198
Proceeds from issuance of common stock under Public Offering, net of issuance costs	—	53,625
Proceeds from issuance of common stock upon exercise of stock options	291	170
Proceeds from purchase under the employee stock purchase plan	685	1,337
Taxes paid related to net share settlement	(2,466)	(3,261)
Repayment of 2027 Term Loans, premiums and exit fees	(260,387)	—
Other financing activities	(248)	(835)
Net cash (used in) provided by financing activities	(187,205)	69,234
Net (decrease) increase in cash, cash equivalents and restricted cash	(5,390)	16,724
Cash, cash equivalents and restricted cash at beginning of period	103,343	63,987
Cash, cash equivalents and restricted cash at end of period	\$ 97,953	\$ 80,711
<b>Supplemental disclosures of non-cash activities</b>		
Non-cash employee bonuses settled in common stock	\$ 4,408	\$ —
Financing issuance costs in accounts payable	\$ 859	\$ —

See accompanying notes.

**Coherus BioSciences, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

Coherus BioSciences, Inc. (the “Company” or “Coherus”) is a commercial-stage biopharmaceutical company focused on the research, development and commercialization of innovative immunotherapies to treat cancer. The Company is developing an innovative immuno-oncology pipeline that it believes will be synergistic with its proven commercial capabilities in oncology. The Company’s headquarters and laboratories are located in Redwood City, California and in Camarillo, California, respectively.

On January 2, 2024, the Company announced the launch in the U.S. of LOQTORZI® in combination with cisplatin and gemcitabine for the first-line treatment of adults with metastatic or recurrent locally advanced nasopharyngeal carcinoma (“NPC”), and as monotherapy for the treatment of adults with recurrent unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy. LOQTORZI is a novel PD-1 inhibitor that the Company developed in collaboration with Shanghai Junshi Biosciences Co., Ltd. (“Junshi Biosciences”). The Company also sells UDENYCA® (pegfilgrastim-cbqv), a biosimilar to Neulasta, a long-acting granulocyte-colony stimulating factor, in the United States.

The Company launched YUSIMRY (adalimumab-aqvh), a biosimilar to Humira (adalimumab), in the United States in July 2023. On June 26, 2024, the Company entered into an Asset Purchase Agreement (the “YUSIMRY Purchase Agreement”) with Hong Kong King-Friend Industrial Company Ltd. (“HKF”). Pursuant to the YUSIMRY Purchase Agreement, the Company completed the sale of its YUSIMRY (adalimumab-aqvh) franchise (the “YUSIMRY Sale”) for upfront, cash consideration of \$40.0 million and the assumption of \$17.0 million of inventory purchase commitments by HKF. The Company launched CIMERLI (ranibizumab-eqrn), a biosimilar to Lucentis, in the United States in October 2022. On January 19, 2024, the Company entered into a Purchase and Sale Agreement (the “CIMERLI Purchase Agreement”) with Sandoz Inc. (“Sandoz”). Pursuant to the terms and subject to the conditions set forth in the CIMERLI Purchase Agreement, on March 1, 2024, the Company completed the sale of its CIMERLI ophthalmology franchise through the sale of its subsidiary, Coherus Ophthalmology LLC (“Coherus Ophthalmology”), to Sandoz for upfront, all-cash consideration of \$170.0 million plus an additional \$17.8 million for CIMERLI product inventory and prepaid manufacturing assets (the “CIMERLI Sale” and, together with the YUSIMRY Sale, the “Sale Transactions”). Proceeds from the CIMERLI Sale received in March were used in April 2024 to pay down \$175.0 million of the total principal balance of \$250.0 million on the Company’s senior secured term loan facility that was entered into January 5, 2022 (as amended on April 7, 2022, February 6, 2023, and February 5, 2024, the “2027 Term Loans”). During the second quarter of 2024, the Company repaid in full all the remaining outstanding indebtedness and terminated all commitments under the 2027 Term Loans, resulting in a \$12.6 million loss on debt extinguishment from the 2027 Term Loans (see Note 8. Financial Liabilities).

The Company’s product pipeline comprises the following three product candidates: CHS-1000, an antibody targeting ILT4; casdozokitug (CHS-388, formerly SRF388), an antibody targeting interleukin 27 (“IL-27”); and CHS-114 (formerly SRF114), a highly specific afucosylated immunoglobulin isotype G1 (“IgG1”) antibody targeting CCR8. In addition to the Company’s internally developed portfolio of product candidates, the Company has a product candidate, GSK4381562, which has been exclusively licensed to GlaxoSmithKline Intellectual Property No. 4 Limited (“GSK”).

**Basis of Consolidation**

The accompanying unaudited condensed consolidated financial statements include the accounts of Coherus and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with

United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities Act of 1933, as amended (the “Securities Act”). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring accruals that the Company believes are necessary to fairly state the financial position and the results of the Company’s operations and cash flows for interim periods in accordance with U.S. GAAP. Interim-period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”) filed with the SEC.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities when these values are not readily apparent from other sources. Estimates are assessed each period and updated to reflect current information, such as, the estimated effects and uncertainty surrounding the temporary supply interruption relating to the Company’s third-party labeling and packaging CMO for UDENYCA. Accounting estimates and judgments are inherently uncertain and therefore actual results could differ from these estimates.

**Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets, which, in aggregate, represent the amount reported in the condensed consolidated statements of cash flows:

(in thousands)	January 1,	
	2024	2023
At beginning of period:		
Cash and cash equivalents	\$ 102,891	\$ 63,547
Restricted cash	452	440
Total cash, cash equivalents and restricted cash	\$ 103,343	\$ 63,987
	September 30,	
	2024	2023
At end of period:		
Cash and cash equivalents	\$ 97,690	\$ 80,259
Restricted cash	263	452
Total cash, cash equivalents and restricted cash	\$ 97,953	\$ 80,711

Restricted cash consists of deposits for letters of credit that the Company has provided to secure its obligations under certain leases and is included in other assets, non-current on the condensed consolidated balance sheets.

**Trade Receivables**

Trade receivables are recorded net of allowances for chargebacks, cash discounts for prompt payment and credit losses. The Company estimates an allowance for expected credit losses by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect

a customer's ability to pay. The corresponding expense for the credit loss allowance is reflected in selling, general and administrative expenses. The credit loss allowance was immaterial as of September 30, 2024 and December 31, 2023.

#### **Revenue Purchase and Sale Agreement**

The Revenue Purchase and Sale Agreement (see Note 8. Financial Liabilities) contains an embedded derivative that meets the criteria to be bifurcated and accounted for separately from the Revenue Purchase and Sale Agreement (the "Royalty Fee Derivative Liability"). The Royalty Fee Derivative Liability was recorded at fair value upon entering into the Revenue Purchase and Sale Agreement and is subsequently remeasured to fair value at each reporting period with the corresponding change in fair value recognized in other income (expense), net in the condensed consolidated statements of operations. The Revenue Purchase and Sale Agreement was initially valued and is remeasured using Monte Carlo simulation models to perform the "with-and-without" method, which involves valuing the Revenue Purchase and Sale Agreement with the embedded derivative and then valuing it without the embedded derivative. The difference between values is determined to be the estimated fair value of the Royalty Fee Derivative. Refer to Note 3. Fair Value Measurements for details regarding the fair value.

The Revenue Purchase and Sale Agreement is accounted for as a liability net of a discount comprising issuance costs and the fair value of the embedded derivative requiring bifurcation. The Company imputes interest expense associated with this liability using the effective interest rate method. The effective interest rate is calculated based on the rate that would enable the liability to be repaid in full over the anticipated life of the arrangement. Interest expense is recognized over the estimated term on the condensed consolidated statement of operations. The interest rate on this revenue participation liability may vary during the term of the agreement depending on a number of factors, including the level of actual and forecasted net sales. The Company evaluates the interest rate quarterly based on actual and forecasted net sales utilizing the prospective method. A significant increase or decrease in actual or forecasted net sales could materially impact the revenue participation liability, interest expense, and the time period for repayment.

#### **Contingent Consideration**

Contingent consideration relates to the potential payments to holders of Contingent Value Rights ("CVRs") that are contingent upon the achievement of the Company and certain third parties meeting product development or financial performance milestones. For transactions accounted for as business combinations, the Company records contingent consideration at fair value at the date of the acquisition based on the consideration expected to be transferred. Liabilities for contingent consideration are remeasured each reporting period and subsequent changes in fair value are recognized within selling, general and administrative expense in the condensed consolidated statements of operations. The assumptions utilized in the calculation of the fair values include probability of success and the discount rates. Contingent consideration involves certain assumptions requiring significant judgment and actual results may differ from estimated amounts.

#### **Stock-Based Compensation**

The Company's compensation programs include stock-based awards. For awards other than condition-based performance stock options, the fair values are recognized as compensation expense on a straight-line basis over the vesting period. For condition-based performance stock options, expense is recognized only when performance conditions are considered probable of being achieved and is recognized over the period from the grant date through the time the milestone is expected to be achieved. The related costs are recorded in cost of goods sold, research and development, and selling, general and administrative expense, as appropriate. The Company accounts for forfeitures as they occur. The Company accounts for stock issued in connection with business combinations based on the fair value of the Company's common stock on the date of issuance.

#### **Recent Accounting Pronouncements**

The following are recent accounting pronouncements that the Company has not yet adopted:

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures. The amendments in this update expand annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The new standard is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments in this update should be applied retrospectively to all periods presented. The Company is currently evaluating the impact this ASU may have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which provides qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures, among others, in order to enhance the transparency of income tax disclosures, including consistent categories and greater disaggregation of information in the rate reconciliation and disaggregation by jurisdiction of income taxes paid. The new standard is effective for the Company for annual periods beginning after December 15, 2024, with early adoption permitted. The amendments in this ASU should be applied prospectively; however, retrospective application is also permitted. The Company is currently evaluating the impact this ASU may have on its financial statement disclosures.

The Company has reviewed other recent accounting pronouncements and concluded they are either not applicable to the business or that no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

## 2. Revenue

The Company launched LOQTORZI in December 2023, YUSIMRY in July 2023 and CIMERLI in October 2022. Net revenue for sales of YUSIMRY and CIMERLI effectively ceased to be recognized in the Company’s condensed consolidated statements of operations on June 26, 2024 and March 1, 2024, respectively (see Note 6. Acquisition and Dispositions). All net product revenue was generated in the United States, and the Company’s net revenue was as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Products</b>				
UDENYCA	\$ 66,089	\$ 32,967	\$ 159,673	\$ 90,875
CIMERLI	(1,215)	40,037	26,979	72,939
YUSIMRY	(152)	1,360	7,508	1,360
LOQTORZI	5,832	—	11,609	—
Total net product revenue	70,554	74,364	205,769	165,174
Other revenue	220	204	7,047	546
Total net revenue	\$ 70,774	\$ 74,568	\$ 212,816	\$ 165,720

Gross product revenues by significant customer as a percentage of total gross product revenues were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
McKesson Corporation	45 %	44 %	41 %	38 %
Cencora (previously known as AmeriSource-Bergen Corporation)	33 %	41 %	39 %	45 %
Cardinal Health, Inc.	21 %	13 %	18 %	15 %

**Product Sales Discounts and Allowances**

The total provision related to sales made in the prior period was \$0.3 million and \$1.1 million for the three months ended September 30, 2024 and 2023, respectively. Chargebacks and discounts for prompt payment are recorded as a reduction in trade receivables, and the remaining reserve balances are classified as current liabilities and other liabilities, non-current on the accompanying unaudited condensed consolidated balance sheets.

In connection with the Sale Transactions, the Company retained and will continue to be responsible for sales discounts and allowance liabilities incurred prior to March 1, 2024 for CIMERLI and June 26, 2024 for YUSIMRY. Sales discounts and allowances incurred on behalf of the respective counterparties following the close of the Sale Transactions in accordance with the Company’s Transition Services Agreement with Sandoz (the “CIMERLI TSA”) in March 2024 for CIMERLI and the Company’s Transition Services Agreement with HKF (the “YUSIMRY TSA” and, together with the CIMERLI TSA, collectively the “TSA”) in June 2024 for YUSIMRY are reflected within TSA receivables, net and TSA payables and other accrued liabilities in the unaudited condensed consolidated balance sheets and are excluded from the below table (see Note 6. Acquisition and Dispositions).

The activities and ending reserve balances for each significant category of discounts and allowances that constitute variable consideration were as follows:

(in thousands)	Nine Months Ended September 30, 2024			
	Chargebacks and Discounts for Prompt Payment	Rebates	Other Fees, Co-pay Assistance and Returns	Total
	Balances at December 31, 2023	\$ 73,953	\$ 121,137	\$ 49,795
Provision related to sales made in:				
Current period	727,028	150,820	117,299	995,147
Prior period - increase (decrease)	(969)	6,343	(1,010)	4,364
Payments and customer credits issued	(747,070)	(159,737)	(121,332)	(1,028,139)
Balances at September 30, 2024	\$ 52,942	\$ 118,563	\$ 44,752	\$ 216,257
(in thousands)	Nine Months Ended September 30, 2023			
	Chargebacks and Discounts for Prompt Payment	Rebates	Other Fees, Co-pay Assistance and Returns	Total
	Balances at December 31, 2022	\$ 42,677	\$ 38,713	\$ 19,113
Provision related to sales made in:				
Current period	387,238	83,009	69,362	539,609
Prior period - increase (decrease)	(1,375)	1,540	4,469	4,634
Payments and customer credits issued	(379,076)	(42,097)	(55,681)	(476,854)

Balances at September 30, 2023	\$	<u>49,464</u>	\$	<u>81,165</u>	\$	<u>37,263</u>	\$	<u>167,892</u>
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### 3. Fair Value Measurements

The fair values of financial instruments are classified into one of the following categories based upon the lowest level of input that is significant to the fair value measurement:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices 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 assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of cash equivalents approximate their carrying values due to the short-term nature of such financial instruments.

Unrealized gains and losses on available-for-sale debt securities are reported as a component of accumulated comprehensive income (loss), with the exception of unrealized losses believed to be related to credit losses, if any, which are recognized in earnings in the period the impairment occurs. Impairment assessments are made at the individual security level each reporting period. When the fair value of an available-for-sale debt investment is less than its cost at the balance sheet date, a determination is made as to whether the impairment is related to a credit loss and, if it is, the portion of the impairment relating to credit loss is recorded as an allowance through net income. Realized gains and losses, if any, on available-for-sale securities are included in other income (expense), net, in the condensed consolidated statements of operations based on the specific identification method.

In connection with the acquisition (the “Surface Acquisition”) of Surface Oncology, Inc. (“Surface”) on September 8, 2023 (see Note 6. Acquisition and Dispositions), the Company recorded contingent consideration liabilities related to CVRs. The fair value of the CVR liabilities were determined using a Monte Carlo simulation-based model discounted to present value and represents a Level 3 measurement within the fair value hierarchy. Assumptions used in this calculation include estimated revenue, discount rate and various probability factors. If different assumptions were used for the various inputs, the estimated fair value could be significantly higher or lower than the fair value the Company determined. For example, increases in discount rates and the time to payment may result in lower fair value measurements. There is no assurance that any of the conditions for payment of the CVR liabilities will be met. During the three months ended March 31, 2024, the Company impaired its historical out-licensed partnership program with Novartis Institutes for Biomedical Research, Inc. (“Novartis Institutes”) (NZV930), which resulted in a net impairment charge of \$6.8 million in selling, general and administrative expenses in the condensed consolidated statements of operations relating to the write-off of the net carrying value of the Novartis Institutes out-license intangible asset of \$10.6 million and the final remeasurement of the CVR liability related to NZV930 of \$3.8 million to its fair value of zero. The remaining CVR liability associated with GSK of \$0.5 million and other contingent consideration are recorded in other liabilities, non-current on the condensed consolidated balance sheets at September 30, 2024.

On May 8, 2024, the Company recognized the Royalty Fee Derivative Liability which was estimated to be \$9.2 million in connection with the Revenue Purchase and Sale Agreement (see Note 8. Financial Liabilities), which is recorded in accrued and other current liabilities on the condensed consolidated balance sheets. To estimate the fair value, the Company uses Monte Carlo simulation models that require the use of Level 3 unobservable inputs, primarily the amount and timing of our expected future revenue, the estimated volatility of these revenues, the discount rate corresponding



to the risk of revenue, and the probability of certain events. At September 30, 2024, the estimated fair value of the Royalty Fee Derivative Liability remained unchanged at \$9.2 million.

Financial liabilities related to long-term debt obligations are summarized in Note 8. Financial Liabilities. Other financial liabilities and financial assets measured at fair value on a recurring basis are summarized as follows:

(in thousands)	Fair Value Measurements			
	September 30, 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash equivalents <sup>(1)</sup>	\$ 69,070	\$ —	\$ —	\$ 69,070
<b>Total</b>	<b>\$ 69,070</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 69,070</b>
<b>Financial Liabilities:</b>				
Royalty Fee Derivative Liability	\$ —	\$ —	\$ 9,202	\$ 9,202
Contingent consideration	—	—	632	632
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 9,834</b>	<b>\$ 9,834</b>

(in thousands)	Fair Value Measurements			
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash equivalents <sup>(1)</sup>	\$ 88,460	\$ 998	\$ —	\$ 89,458
<b>Marketable debt securities:</b>				
U.S. government agency securities	5,195	—	—	5,195
U.S. treasury securities	2,993	—	—	2,993
Commercial paper and corporate notes	—	6,669	—	6,669
Prepaid financial instrument in Prepaid manufacturing <sup>(2)</sup>	—	—	625	625
<b>Total</b>	<b>\$ 96,648</b>	<b>\$ 7,667</b>	<b>\$ 625</b>	<b>\$ 104,940</b>
<b>Financial Liabilities:</b>				
Contingent consideration	\$ —	\$ —	\$ 4,472	\$ 4,472

(1) Cash equivalents consist of money market funds, U.S treasury securities and commercial paper and corporate notes with original maturities of 90 days or less.

(2) Relates to Optional Stock Purchase Agreement as described in the Company's 2023 Form 10-K.

The cost, unrealized gains or losses, and fair value by investment type are summarized as follows:

(in thousands)	September 30, 2024			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Money market funds	\$ 69,070	\$ —	\$ —	\$ 69,070
<b>Total</b>	<b>\$ 69,070</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 69,070</b>

(in thousands)	December 31, 2023			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Money market funds	\$ 79,484	\$ —	\$ —	\$ 79,484
U.S. government agency securities	5,200	—	(5)	5,195
U.S. treasury securities	11,967	2	—	11,969
Commercial paper and corporate notes	7,673	—	(6)	7,667
<b>Total</b>	<b>\$ 104,324</b>	<b>\$ 2</b>	<b>\$ (11)</b>	<b>\$ 104,315</b>

#### 4. Inventory

Inventory consisted of the following:

(in thousands)	September 30,	December 31,
	2024	2023
Raw materials	\$ 13,735	\$ 12,975
Work in process	102,989	82,588
Finished goods	2,291	34,537
<b>Total</b>	<b>\$ 119,015</b>	<b>\$ 130,100</b>

Inventory as of December 31, 2023 included \$16.4 million related to the CIMERLI ophthalmology franchise and \$17.0 million related to the YUSIMRY immunology franchise (see Note 6. Acquisition and Dispositions). Inventory is stated at the lower of cost or estimated net realizable value with cost determined under the first-in first-out method. The determination of excess or obsolete inventory requires judgment including consideration of many factors, such as estimates of future product demand, current and future market conditions, product expiration information, and potential product obsolescence, among others. During the year ended December 31, 2023, the Company recorded a \$47.0 million charge for the write-down of slow moving YUSIMRY inventory, which included the recognition of \$20.5 million in certain firm purchase commitments. Of this charge, \$11.5 million was reflected in accrued and other current liabilities and \$9.0 million in other liabilities, non-current as of December 31, 2023. Liabilities for firm inventory purchase commitments related to YUSIMRY were derecognized upon the YUSIMRY Sale.

Inventory expected to be sold more than twelve months from the balance sheet date is classified as inventory, non-current on the condensed consolidated balance sheets. As of September 30, 2024 and December 31, 2023, the non-current portion of inventory consisted of raw materials and work in process, as well as a portion of finished goods at December 31, 2023. The following table presents the inventory balance sheet classifications:

(in thousands)	September 30,	December 31,
	2024	2023
Inventory	\$ 47,640	\$ 62,605
Inventory, non-current	71,375	67,495
<b>Total</b>	<b>\$ 119,015</b>	<b>\$ 130,100</b>

Prepaid manufacturing of \$10.7 million as of September 30, 2024 includes prepayments of \$6.5 million to CMOs for manufacturing services, which the Company expects to be converted into inventory within the next twelve months, and prepayments of \$4.2 million to various CMOs for research and development pipeline programs. Prepaid manufacturing of \$23.7 million as of December 31, 2023 included prepayments of \$11.1 million to various CMOs for research and development pipeline programs and \$12.6 million to CMOs for manufacturing services, of which \$6.4 million related to the CIMERLI ophthalmology franchise and \$0.5 million related to the YUSIMRY immunology franchise (see Note 6. Acquisition and Dispositions).

## 5. Balance Sheet Components

### Property and Equipment, Net

Property and equipment, net consisted of the following:

(in thousands)	September 30,	December 31,
	2024	2023
Machinery and equipment	\$ 13,161	\$ 13,124
Computer equipment and software	3,566	3,546
Furniture and fixtures	1,055	1,055
Leasehold improvements	5,751	5,751
Finance lease right of use assets	—	2,294
Total property and equipment	23,533	25,770
Accumulated depreciation and amortization	(20,622)	(20,651)
Property and equipment, net	<u>\$ 2,911</u>	<u>\$ 5,119</u>

Depreciation and amortization expense related to property and equipment, net was \$0.4 million and \$1.5 million for the three and nine months ended September 30, 2024, respectively, and \$0.8 million and \$2.5 million for the three and nine months ended September 30, 2023, respectively.

As of September 30, 2024 and December 31, 2023, the net book value of software implementation costs related to hosting arrangements was \$2.3 million and \$3.2 million, respectively, and the amortization expense was immaterial for all periods presented.

### Intangible Assets, Net

Intangible assets, net consisted of the following:

(in thousands)	September 30,	December 31,
	2024	2023
Finite-lived assets, net of accumulated amortization of \$2,052 and \$639, as of September 30, 2024 and December 31, 2023, respectively	\$ 25,454	\$ 41,871
Indefinite-lived assets - in-process research and development	28,859	28,859
Goodwill	—	943
Total Intangible assets, net	<u>\$ 54,313</u>	<u>\$ 71,673</u>

Amortization expense related to finite-lived intangible assets was \$1.2 million and \$2.8 million in the three and nine months ended September 30, 2024, respectively, and immaterial for the three and nine months ended September 30, 2023. In connection with the CIMERLI Sale on March 1, 2024, a finite-lived asset, net of \$2.1 million and goodwill of \$0.9 million were derecognized. In connection with the YUSIMRY Sale on June 26, 2024, a finite-lived asset with a net value of \$0.9 million was derecognized.

The exclusive license of NZV930 to Novartis Institutes, acquired as part of the Surface Acquisition, was terminated by Novartis Institutes with an effective date of October 2, 2024. As a result, the Company recognized an impairment charge of \$10.6 million for the carrying value of the Novartis Institutes out-license during the three months ended March 31, 2024, which was classified within selling, general and administrative expense in the condensed consolidated statements of operations.

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Amortization expense for the remaining finite-lived assets for each of the five succeeding fiscal years is expected to be \$2.7 million.

**Accrued and Other Current Liabilities**

Accrued and other current liabilities consisted of the following:

(in thousands)	September 30,	December 31,
	2024	2023
Accrued commercial and research and development manufacturing	\$ 19,729	\$ 23,470
Accrued co-development costs and milestone payments	12,500	26,812
Accrued royalties	1,199	42,031
Royalty Fee Derivative Liability (Note 8)	9,202	—
Revenue participation liability, current (Note 8)	2,180	—
Accrued other	14,526	7,628
Lease liabilities, current	1,629	2,145
Contingent consideration, current	—	3,300
Total Accrued and other current liabilities	<u>\$ 60,965</u>	<u>\$ 105,386</u>

**Other Liabilities, Non-current**

Other liabilities, non-current consisted of the following:

(in thousands)	September 30,	December 31,
	2024	2023
Contingent consideration, non-current	\$ 632	\$ 1,172
Deferred tax liability	1,102	1,102
Revenue participation liability, non-current (Note 8)	27,427	—
Other	—	10,287
Total Other liabilities, non-current	<u>\$ 29,161</u>	<u>\$ 12,561</u>

**6. Acquisition and Dispositions****2024 Dispositions***YUSIMRY Sale*

On June 26, 2024, the Company completed the sale of its YUSIMRY immunology franchise which comprised certain assets, including certain YUSIMRY intellectual property, contracts, YUSIMRY inventory, and all activities related to research and development of YUSIMRY. In exchange, HKF paid upfront cash consideration of \$40.0 million and assumed certain liabilities, including \$17.0 million of inventory purchase commitments. During the second quarter of 2024, the Company recognized a net gain on the YUSIMRY Sale of \$22.9 million, which included the cash receipts of \$40.0 million less net assets transferred to HKF or otherwise derecognized and transaction costs of \$1.0 million. At September 30, 2024, unpaid transaction costs totaled \$0.8 million. The pretax profit (loss) related to the YUSIMRY immunology franchise prior to the YUSIMRY Sale, which excludes any corporate overhead allocations, was \$(0.2) million and \$1.3 million during the three and nine months ended September 30, 2024, respectively, and \$(2.0) million and \$(12.1) million during the three and nine months ended September 30, 2023, respectively.

In connection with the YUSIMRY Sale, the Company and HKF entered into the YUSIMRY TSA, pursuant to which the Company is providing certain business support services on behalf of HKF including billings, collections, and the remittance of rebates, to ensure business continuity for patients and customers for a period not expected to extend beyond December 31, 2024. Under the YUSIMRY TSA, the Company is entitled to be reimbursed for its costs which were \$0.5 million for the three and nine months ended September 30, 2024. As of September 30, 2024, assets of \$3.4 million and liabilities of \$3.2 million related to transactions entered into on behalf of HKF in accordance with the YUSIMRY TSA were presented in TSA receivables, net and TSA payables and other accrued liabilities, respectively, in the condensed consolidated balance sheets.

#### *CIMERLI Sale*

On March 1, 2024, the Company completed the sale of its CIMERLI ophthalmology franchise through the sale of its subsidiary, Coherus Ophthalmology, to Sandoz for upfront, all-cash consideration of \$170.0 million plus an additional \$17.8 million for CIMERLI product inventory and prepaid manufacturing assets. During the first quarter of 2024, the Company recognized a net gain on the CIMERLI Sale of \$153.6 million, which includes the cash receipts of \$187.8 million less assets transferred to Sandoz, assets derecognized, transaction costs of \$7.2 million, and other related employee transition expenses. As of September 30, 2024, unpaid commitments for retention bonuses totaled \$4.7 million. The pretax profit (loss) related to the CIMERLI ophthalmology franchise prior to the CIMERLI Sale, which excludes any corporate overhead allocations, was \$(1.2) million and \$6.2 million during the three and nine months ended September 30, 2024, respectively, and \$6.9 million and \$5.7 million during the three and nine months ended September 30, 2023, respectively.

In connection with the CIMERLI Sale, the Company and Sandoz entered into the CIMERLI TSA, pursuant to which the Company is providing certain business support services on behalf of Sandoz including billings, collections, and the remittance of rebates, to ensure business continuity for patients and customers for a period not expected to extend beyond December 31, 2024. Under the CIMERLI TSA, the Company is entitled to be reimbursed for its costs and has recorded income of \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2024 in other income (expense), net in the condensed consolidated statements of operations. As of September 30, 2024, assets related to transactions entered into on behalf of Sandoz in accordance with the CIMERLI TSA of \$27.8 million were presented in TSA receivables, net and liabilities related to transactions entered into on behalf of Sandoz in accordance with the CIMERLI TSA of \$30.4 million were presented in TSA payables and other accrued liabilities in the condensed consolidated balance sheet.

### **2023 Acquisition**

#### *Surface Acquisition*

On September 8, 2023 (the "Acquisition Date"), in accordance with an Agreement and Plan of Merger dated June 15, 2023 (the "Merger Agreement") by and among the Company, Crimson Merger Sub I, Inc. ("Merger Sub I"), Crimson Merger Sub II, LLC ("Merger Sub II," and together with Merger Sub I, the "Merger Subs"), and Surface, the Company completed the Surface Acquisition. The Surface Acquisition expanded the Company's I-O pipeline with the following: casdozokitug (CHS-388, formerly SRF388), an investigational, novel IL-27-targeted antibody currently being evaluated in a Phase 2 clinical trial in HCC, and CHS-114 (formerly SRF114), an investigational, CCR8-targeted antibody currently in a Phase 1/2 study as a monotherapy in patients with advanced solid tumors and head and neck squamous cell carcinoma ("HSNSCC").

On the Acquisition Date, and in accordance with the Merger Agreement, the Company issued to the holders of all outstanding Surface common stock (subject to certain exceptions) 0.1960 shares of Coherus common stock in exchange for each share of outstanding Surface common stock and certain outstanding Surface employee equity awards. The exchange ratio was calculated pursuant to the terms of the Merger Agreement and was based on a \$5.2831 per share price of Coherus common stock and a nominal total amount of cash in lieu of fractional shares. Surface shareholders also

received one CVR for each share of Surface common stock and employee equity award converted. Each CVR entitles the holder to receive quarterly contingent payments in the form of cash, stock or a combination of cash and stock at the Company's discretion during the 10-year period following September 8, 2023, for the sum of the following, less any permitted deductions (in accordance with the Contingent Value Rights Agreement, dated September 8, 2023, by and among the Company and Computershare Inc. and its affiliate Computershare Trust Company, N.A., together, as the rights agent thereunder (the "CVR Agreement")):

- 70% of all milestone- and royalty-based payments actually received by the Company or its affiliates from GSK under a license agreement with GSK, dated December 16, 2020, which was subsequently amended in August 2021 (as amended, the "GSK Agreement") related to the existing program (GSK4381562);
- 25% of any upfront payment actually received by the Company or its affiliates pursuant to potential ex-U.S. licensing agreements for CHS-114; and
- 50% of any upfront payment actually received by the Company or its affiliates pursuant to potential ex-U.S. licensing agreements for casdozokitug.

The Company has recorded a contingent consideration liability for the fair value of the potential payments under the CVR Agreement described above. The Company is unable to estimate a range of outcomes for potential royalty and milestone payments for CHS-114 and casdozokitug.

The following table below sets forth the purchase price allocation to the estimated fair value of the net assets acquired:

(in thousands)	<u>Amounts Recognized at Acquisition Date</u>	
<b>Assets Acquired</b>		
Cash and cash equivalents	\$	6,997
Investments in marketable securities		21,791
Prepays and other assets		5,260
In-process research and development		26,239
Out-licenses		13,530
Total assets	\$	<u>73,817</u>
<b>Liabilities Assumed</b>		
Accrued and other current liabilities	\$	7,722
Deferred tax liability		1,499
Total liabilities		<u>9,221</u>
Total net assets acquired	\$	<u>64,596</u>

The Company believes that, even after reassessing its identification of all assets acquired and liabilities assumed, it was able to acquire Surface for a price that was completely allocable to identifiable assets acquired and liabilities assumed with no residual attributable to goodwill primarily due to Surface's need to raise additional capital to finance its operations, the challenging biotech funding environment at the time the transaction was initially announced, and the value of the acquired net assets.

The amounts allocated to identifiable intangible assets was as follows:

(in thousands)	Useful lives	Fair Value at Acquisition Date
In-process research and development - casdozokitug	n/a	\$ 25,899
In-process research and development - CHS-114	n/a	340
Out-license - GSK	15 years	2,506
Out-license - Novartis Institutes	15 years	11,024
<b>Total identifiable intangible assets</b>		<b>\$ 39,769</b>

The out-license intangible assets represent potential milestone and royalty-based payments to be received under two out-licensed partnership programs to advance certain next-generation cancer therapies, Novartis Institutes (NZV930) and GSK (GSK4381562). Surface shareholders received CVRs for certain percentages of these milestone and royalty-based payments, as further explained above. The exclusive license of NZV930 to Novartis Institutes was terminated by Novartis Institutes with an effective date of October 2, 2024. As a result, during the first quarter of 2024, the Company recognized a net impairment charge of \$6.8 million in selling, general and administrative expenses in the condensed consolidated statements of operations relating to the write-off of the net carrying value of the Novartis Institutes out-license intangible asset of \$10.6 million and the final remeasurement of the CVR liability related to NZV930 of \$3.8 million to its fair value of zero.

*Unaudited Pro Forma Summary of Operations*

The following table shows the unaudited pro forma summary of operations for the three and nine months ended September 30, 2023, as if the Surface Acquisition had occurred on January 1, 2022. This pro forma information does not purport to represent what the Company's actual results would have been if the acquisition had occurred as of January 1, 2022, and it is not indicative of what such results would be expected for any future period:

(in thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Total revenues	\$ 74,568	\$ 165,720
Net loss	\$ (49,984)	\$ (204,922)

Acquisition-related costs of \$2.6 million and \$4.5 million were recorded in selling, general and administrative expense in the condensed consolidated statement of operations during the three and nine months ended September 30, 2023, respectively.

**7. Collaborations and Other Arrangements**

*In-Licensing Agreements*

**Junshi Biosciences**

On February 1, 2021, the Company entered into an Exclusive License and Commercialization Agreement (the "Collaboration Agreement") with Junshi Biosciences for the co-development and commercialization of LOQTORZI, Junshi Biosciences' anti-PD-1 antibody, in the United States and Canada.

Under the terms of the Collaboration Agreement, the Company paid \$150.0 million upfront for exclusive rights to LOQTORZI in the United States and Canada, an option in these territories to Junshi Biosciences' anti-TIGIT antibody CHS-006, an option in these territories to a next-generation engineered IL-2 cytokine, and certain negotiation rights to two

undisclosed preclinical immuno-oncology drug candidates. The Company is obligated to pay Junshi Biosciences a 20% royalty on net sales of LOQTORZI and up to an aggregate \$380.0 million in one-time payments for the achievement of various regulatory and sales milestones.

In March 2022, the Company paid \$35.0 million for the exercise of its option to license CHS-006. Subsequent joint development consistent with the Collaboration Agreement commenced. On January 10, 2024, the Company announced that it had delivered a notice of termination of the TIGIT program CHS-006 described in the Collaboration Agreement (the “TIGIT Program”) to Junshi Biosciences. The Company plans to continue to wind down work with Junshi Biosciences on the TIGIT Program pursuant to the termination. If the Company exercises its remaining option for the IL-2 cytokine, it will be obligated to pay an additional option exercise fee of \$35.0 million and an 18% royalty on net sales, up to \$85.0 million for the achievement of certain regulatory approvals, and up to \$170.0 million for the attainment of certain sales thresholds. Under the Collaboration Agreement, the Company retains the right to collaborate in the development of LOQTORZI and the other licensed compounds, and will pay for a portion of these co-development activities up to a maximum of \$25.0 million per licensed compound per year. Additionally, the Company is responsible for certain associated regulatory and technology transfer costs for LOQTORZI and other licensed compounds and will reimburse Junshi Biosciences for such costs.

In March 2024, the Company entered into an Amendment No. 2 to the Collaboration Agreement (the “2<sup>nd</sup> Amendment”) with Junshi Biosciences to revise the timing of the \$25.0 million milestone payment to Junshi Biosciences that became due in connection with the approval by the FDA of toripalimab for the treatment of patients with NPC in the first quarter of 2024. Under the terms of the 2<sup>nd</sup> Amendment, the \$25.0 million milestone payment was split into two installments of \$12.5 million each, one that was paid in the second quarter of 2024 and one due in the first quarter of 2025.

The licensing transaction and the exercise of the option were accounted for as asset acquisitions under the relevant accounting rules. There was no material research and development expense recognized for obligations to Junshi Biosciences for the three months ended September 30, 2024. During the nine months ended September 30, 2024, the Company recognized a reduction in research and development expenses for the release of certain liabilities of \$4.8 million pursuant to the 2<sup>nd</sup> Amendment with Junshi Biosciences. Research and development expenses were \$3.1 million and \$7.7 million for the three and nine months ended September 30, 2023, respectively. In the condensed consolidated balance sheets as of September 30, 2024, the Company has classified \$12.5 million in accrued and other current liabilities related to a milestone payment in connection with the 2<sup>nd</sup> Amendment and \$0.4 million in accounts payable related to the co-development, regulatory and technology transfer costs related to these programs.

The accrued royalty obligation to Junshi Biosciences was \$1.1 million as of September 30, 2024 and immaterial at December 31, 2023. The additional milestone payments, option fee for the IL-2 cytokine and royalties are contingent upon future events and, therefore, will be recorded if and when it becomes probable that a milestone will be achieved, or when an option fee or royalties are incurred.

#### **Apotex**

On June 27, 2024, the Company entered into an exclusive license and distribution agreement (the “Canada License Agreement”) with Apotex, Inc. (“Apotex”), pursuant to which, the Company granted to Apotex an exclusive license under the Company’s rights to toripalimab to commercialize toripalimab within Canada. Pursuant to the Canada License Agreement, Apotex paid the Company an upfront payment of \$6.3 million United States Dollars (“USD”) which has been classified as net revenue in the condensed consolidated statements of operations for the nine months ended September 30, 2024. In addition, Apotex agreed to pay the Company up to an aggregate of \$51.5 million Canadian Dollars (“CAD”) in milestone payments in connection with the achievement of certain regulatory and sales milestones with respect to toripalimab in Canada. Lastly, Apotex agreed to pay the Company a low double-digit percentage of any future net sales of toripalimab in Canada that the Company will subsequently pay to Junshi Biosciences pursuant to the Collaboration Agreement.



The Canada License Agreement term continues until the tenth year after the first commercial sales of toripalimab in Canada, subject to an extension for a subsequent ten-year term at the option of Apotex. Apotex may terminate the License Agreement for any reason after a specified notice period. The License Agreement will terminate automatically if the rights granted to the Company by the Collaboration Agreement are terminated, if there is material breach that is not cured, if there are certain challenges to licensed patents by Apotex and in the case of certain insolvency events.

## **Bioeq**

On November 4, 2019, the Company entered into a license agreement (the “Bioeq License Agreement”) with Bioeq AG (“Bioeq”) for the commercialization of CIMERLI, a biosimilar version of Lucentis (ranibizumab), in certain dosage forms in both a vial and pre-filled syringe presentation (the “Bioeq Licensed Products”). Under the Bioeq License Agreement, Bioeq granted to the Company an exclusive, royalty-bearing license to commercialize the Bioeq Licensed Products in the field of ophthalmology (and any other approved labelled indication) in the United States.

Royalties due to Bioeq were \$38.4 million as of December 31, 2023.

On January 19, 2024 the Company entered into the CIMERLI Purchase Agreement with Sandoz. Pursuant to the CIMERLI Purchase Agreement, on March 1, 2024, the Company completed the divestiture of its CIMERLI ophthalmology franchise through the sale of its subsidiary, Coherus Ophthalmology, for upfront, all-cash consideration of \$170.0 million plus an additional \$17.8 million for CIMERLI product inventory and prepaid manufacturing assets. Refer to Note 6. Acquisition and Dispositions for additional information. Upon closing of the CIMERLI Sale, the Bioeq License Agreement was assumed by Sandoz. Refer to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed on March 15, 2024 for additional information related to the Bioeq License Agreement.

## **Adimab Development and Option Agreement**

In October 2018, Surface and Adimab LLC (“Adimab”), entered into an amended and restated development and option agreement, (as amended by the amendments dated as of December 16, 2020, June 1, 2022 and July 18, 2022, the “A&R Adimab Agreement”), which amended and restated the development and option agreement with Adimab dated July 2014, as amended, (“the Original Adimab Agreement”), for the discovery and optimization of proprietary antibodies as potential therapeutic product candidates. Under the A&R Adimab Agreement, the Company will select biological targets against which Adimab will use its proprietary platform technology to research and develop antibody proteins using a mutually agreed upon research plan.

Adimab granted the Company an exclusive option to obtain a non-exclusive, worldwide, fully paid-up, sublicensable license under Adimab’s platform patents and other Adimab technology solely to research up to ten antibodies, chosen by the Company against a specific biological target for a specified period of time (the “Research Option”). In addition, Adimab granted the Company an exclusive option to obtain a worldwide, royalty-bearing, sublicensable license under Adimab platform patents and other Adimab technology to exploit, including commercially, 20 or more antibodies against specific biological targets (the “Commercialization Option”). Upon the exercise of a Commercialization Option, and payment of the applicable option fee to Adimab, Adimab will assign the Company the patents that cover the antibodies selected by such Commercialization Option. The Company will be required to use commercially reasonable efforts to develop, seek market approval of, and commercialize at least one antibody against the target covered by the Commercialization Option in specified markets upon the exercise of a Commercialization Option.

Under the A&R Adimab Agreement, the Company is obligated to make milestone payments and to pay specified fees upon the exercise of the Research Option or Commercialization Option. During the discovery term, the Company may be obligated to pay Adimab up to \$0.3 million for technical milestones achieved against each biological target. Upon exercise of a Research Option, the Company is obligated to pay a nominal research maintenance fee on each of the next four anniversaries of the exercise. Upon the exercise of each Commercialization Option, the Company will be required

to pay an option exercise fee of a low seven-digit dollar amount, and the Company may be responsible for milestone payments of up to an aggregate of \$13.0 million for each licensed product that receives marketing approval. For any licensed product that is commercialized, the Company is obligated to pay Adimab tiered royalties of a low to mid single-digit percentage on worldwide net sales of such product. The Company may also partially exercise a Commercialization Option with respect to ten antibodies against a biological target by paying 65% of the option fee and later either (i) paying the balance and choosing additional antibodies for commercialization, up to the maximum number under the Commercialization Option, or (ii) foregoing the Commercialization Option entirely. For any Adimab diagnostic product that is used with or in connection with any compound or product other than a licensed antibody or licensed product, the Company is obligated to pay Adimab up to a low seven digits in regulatory milestone payments and low single-digit royalties on net sales.

#### **Vaccinex License Agreement**

On March 23, 2021, Surface and Vaccinex, Inc. (“Vaccinex”) entered into an exclusive product license agreement (the “Vaccinex License Agreement”) which provides the Company a worldwide, exclusive, sublicensable license to make, have made, use, sell, offer to sell, have sold, import, and otherwise exploit licensed products that incorporate certain Vaccinex intellectual property which covers certain antibodies (each, a “Vaccinex Licensed Products”), including the antibody CHS-114 targeting CCR8. Under the Vaccinex License Agreement, the Company is obligated to use commercially reasonable efforts to develop, clinically test, achieve regulatory approval, manufacture, market and commercialize at least one Vaccinex Licensed Product.

The Company is responsible for all costs and expenses of such development, manufacturing and commercialization. Vaccinex is eligible to receive up to an aggregate of \$3.5 million based on achievement of certain clinical milestones, up to an aggregate of \$11.5 million based on achievement of certain regulatory milestones per Vaccinex Licensed Product, and low single digit royalties on global net sales of any approved licensed products.

The Company may terminate the Vaccinex License Agreement for convenience upon the notice period specified in the Vaccinex License Agreement. Either party may terminate the agreement for an uncured material breach by the other party. Vaccinex may terminate the Vaccinex License Agreement if we default on any payments owed to Vaccinex under the agreement, if the Company is in material breach of, and fails to cure, its development obligations, or institute certain actions related to the licensed patents. In the event of termination, all rights in the licensed intellectual property would revert to Vaccinex.

#### *Out-Licensing Agreements Acquired as part of the Surface Acquisition*

On September 8, 2023, at the closing of the Surface Acquisition, all the assets, liabilities, rights and obligations of Surface were assumed by the Company’s direct, wholly-owned subsidiary, Surface Oncology, LLC. See further details in Note 6. Acquisition and Dispositions.

#### **GSK Agreement**

In December 2020, Surface entered into the GSK Agreement. Pursuant to the GSK Agreement, Surface granted GSK a worldwide exclusive, sublicensable license to develop, manufacture and commercialize antibodies that target CD112R, also known as PVRIG, including the antibody GSK4381562 (the “Licensed Antibodies”). GSK is responsible for the development, manufacturing and commercialization of the Licensed Antibodies and a joint development committee was formed to facilitate information sharing. GSK is responsible for all costs and expenses of such development, manufacturing and commercialization and is obligated to provide the Company with updates on its development, manufacturing and commercialization activities through the joint development committee. In March 2022, Surface earned a \$30.0 million milestone payment from GSK upon the dosing of the first patient in the Phase 1 trial of GSK4381562. The Company is eligible to receive up to \$60.0 million in additional clinical milestones and \$155.0 million in regulatory milestones. In addition, the Company may receive up to \$485.0 million in sales milestone payments. The Company is also eligible to receive royalties on global net sales of any approved products based on the Licensed

Antibodies, ranging in percentages from high single digits to mid-teens. Due to the uncertainty of pharmaceutical development and the historical failure rates generally associated with drug development, the Company may not receive any milestone payments or any royalty payments under the GSK Agreement. The Company did not recognize license-related revenue under the GSK Agreement during the three and nine months ended September 30, 2024.

Unless terminated earlier, the GSK Agreement expires on a licensed product-by-licensed product and country-by-country basis on the later of ten years from the date of first commercial sale or when there is no longer a valid patent claim or regulatory exclusivity covering such licensed product in such country. Either party may terminate the GSK Agreement for an uncured material breach by the other party or upon the bankruptcy or insolvency of the other party. GSK may terminate the GSK Agreement for its convenience. The Company may terminate the GSK Agreement if GSK institutes certain actions related to the licensed patents or if GSK ceases development activities, other than for certain specified technical or safety reasons. In the event of termination, the Company would regain worldwide rights to the terminated program.

## 8. Financial Liabilities

A summary of the Company's debt obligations, including level within the fair value hierarchy (see Note 3. Fair Value Measurements), is as follows:

(in thousands)	At September 30, 2024				
	Principal Amount	Unamortized Debt Discount and Debt Issuance Costs	Net Carrying Value	Estimated Fair Value	Level
Financial Liabilities:					
2029 Term Loan	\$ 38,660	\$ (2,042)	\$ 36,618	\$ 36,618	Level 2*
2026 Convertible Notes	\$ 230,000	\$ (2,109)	\$ 227,891	\$ 180,550	Level 2**
At December 31, 2023					
Financial Liabilities:					
2027 Term Loans	\$ 250,000	\$ (3,519)	\$ 246,481	\$ 246,481	Level 2*
2026 Convertible Notes	\$ 230,000	\$ (3,112)	\$ 226,888	\$ 150,155	Level 2**

\* The principal amounts outstanding are subject to variable interest rates based on three-month SOFR plus fixed percentages. Therefore, the Company believes the carrying amount of these obligations approximate their fair values.

\*\* The fair value is influenced by interest rates, the Company's stock price and stock price volatility and is determined by prices observed in market trading. Since the market for trading of the 2026 Convertible Notes is not considered to be an active market, the estimated fair value is based on Level 2 inputs.

### 2029 Term Loan

On May 8, 2024 (the "2029 Term Loan Effective Date"), the Company entered into a senior secured term loan facility of up to \$38.7 million (the "2029 Term Loan") that was fully funded on the 2029 Term Loan Effective Date with Ankura Trust Company, LLC, as administrative agent (in such capacity, the "Agent"), and the lenders signatory thereto (collectively, the "2029 Lenders"). The net proceeds of \$37.5 million, net of the original issuance discount, were used by the Company to help repay in full the existing outstanding indebtedness owed by the Company to BioPharma Credit, PLC ("BioPharma"), BPCR Limited Partnership (as a "2027 Lender"), and Biopharma Credit Investments V (Master) LP, acting by its general partner, BioPharma Credit Investments V GP LLC (as a "2027 Lender") pursuant to the 2027 Term Loans.

The 2029 Term Loan is governed by a loan agreement, dated as of the 2029 Term Loan Effective Date, by and among the Company, the Agent and the 2029 Lenders (the "2029 Loan Agreement"). The 2029 Term Loan will mature

on May 8, 2029. The amount borrowed under the 2029 Term Loan accrues interest equal to 8.0% per annum, plus a three-month SOFR rate (the "Interest Rate"). The 2029 Term Loan provides for interest-only payments on a quarterly basis until maturity. The Company may prepay the 2029 Term Loan in full or in part provided the Company (i) provides at least three (3) business days' prior written notice to the Agent, (ii) pays on the date of such prepayment (A) all outstanding principal to be prepaid plus accrued and unpaid interest, (B) a prepayment fee of (x) 10.0% of the 2029 Term Loans so prepaid if paid on or after the first anniversary of the 2029 Term Loan Effective Date and before the second anniversary of the 2029 Term Loan Effective Date; (y) 5.0% of the 2029 Term Loan so prepaid if paid after the second anniversary of the 2029 Term Loan Effective Date and on or before the third anniversary of the 2029 Term Loan Effective Date; and (z) 0% of the 2029 Term Loan so prepaid if paid after the third anniversary of the 2029 Term Loan Effective Date, (C) if paid before the first anniversary of the 2029 Term Loan Effective Date, a make-whole amount equal to the interest that would have accrued from the date of prepayment through the first anniversary of the 2029 Term Loan Effective Date, and (D) all other sums, if any, that shall become due and payable under the 2029 Loan Agreement, including interest at the default rate with respect to any past due amounts. Amounts outstanding during an event of default shall accrue interest at an additional rate of 4.0% per annum, which interest shall be payable on demand in cash.

The 2029 Term Loan is secured by a lien on substantially all the assets of the Company, including intellectual property, subject to customary exclusions and exceptions. The 2029 Loan Agreement contains customary representations and warranties, covenants and events of default, including a financial covenant commencing on the 2029 Term Loan Effective Date, which requires the Company to maintain certain levels of cash and cash equivalents. As of September 30, 2024, the Company was in full compliance with these covenants, and there were no events of default under the 2029 Term Loan.

The Company incurred \$2.2 million of debt discount and issuance costs relating to the issuance of the 2029 Term Loan, which were recorded as a reduction to the carrying value of the 2029 Term Loan on the condensed consolidated balance sheets. The debt issuance costs are being amortized and recognized as additional interest expense over the five-year contractual term of the 2029 Term Loan using the effective interest rate method.

The Company adopted the prospective method to account for future cash payments. Under the prospective method, the effective interest rate is not constant, and any change in the expected cash flows is recognized prospectively as an adjustment to the effective yield.

The following table presents the components of interest expense related to the 2029 Term Loan:

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Contractual interest	\$ 1,316	\$ 2,074
Amortization of debt discount and debt issuance costs	77	120
Total interest expense	<u>\$ 1,393</u>	<u>\$ 2,194</u>

As of September 30, 2024, the total remaining unamortized debt discount and debt offering costs of \$2.0 million will be amortized using the effective interest rate over the remaining term of 4.6 years.

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Assuming the third quarter of 2024 interest rate of 13.3%, future payments on the 2029 Term Loan as of September 30, 2024 are as follows:

<u>Year ending December 31, (in thousands)</u>	
Remainder of 2024 - interest only	\$ 1,316
2025 - interest only	5,221
2026 - interest only	5,222
2027 - interest only	5,222
2028 and thereafter - principal and interest	45,712
Total minimum payments	62,693
Less amount representing interest	(24,033)
2029 Term Loan, gross	38,660
Less unamortized debt discount and debt issuance costs	(2,042)
Net carrying amount of 2029 Term Loan	\$ 36,618

### Revenue Purchase and Sale Agreement

On May 8, 2024, concurrent with the 2029 Term Loan, the Company entered into a revenue participation right purchase and sale agreement (the "Revenue Purchase and Sale Agreement") with Coduet Royalty Holdings, LLC, as administrative agent and each buyer named in an annex thereto (collectively, the "Purchaser Group"). Under the terms of the Revenue Purchase and Sale Agreement, the Purchaser Group paid the Company \$37.5 million, subject to certain conditions at closing (the "Purchase Price"). In exchange, the Company sold to the Purchaser Group a right to receive 5.0% of U.S. net sales of UDENYCA and LOQTORZI with respect to a specified threshold applicable to UDENYCA net sales and a specified threshold applicable to LOQTORZI net sales during an applicable year and 0.5% of U.S. net sales of UDENYCA and LOQTORZI that exceeded the specified threshold during that year (the "Revenue Payment") for each calendar quarter commencing May 8, 2024. The Purchaser Group's right to receive the Revenue Payment terminates and the Company no longer has the obligation to pay Revenue Payments once the Purchaser Group receives the amount equal to 2.25 times the Purchase Price allocated to each product. The Company may also buy-out the Purchaser Group's rights to receive the Revenue Payments by triggering certain conditions and paying the Purchaser Group the unpaid portion of the 2.25 multiple on the Purchase Price. The proceeds from the Purchase Price were used by the Company as part of the full repayment of the 2027 Term Loans.

The Revenue Purchase and Sale Agreement contains various representations and warranties, including with respect to organization, authorization, and certain other matters, certain covenants with respect to payment, reporting, intellectual property, in-licenses, out-licenses, and certain other actions, indemnification obligations and other provisions customary for transactions of this nature.

The Revenue Purchase and Sale Agreement contains an embedded derivative that meets the criteria to be bifurcated and accounted for as a freestanding derivative instrument subject to derivative accounting. The allocation of the Purchase Price to the embedded derivative resulted in a \$9.2 million discount on the revenue participation liability. Additionally, there was \$1.4 million in issuance costs. The Company is amortizing the discount and issuance costs to interest expense over the estimated term of the Revenue Purchase and Sale Agreement using the effective interest method. For the three and nine months ended September 30, 2024, interest expense was \$2.7 million and \$4.4 million, respectively, inclusive of the amortization of discount and issuance costs of \$0.5 million and \$0.8 million, respectively. For details on the Royalty Fee Derivative Liability, see Note 3. Fair Value Measurements.

A summary of the revenue participation liability is as follows:

(in thousands)	September 30, 2024
Revenue participation liability	\$ 39,382
Less unamortized discount and issuance costs	(9,775)
<b>Total</b>	<b>\$ 29,607</b>

Classification on the condensed consolidated balance sheets is as follows:

(in thousands)	Balance Sheet Classification	September 30, 2024
Revenue participation liability, current	Accrued and other current liabilities	\$ 2,180
Revenue participation liability, non-current	Other liabilities, non-current	27,427
<b>Total</b>		<b>\$ 29,607</b>

### 2027 Term Loans

The Company entered into a loan agreement in January 2022 (as amended, the “2027 Loan Agreement”) with BioPharma and the 2027 Lenders that provided for a senior secured term loan facility of up to \$300.0 million, of which \$250.0 million was funded. The 2027 Term Loans accrued interest at 8.25% plus the sum (the “Adjusted Term SOFR”) of three-month SOFR and 0.26161% per annum, with a floor on Adjusted Term SOFR of 1.0%.

On February 5, 2024, the Company entered into a Consent, Partial Release and Third Amendment to the 2027 Term Loans (the “Consent and Amendment”) with the Collateral Agent and the 2027 Lenders. Pursuant to and subject to terms and conditions in the Consent and Amendment, among other things: (1) the 2027 Lenders and the Collateral Agent provided consent to consummation of the transactions contemplated by the CIMERLI Purchase Agreement, and released certain subsidiary of the Company from its obligation and certain assets subject to the transactions contemplated thereby, (2) the 2027 Lenders and the Collateral Agent required the Company to make a partial prepayment of the principal of the loans outstanding under the 2027 Loan Agreement in the amount of \$175.0 million upon consummation of the transactions contemplated by the CIMERLI Purchase Agreement, subject to certain conditions and (3) the parties thereto agreed to adjust the minimum net trailing twelve month net sales covenant level to be \$125.0 million under the 2027 Loan Agreement.

As a result of the CIMERLI Sale closing, the Company made a partial prepayment of \$175.0 million of the total principal balance of \$250.0 million of the 2027 Term Loans on April 1, 2024. On May 8, 2024, in connection with entering into the 2029 Term Loan and the Revenue Purchase and Sale Agreement, the Company repaid in full all outstanding indebtedness and terminated all commitments under the 2027 Term Loans. The May 8, 2024 payoff amount of \$79.6 million included principal repayment in full, accrued interest, a 3.0% prepayment premium fee of the principal amount, a make-whole interest payment and lender fees. During the nine months ended September 30, 2024, the Company recorded a \$12.6 million loss on debt extinguishment in the condensed consolidated statements of operations for the payoff of the 2027 Term Loans, and the charge included the write-off of the remaining debt discount and debt issuance costs, the prepayment premium fee, the make-whole interest payment, and lender fees.

The following table presents the components of interest expense related to the 2027 Term Loans:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Contractual interest	\$ —	\$ 8,790	\$ 9,916	\$ 25,404
Amortization of debt discount and debt issuance costs	—	255	1,277	830
Total interest expense	\$ —	\$ 9,045	\$ 11,193	\$ 26,234

#### 1.5% Convertible Senior Subordinated Notes due 2026

In April 2020, the Company issued and sold \$230.0 million aggregate principal amount of its 1.5% Convertible Senior Subordinated notes due 2026 (the “2026 Convertible Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The net proceeds from the offering were \$222.2 million after deducting initial purchasers’ fees and offering expenses. The 2026 Convertible Notes are general unsecured obligations and will be subordinated to the Company’s designated senior indebtedness (as defined in the indenture for the 2026 Convertible Notes) and structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables. The 2026 Convertible Notes accrue interest at a rate of 1.5% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, since October 15, 2020, and will mature on April 15, 2026, unless earlier repurchased or converted.

At any time before the close of business on the second scheduled trading day immediately before the maturity date, noteholders may convert their 2026 Convertible Notes at their option into shares of the Company’s common stock, together, if applicable, with cash in lieu of any fractional share, at the then-applicable conversion rate. Since inception, the conversion price has been 51.9224 shares of common stock per \$1,000 principal amount of the 2026 Convertible Notes, which represents a conversion price of approximately \$19.26 per share of common stock. The initial conversion price represents a premium of approximately 30.0% over the last reported sale of \$14.82 per share of the Company’s common stock on the Nasdaq Global Market on April 14, 2020, the date the 2026 Convertible Notes were issued. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. If a “make-whole fundamental change” (as defined in the indenture for the 2026 Convertible Notes) occurs, the Company will, in certain circumstances, increase the conversion rate for a specified period of time for noteholders who convert their 2026 Convertible Notes in connection with that make-whole fundamental change. The 2026 Convertible Notes are not redeemable at the Company’s election before maturity. If a “fundamental change” (as defined in the indenture for the 2026 Convertible Notes) occurs, then, subject to a limited exception, noteholders may require the Company to repurchase their 2026 Convertible Notes for cash. The repurchase price will be equal to the principal amount of the 2026 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date.

The 2026 Convertible Notes have customary provisions relating to the occurrence of “events of default” (as defined in the Indenture for the 2026 Convertible Notes). The occurrence of such events of default could result in the acceleration of all amounts due under the 2026 Convertible Notes.

As of September 30, 2024, the Company was in full compliance with these covenants and there were no events of default under the 2026 Convertible Notes.

The Company evaluated the features embedded in the 2026 Convertible Notes under the relevant accounting rules and concluded that the embedded features do not meet the requirements for bifurcation, and therefore do not need to be separately accounted for as equity components.

*Capped Call Transactions*

In connection with the pricing of the 2026 Convertible Notes, the Company paid \$18.2 million to enter into privately negotiated capped call transactions with one or a combination of the initial purchasers, their respective affiliates and other financial institutions. The capped call transactions are generally expected to reduce the potential dilution upon conversion of the 2026 Convertible Notes in the event that the market price per share of the Company's common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions, which initially corresponds to the conversion price of the 2026 Convertible Notes, and is subject to anti-dilution adjustments generally similar to those applicable to the conversion rate of the 2026 Convertible Notes. Since inception, the cap price has been \$25.93 per share, which represents a premium of approximately 75.0% over the last reported sale price of the Company's common stock of \$14.82 per share on April 14, 2020, and is subject to certain adjustments under the terms of the capped call transactions.

The capped call transactions are accounted for as separate transactions from the 2026 Convertible Notes and classified as equity instruments; thus, they are recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets. The capped calls are not re-measured as long as the conditions for equity classification continue to be met.

The Company incurred \$0.9 million of debt issuance costs relating to the issuance of the 2026 Convertible Notes, which were recorded as a reduction to the carrying value of the notes on the condensed consolidated balance sheets. The debt issuance costs are being amortized and recognized as additional interest expense over the six-year contractual term of the notes using the effective interest rate method.

If the 2026 Convertible Notes were converted on September 30, 2024, the holders of the 2026 Convertible Notes would have received common shares with an aggregate value of \$12.4 million based on the Company's closing stock price of \$1.04 as of September 30, 2024.

The following table presents the components of interest expense related to the 2026 Convertible Notes:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stated coupon interest	\$ 863	\$ 863	\$ 2,588	\$ 2,588
Amortization of debt discount and debt issuance costs	336	329	1,003	982
Total interest expense	<u>\$ 1,199</u>	<u>\$ 1,192</u>	<u>\$ 3,591</u>	<u>\$ 3,570</u>

The remaining unamortized debt discount and debt offering costs related to the 2026 Convertible Notes of \$2.1 million as of September 30, 2024 will be amortized using the effective interest rate over the remaining term of the 2026 Convertible Notes. The annual effective interest rate is 2.1% for the 2026 Convertible Notes.

Future payments on the 2026 Convertible Notes as of September 30, 2024 are as follows:

<u>Year ending December 31, (in thousands)</u>	
Remainder of 2024 - interest only	\$ 1,725
2025 - interest only	3,450
2026 - principal and interest	231,725
Total minimum payments	236,900
Less amount representing interest	(6,900)
2026 Convertible Notes, principal amount	230,000
Less unamortized debt discount and debt issuance costs	(2,109)
Net carrying amount of 2026 Convertible Notes	<u>\$ 227,891</u>



## 9. Commitments and Contingencies

### Purchase Commitments

The Company entered into agreements with certain vendors to secure raw materials and certain CMOs to manufacture its supply of products. As of September 30, 2024, the Company's non-cancelable purchase commitments under the terms of its agreements are as follows:

Year ending December 31, (in thousands)	
2024	\$ 7,293
2025	57,606
2026	1,654
2027	450
Total obligations	<u>\$ 67,003</u>

The Company enters into contracts in the normal course of business with contract research organizations for preclinical studies and clinical trials and CMOs for the manufacture of clinical trial materials. The contracts are generally cancellable, with varying provisions regarding termination. If a contract with a specific vendor were to be terminated, the Company would generally only be obligated for products or services that the Company had received as of the effective date of the termination and any applicable cancellation fees. In connection with the YUSIMRY Sale, HKF assumed \$17.0 million in YUSIMRY inventory purchase commitments, of which \$17.0 million remained as of September 30, 2024. If HKF were to default on its obligations under the YUSIMRY Purchase Agreement, the Company could become liable to pay any unpaid portion of these purchase commitments.

### Guarantees and Indemnifications

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations. The Company assesses the likelihood of any adverse judgments or related claims, as well as ranges of probable losses. In the cases where the Company believes that a reasonably possible or probable loss exists, it will disclose the facts and circumstances of the claims, including an estimate range, if possible.

### Legal Proceedings and Other Claims

The Company is a party to various legal proceedings and claims that arise in the ordinary, routine course of business and that have not been fully resolved. The outcome of such legal proceedings and claims is inherently uncertain. Accruals are recognized for such legal proceedings and claims to the extent that a loss is both probable and reasonably estimable. The best estimate of a loss within a range is accrued; however, if no estimate in the range is better than any other, then the minimum amount in the range is accrued. If it is determined that a material loss is reasonably possible and the loss or range of loss can be estimated, the possible loss is disclosed. Sometimes it is not possible to determine the outcome of these matters or, unless otherwise noted, the outcome (including in excess of any accrual) is not expected to be material, and the maximum potential exposure or the range of possible loss cannot be reasonably estimated. As of September 30, 2024 and December 31, 2023, the Company had an accrual of \$6.4 million related to such matters that was included in accrued rebates, fees and reserves on the condensed consolidated balance sheets.

In late April of 2022, the Company received a demand letter from Zinc Health Services, LLC (“Zinc”) asserting that Zinc was entitled to approximately \$14.0 million from the Company for claims related to certain sales of UDENYCA from October 2020 through December 2021. No legal proceeding has been filed in connection with the claims in the letter and based on currently available information the final resolution of the matter is uncertain. The Company intends to defend any legal proceeding that may be filed. The Company has an accrual established as of September 30, 2024 that represented its estimated liability to resolve the matter. Loss contingencies are inherently unpredictable, the assessment is highly subjective and requires judgments about future events and unfavorable developments or resolutions can occur. The Company regularly reviews litigation matters to determine whether its accrual is adequate. The amount of ultimate loss may differ materially from the amount accrued to date.

Other than the matter in connection with the demand letter described in this Note 9. Commitments and Contingencies, there are no pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party, or that any of the Company or its subsidiaries' property is subject.

## **10. Stockholders' Deficit**

### **Public Offering**

On May 16, 2023, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with J.P. Morgan Securities LLC and Citigroup Global Markets Inc., as representatives of the several underwriters named therein (collectively, the “Underwriters”), pursuant to which the Company issued and sold an aggregate of 11,764,706 shares (the “Firm Shares”) of its common stock, par value \$0.0001 per share, to the Underwriters (the “Public Offering”). Additionally, under the terms of the Underwriting Agreement, the Company granted the Underwriters an option, for 30 days from the date of the Underwriting Agreement, to purchase up to an additional 1,764,705 shares of common stock (the “Option Shares,” and together with the Firm Shares, the “Shares”), which the Underwriters elected to exercise in full. The price to the public in the Public Offering was \$4.25 per share. The Underwriters agreed to purchase the Shares from the Company pursuant to the Underwriting Agreement at a price of \$3.995 per share.

The Offering was made pursuant to a prospectus supplement and related prospectus filed with the SEC pursuant to the Company's shelf registration statement on Form S-3 that was declared effective on November 17, 2022 (the “Registration Statement”) under which the Company may offer and sell up to \$150.0 million in the aggregate of its common stock, preferred stock, debt securities, warrants and units from time to time in one or more offerings.

On May 18, 2023, the Company completed the sale and issuance of an aggregate of 13,529,411 Shares, including the exercise in full of the Underwriters' option to purchase the Option Shares. The Company received net proceeds of approximately \$53.6 million, after deducting the Underwriters' discounts and commissions and offering expenses payable by the Company.

### **ATM Offering**

On November 8, 2022, the Company filed the Registration Statement. Also on November 8, 2022, the Company entered into a sales agreement (“Sales Agreement”) with Cowen and Company, LLC (“TD Cowen”), pursuant to which the Company may issue and sell from time to time up to \$150.0 million of its common stock through or to TD Cowen as the Company's sales agent or principal in an at-the-market offering (“ATM Offering”).

On May 15, 2023, pursuant to an Amendment No. 1 to Sales Agreement and in connection with the Public Offering, the Company reduced the amount of shares that could be issued and sold pursuant to its ATM Offering with TD Cowen by \$86.2 million, lowering the aggregate offering price under the Sales Agreement from \$150.0 million to \$63.8 million.

On September 11, 2023, pursuant to an Amendment No. 2 to Sales Agreement, the Company increased the amount of shares that could be issued and sold pursuant to its ATM Offering with TD Cowen by \$28.7 million, increasing the aggregate offering price under the Sales Agreement from \$63.8 million to \$92.5 million.

The following table summarizes information regarding settlements under the ATM Offering for the three and nine months ended September 30, 2024 and 2023:

(in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Number of common stock shares sold during the period	—	2,428,311	650,005	3,559,761
Weighted-average price per share	\$ —	\$ 4.92	\$ 2.44	\$ 5.43
Gross proceeds	\$ —	\$ 11,938	\$ 1,589	\$ 19,339
Less commissions and fees	—	(298)	(40)	(483)
Net proceeds after commissions and fees	\$ —	\$ 11,640	\$ 1,549	\$ 18,856

As of September 30, 2024, the Company had approximately \$64.9 million of its common stock remaining available for sales under the ATM Offering.

## 11. Stock-Based Compensation

In April 2024 and May 2024, the Company granted performance-based stock options to purchase 1,982,500 and 640,000 shares of Company common stock (“PSOs”), respectively, to its Chief Executive Officer and certain other senior executives with performance-based vesting conditions under the 2014 Equity Incentive Award Plan and the Amended and Restated 2014 Equity Incentive Award Plan that have a term of ten years. Vesting is based on the achievement of various commercial, clinical, strategic and total shareholder return performance milestones during specified periods. The fair value of each PSO was estimated on the grant date, using the Black-Scholes model for PSOs tied to commercial, clinical and strategic milestones (the “Performance Condition PSOs”) and a Monte Carlo simulation model for PSOs with total shareholder return vesting criteria (the “Market Condition PSOs”). Expense for the Performance Condition PSOs is recognized over the requisite service period only when the performance condition is considered probable of being achieved and is recognized over the period from the grant date through the time the milestone is expected to be achieved. Expense for the Market Condition PSOs is recognized over the requisite service period. Expense related to PSOs was \$0.2 million and \$1.0 million during the three and nine months ended September 30, 2024, respectively.

The following table summarizes the classification of stock-based compensation expense in the Company’s condensed consolidated statements of operations related to options, including PSOs, and restricted stock units granted to employees and nonemployees:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of goods sold <sup>(1)</sup>	\$ 282	\$ 174	\$ 834	\$ 535
Research and development	2,092	2,929	6,552	11,760
Selling, general and administrative	4,494	6,850	14,032	20,017
Stock-based compensation expense	\$ 6,868	\$ 9,953	\$ 21,418	\$ 32,312
Stock-based compensation expense capitalized into inventory	\$ 313	\$ 373	\$ 1,107	\$ 697

(1) Stock-based compensation capitalized into inventory is recognized as cost of goods sold when the related product is sold.

## 12. Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding for the period, without consideration for potential dilutive common shares. Diluted net income per share is computed by dividing the net income by the weighted average number of common shares outstanding for the period plus any diluted potential common shares outstanding for the period determined using the treasury stock method for options, PSOs, RSUs and ESPP and using the if-converted method for the convertible notes. Diluted net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding for the period, without consideration for any potential dilutive common share equivalents as their effect would be antidilutive.

The following table sets forth the computation of the basic and diluted net income (loss) per share:

(in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Basic net income (loss) per share</b>				
<b>Numerator:</b>				
Net income (loss)	\$ (10,751)	\$ (39,641)	\$ 79,203	\$ (158,239)
<b>Denominator:</b>				
Weighted-average common shares outstanding	115,210,091	97,738,509	114,263,256	88,277,936
Basic net income (loss) per share	\$ (0.09)	\$ (0.41)	\$ 0.69	\$ (1.79)
<b>Diluted net income (loss) per share</b>				
<b>Numerator:</b>				
Net income (loss)	\$ (10,751)	\$ (39,641)	\$ 79,203	\$ (158,239)
Add interest expense on convertible notes, net of tax	—	—	3,591	—
Numerator for diluted net income (loss) per share	\$ (10,751)	\$ (39,641)	\$ 82,794	\$ (158,239)
<b>Denominator:</b>				
Denominator for basic net income (loss) per share	115,210,091	97,738,509	114,263,256	88,277,936
<b>Add effect of potential dilutive securities:</b>				
Stock options, including shares subject to ESPP	—	—	213,872	—
Restricted stock units	—	—	144,271	—
Shares issuable upon conversion of convertible notes	—	—	11,942,152	—
Denominator for diluted net income (loss) income per share	115,210,091	97,738,509	126,563,551	88,277,936
Diluted net income (loss) per share	\$ (0.09)	\$ (0.41)	\$ 0.65	\$ (1.79)

The following outstanding dilutive potential shares were excluded from the calculation of diluted net income (loss) per share due to their anti-dilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options, PSOs, including shares subject to ESPP	30,104,147	24,558,893	28,103,519	24,003,706
Restricted stock units	831,401	2,141,403	930,737	2,354,166
Shares issuable upon conversion of 2026 Convertible Notes	11,942,152	11,942,152	—	11,942,152
Total	42,877,700	38,642,448	29,034,256	38,300,024

The amounts in the table above exclude any shares contingently issuable pursuant to the CVR Agreement because the conditions that could result in a payment becoming due were not met.

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

*The interim financial statements included in this Quarterly Report on Form 10-Q and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2023, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the 2023 Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are subject to risks and uncertainties, including those discussed in the section titled "Risk Factors," set forth in Part II – Other Information, Item 1A below and elsewhere in this report, that could cause actual results to differ materially from historical results or anticipated results.*

### Overview

We are a commercial-stage biopharmaceutical company focused on the research, development and commercialization of innovative immunotherapies to treat cancer. Our commercial portfolio includes our first product, UDENYCA, a biosimilar to Neulasta, a long-acting granulocyte-colony stimulating factor ("G-CSF") and LOQTORZI, a novel PD-1 inhibitor. We are developing an innovative immuno-oncology pipeline that we believe will be synergistic with our proven commercial capabilities in oncology.

UDENYCA was launched commercially in the United States in January 2019. The FDA approved the prior approval supplement ("PAS") for an autoinjector ("AI") presentation of UDENYCA on March 3, 2023, and on May 22, 2023 we announced the availability of UDENYCA AI for commercial sale. On December 26, 2023, we announced that the FDA approved the PAS for our third pegfilgrastim presentation, the UDENYCA on-body injector ("ONBODY"). UDENYCA ONBODY™ became commercially available in the first quarter of 2024.

On October 27, 2023, we announced that LOQTORZI was approved by the FDA in combination with cisplatin and gemcitabine for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and as monotherapy for the treatment of adults with recurrent unresectable, or metastatic NPC with disease progression on or after platinum-containing chemotherapy. LOQTORZI is an anti-PD-1 antibody that we developed in collaboration with Junshi Biosciences. We announced the launch of LOQTORZI in the U.S. on January 2, 2024. In addition, LOQTORZI is planned to be further evaluated in multiple clinical studies by us and our partners.

We also have a pipeline of earlier stage clinical and preclinical immuno-oncology programs that we plan to develop in combination with LOQTORZI as well as in partnership with other companies with immune activating agents. Our lead clinical stage product candidate is casdozokitug (CHS-388, formerly SRF388), an investigational antagonist antibody targeting IL-27, an immune regulatory cytokine, or protein that is overexpressed in certain cancers, including hepatocellular, lung and renal cell carcinoma. Casdozokitug received orphan drug designation and fast track designation from the FDA for the treatment of hepatocellular carcinoma ("HCC") in November 2020. Casdozokitug is currently in two on-going clinical studies, a Phase 1/2 study in patients with advanced solid tumors, including combination with toripalimab in non-small cell lung cancer (clinicaltrials.gov identifier# NCT04374877), and a Phase 2 study in HCC (clinicaltrials.gov identifier# NCT05359861). We plan to initiate a randomized Phase 2 study in HCC evaluating casdozokitug in combination with toripalimab and bevacizumab in the fourth quarter of 2024.

Our second clinical-stage product candidate, CHS-114 (formerly SRF114), is an investigational IgG1 antibody targeting CCR8, a chemokine receptor highly expressed on regulatory T cells ("Treg cells") in the tumor microenvironment ("TME"). We are enrolling patients with advanced solid tumors and head and neck squamous cell carcinoma ("HNSCC") in North America in a clinical trial evaluating safety and pharmacokinetics of CHS-114 with and without LOQTORZI (clinicaltrials.gov identifier# NCT05635643).

We also have an early-stage development candidate, CHS-1000, an antibody targeting human ILT4, designed to improve anti-PD-1 clinical benefit by transforming an unfavorable TME to a more favorable TME. Our investigational new

drug application (“IND”) for CHS-1000 was allowed to proceed by the FDA in the second quarter of 2024 and is proceeding to the first-in-human clinical study subject to further evaluation in our portfolio prioritization process.

In addition, we have a product candidate, GSK4381562, which is exclusively licensed to GSK. We will pay 70% of all milestone- and royalty-based payments that we or our affiliates actually receive from the product candidate licensed to GSK during the ten-year period following the entry into the CVR Agreement to the holders of the CVRs which expires in September 2033.

We have an experienced and robust oncology market access, sales, key account management and medical affairs capability in the United States, which have supported the successful commercialization of UDENYCA across its three FDA-approved presentations as well as the commercial launch of LOQTORZI. We expect to further leverage these capabilities as we continue to build and launch our immuno-oncology franchise.

We primarily operate in the United States and partner with companies that operate in other countries.

### **Business Update**

On September 13, 2024, we announced that our third-party labeling and packaging CMO for UDENYCA delayed production of UDENYCA due to over-commitments and capacity constraints. These delays caused a temporary UDENYCA supply interruption. The CMO recently informed us that production will resume later in the week of November 4, 2024. Based on the production schedule, a significant number of units are projected to be completed without further interruption or delay by the end of 2024. We expect to restock the distribution channels as fast as possible, as we expect to ship final product lots as they are completed, making sure they get to customers in an expedited fashion.

We have also made significant progress in our efforts to diversify our labeling and packaging resources. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. Although we currently believe that our estimates for the timing of UDENYCA commercial supply availability from our two labeling and packaging CMOs are reasonable, any delays from third parties would result in delays to UDENYCA commercial supply availability.

### **Products and Product Candidates**

Our portfolio includes the following products and product candidates:

#### ***Oncology***

- UDENYCA, a biosimilar to Neulasta, a long-acting G-CSF, was launched commercially in the United States in January 2019. The FDA approved the PAS for an AI presentation of UDENYCA on March 3, 2023, and on May 22, 2023 we announced the availability of UDENYCA AI for commercial sale. We announced on December 26, 2023 that the FDA approved the PAS for our third pegfilgrastim presentation, UDENYCA ONBODY, the first and only pegfilgrastim biosimilar on-body injector novel in its design. UDENYCA ONBODY became commercially available in the first quarter of 2024.
- LOQTORZI was developed for its ability to block PD-1 interactions with its ligands, PD-L1 and PD-L2, by binding to the FG loop on the PD-1 receptor. We believe blocking PD-1 interactions with PD-L1 and PD-L2 can help to promote the immune system’s ability to attack and kill tumor cells.

On October 27, 2023, we announced that LOQTORZI was approved by the FDA in combination with cisplatin and gemcitabine for the first-line treatment of adults with metastatic or recurrent locally advanced NPC, and as monotherapy for the treatment of adults with recurrent unresectable, or metastatic NPC with disease

progression on or after platinum-containing chemotherapy. LOQTORZI is an anti-PD-1 antibody that we developed in collaboration with Junshi Biosciences. We announced the launch of LOQTORZI in the U.S. on January 2, 2024.

On December 11, 2023 we announced that the National Comprehensive Cancer Network (“NCCN”) updated the clinical practice guidelines for NPC to include LOQTORZI as a preferred, category 1 first-line treatment option for adults with metastatic or recurrent locally advanced NPC when used in combination with cisplatin and gemcitabine. The guidelines also recommend LOQTORZI monotherapy as the only preferred treatment in subsequent lines of therapy if disease progression on or after a platinum-containing therapy.

LOQTORZI is planned to be further evaluated in multiple clinical studies by us and our partners. Junshi Biosciences is currently enrolling in a multiregional phase 3 clinical study evaluating the treatment of LOQTORZI with their investigational anti-BLTA antibody in limited-stage small cell lung cancer (“LS-SCLC”) (clinicaltrials.gov identifier NCT06095583). INOVIO Pharmaceuticals, Inc. plans a randomized phase 3 study of INO-3112 and toripalimab in locally advanced, high risk HPV16/18+ oropharyngeal squamous cell carcinoma. Cancer Research Institute (“CRI”) plans to evaluate toripalimab in combination with ENB Therapeutics’ investigational agent ENB-003 in its phase 2 trial titled, “Immunotherapy Platform Study in Platinum Resistant High Grade Serous Ovarian Cancer (IPROC)” (clinicaltrials.gov identifier NCT04918186) that is being performed in collaboration with Canadian Cancer Trials Group (“CCTG”). On June 27, 2024, we entered into the Canada License Agreement with Apotex, pursuant to which, we granted to Apotex an exclusive license under our rights to toripalimab to commercialize toripalimab within Canada.

- Casdozokitug (CHS-388, formerly SRF388), is an investigational recombinant human IgG1 monoclonal antibody targeting IL-27, an immune regulatory cytokine, or protein that is overexpressed in certain cancers, including hepatocellular, lung and renal cell carcinoma. IL-27 is a cytokine secreted by macrophages and antigen presenting cells that plays an important physiologic role in suppressing the immune system, as evidenced by its ability to resolve tissue inflammation. In addition, IL-27 is highly expressed during pregnancy and its expression is correlated with maternal-fetal tolerance. Due to its immune regulatory nature, there is a rationale for inhibiting IL-27 to treat cancer, as this approach will influence the activity of multiple types of immune cells that are necessary to recognize and attack a tumor. Casdozokitug received orphan drug designation and fast track designation from the FDA for the treatment of HCC in November 2020. Casdozokitug is currently in two on-going clinical studies, a Phase 1/2 study in advanced solid tumors (clinicaltrials.gov identifier# NCT04374877) and a Phase 2 study in HCC (clinicaltrials.gov identifier# NCT05359861). We plan to initiate a randomized Phase 2 study in HCC evaluating casdozokitug in combination with toripalimab and bevacizumab in the fourth quarter of 2024.
- CHS-114 (formerly SRF114), is an investigational highly specific human afucosylated IgG1 monoclonal antibody selectively targeting CCR8, a chemokine receptor highly expressed on Treg cells in the TME. CHS-114 is designed as a cytolytic antibody to cause depletion of intra-tumoral Treg cells, important regulators of immune suppression and tolerance, through antibody-dependent cellular cytotoxicity (“ADCC”), or antibody-dependent cellular phagocytosis (“ADCP”), or both. CHS-114 has shown anti-tumor activity as monotherapy or in combination with anti-PD-1 antibodies in preclinical models. We are enrolling patients with advanced solid tumors and HNSCC in North America in a clinical trial evaluating safety and pharmacokinetics of CHS-114 with and without LOQTORZI (clinicaltrials.gov identifier# NCT05635643).
- CHS-1000 is an early-stage development candidate antibody targeting human ILT4, designed to improve anti-PD-1 clinical benefit by transforming an unfavorable TME to a more favorable TME. Our IND for CHS-1000 was allowed to proceed by the FDA in the second quarter of 2024 and is proceeding to the first-in-human clinical study subject to further evaluation in our portfolio prioritization process.



- In addition, we also own GSK4381562, which is exclusively licensed to GSK. GSK4381562 is an antibody targeting CD112R, also known as PVRIG, an inhibitory protein expressed on natural killer (“NK”) and T cells. GSK4381562 is designed to block the interaction of CD112R with CD112, its binding partner that is expressed on tumor cells. GSK4381562 is designed to promote the activation of both NK and T cells, with potential to elicit a strong anti-tumor response and promote immunological memory. We will pay 70% of all milestone- and royalty-based payments that we or our affiliates receive from the product candidate licensed to GSK during the ten-year period following the entry into the CVR Agreement to the holders of the CVRs which expires in September 2033.

***Immunology – Sold to HKF pursuant to the YUSIMRY Sale***

- YUSIMRY (adalimumab-aqvh), a biosimilar of Humira (adalimumab), is a monoclonal antibody that can bind to tumor necrosis factor (“TNF”). YUSIMRY provides certain therapeutic benefits for treatment of patients with certain inflammatory diseases characterized by increased production of TNF in the body, including rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, ankylosing spondylitis, Crohn’s disease, psoriasis and ulcerative colitis. In December 2021, the FDA approved YUSIMRY, which we launched in the United States in July 2023.

On June 26, 2024, we entered into the YUSIMRY Purchase Agreement with HKF and we completed the sale of our YUSIMRY franchise for upfront, cash consideration of \$40.0 million and the assumption of \$17.0 million of inventory purchase commitments by HKF. We retained the rights to certain patents that were licensed to Pfizer Inc. (“Pfizer”) under the License and Settlement Agreement, dated as of October 21, 2019, between us and Pfizer (the “Pfizer License Agreement”).

***Ophthalmology – Sold to Sandoz pursuant to the CIMERLI Sale***

- CIMERLI (ranibizumab-eqrn), a Lucentis biosimilar, was approved by the FDA on August 2, 2022 for the treatment of neovascular (wet) age-related macular degeneration, macular edema following retinal vein occlusion, diabetic macular edema, diabetic retinopathy, and myopic choroidal neovascularization and we launched CIMERLI commercially in the United States on October 3, 2022.

On January 19, 2024, we entered into the CIMERLI Purchase Agreement by and between us and Sandoz. Pursuant to the terms and subject to the conditions set forth in the CIMERLI Purchase Agreement, on March 1, 2024, we completed the divestiture of our CIMERLI ophthalmology franchise through the sale of our subsidiary, Coherus Ophthalmology, to Sandoz for upfront, all-cash consideration of \$170.0 million plus an additional \$17.8 million for CIMERLI product inventory and prepaid manufacturing assets.

***License Agreement with Junshi Biosciences***

On February 1, 2021, we entered into the Collaboration Agreement with Junshi Biosciences for the co-development and commercialization of LOQTORZI, Junshi Biosciences’ anti-PD-1 antibody in the United States and Canada.

Under the terms of the Collaboration Agreement, we paid \$150.0 million upfront for exclusive rights to LOQTORZI in the United States and Canada, an option in these territories to Junshi Biosciences’ anti-TIGIT antibody CHS-006, an option in these territories to a next-generation engineered IL-2 cytokine, and certain negotiation rights to two undisclosed preclinical immuno-oncology drug candidates. We obtained the right to conduct all commercial activities of LOQTORZI in the United States and Canada. We are obligated to pay Junshi Biosciences up to a 20% royalty on net sales of LOQTORZI and up to an aggregate \$380.0 million in one-time payments for the achievement of various regulatory and sales milestones. On June 27, 2024, we entered into the Canada License Agreement pursuant to which, we granted to Apotex an exclusive license under our rights to toripalimab to commercialize toripalimab within Canada.

In March 2022, we paid \$35.0 million for the exercise of our option to license CHS-006. Subsequent joint development consistent with the Collaboration Agreement commenced. On January 10, 2024, we announced that we had delivered a notice of termination of the TIGIT Program (as defined in the Collaboration Agreement) to Junshi Biosciences pursuant to the Collaboration Agreement. Under the Collaboration Agreement, we retain the right to collaborate in the development of LOQTORZI and the other licensed compounds and will pay for a portion of these co-development activities up to a maximum of \$25.0 million per licensed compound per year. Additionally, we are responsible for certain associated regulatory and technology transfer costs for LOQTORZI and other licensed compounds and will reimburse Junshi Biosciences for such costs.

We accounted for the licensing transaction as an asset acquisition under the relevant accounting rules. The \$35.0 million payment for the option to license CHS-006 was reflected in our first quarter of 2022 financial statements. As of September 30, 2024, we have accrued a \$12.5 million milestone payment to Junshi Biosciences, which is expected to be paid in the first quarter of 2025, as well as \$1.1 million for our royalty obligation. The additional milestone payments and royalties are contingent upon future events and, therefore, will be recorded if and when it becomes probable that a milestone will be achieved, or when an option fee or royalties are incurred.

## **Financial Operations Overview**

### ***Revenue***

Our first FDA-approved product, UDENYCA, was approved in November 2018, and we initiated United States sales of UDENYCA on January 3, 2019. In December 2021, the FDA-approved YUSIMRY, which we launched in the United States in July 2023. On August 2, 2022, the FDA approved CIMERLI, which we launched in October 2022. We stopped receiving revenue from CIMERLI sales on March 1, 2024 in connection with the CIMERLI Sale. We stopped receiving revenue from YUSIMRY sales on June 26, 2024 in connection with the YUSIMRY Sale. On June 27, 2024, Apotex paid us an upfront payment of \$6.3 million which has been classified as net revenue in the condensed consolidated statements of operations for the nine months ended September 30, 2024 pursuant to the terms of the Canada License Agreement. Our total net revenues were \$70.8 million and \$74.6 million during the three months ended September 30, 2024 and 2023, respectively, and \$212.8 million and \$165.7 million during the nine months ended September 30, 2024 and 2023, respectively.

### ***Cost of Goods Sold***

Cost of goods sold consists primarily of third-party manufacturing, distribution, royalties and certain overhead costs. On May 2, 2019, we settled a trade secret action brought by Amgen Inc. and Amgen USA Inc. (collectively "Amgen"). As a result, cost of goods sold reflects a mid-single digit royalty on net product revenue, which began July 1, 2019 and continued until July 1, 2024. Additionally, until the CIMERLI Sale on March 1, 2024, we shared a percentage of gross profits on sales of CIMERLI in the United States with Bioeq in the low- to mid-fifty percent range.

### ***Research and Development Expense***

Research and development expense represents costs incurred to conduct research, such as the discovery and development of our product candidates. We recognize all research and development costs as they are incurred. We currently track research and development costs incurred on a product candidate basis only for external research and development expenses. Our external research and development expense consists primarily of:

- expense incurred under agreements with collaborators, consultants, third-party contract research organizations ("CROs"), and investigative sites where a substantial portion of our preclinical studies and all of our clinical trials are conducted;
- costs of acquiring originator comparator materials and manufacturing preclinical study and clinical trial supplies and other materials from CMOs, and related costs associated with release and stability testing;

- costs associated with manufacturing process development activities, analytical activities and pre-launch inventory manufactured prior to regulatory approval being obtained or deemed to be probable; and
- upfront and certain milestone payments related to licensing and collaboration agreements.

Internal costs are associated with activities performed by our research and development organization and generally benefit multiple programs. These costs are not separately allocated by product candidate. Unallocated, internal research and development costs consist primarily of:

- personnel-related expense, which includes salaries, benefits and stock-based compensation; and
- facilities and other allocated expense, which include direct and allocated expense for rent and maintenance of facilities, depreciation and amortization of leasehold improvements and equipment, laboratory and other supplies.

The process of conducting the necessary clinical research to obtain regulatory approval is costly and time consuming. Furthermore, in the past, we have entered into collaborations with third parties to participate in the development and commercialization of our product candidates, and we may enter into additional collaborations in the future. In situations in which third parties have substantial influence over the development activities for product candidates, the estimated completion dates are not fully under our control. For example, our partners in licensed territories may exert considerable influence on the regulatory filing process globally. Therefore, we cannot forecast with any degree of certainty the duration and completion costs of these or other current or future clinical trials of our product candidates. We may never succeed in achieving regulatory approval for any of our pipeline product candidates. In addition, we may enter into other collaboration arrangements for our other product candidates, which could affect our development plans or capital requirements.

#### ***Selling, General and Administrative Expense***

Selling, general and administrative expense consists primarily of personnel costs, allocated facilities costs and other expense for outside professional services, including legal, insurance, human resources, outside marketing, advertising, audit and accounting services, acquisition-related costs, and costs associated with establishing commercial capabilities in support of the commercialization of UDENYCA and LOQTORZI and the commercialization of CIMERLI and YUSIMRY up until the CIMERLI Sale and the YUSIMRY Sale, respectively. Personnel costs consist of salaries, benefits and stock-based compensation.

#### ***Interest Expense***

Interest expense consists primarily of interest incurred on our outstanding indebtedness, our Revenue Purchase and Sale Agreement, and non-cash interest related to the amortization of debt discount and debt issuance costs associated with our outstanding debt agreements.

#### ***Gain (loss) on Sale Transactions, net***

Gain (loss) on Sale Transactions, net consists of cash proceeds received from the CIMERLI Sale, net of assets sold (primarily CIMERLI product inventory and prepaid manufacturing assets), assets derecognized (goodwill and intangible assets), net of related transaction costs, retention bonuses and stock-based compensation expense incurred, and the YUSIMRY Sale, net of assets sold (primarily YUSIMRY product inventory and prepaid manufacturing assets), assets and liabilities derecognized (primarily purchase commitments and an intangible asset), and related transaction costs.

#### ***Loss on Debt Extinguishment***

Loss on debt extinguishment consists of losses incurred related to the early repayment of debt obligations.

**Other Income (Expense), Net**

Other income (expense), net consists primarily of interest earned on our cash and cash equivalents, non-cash accretion of discount on our investments in marketable securities, foreign exchange gains (losses) resulting from currency fluctuations, gains (losses) from financial instruments, gains (losses) from disposal of long-lived assets, and income for TSA services provided.

**Results of Operations**

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

*Revenue*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Net revenue	\$ 70,774	\$ 74,568	\$ (3,794)	\$ 212,816	\$ 165,720	\$ 47,096

The decrease in net revenue for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to the sale of the YUSIMRY immunology franchise and the CIMERLI ophthalmology franchise which contributed a combined \$41.4 million of net revenue in the third quarter of 2023 and were disposed of prior to the third quarter 2024, partially offset by an increase in UDENYCA net revenue of \$33.1 million compared to the same period in 2023 due to the launch of additional presentations and increased market share, and \$5.8 million in net sales of LOQTORZI, which launched in December 2023.

The increase in net revenue for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily driven by an increase in UDENYCA net revenue of \$68.8 million due to additional presentations and increased market share, partially offset by a decline in UDENYCA's average net selling price per unit. Additionally, sales of LOQTORZI, which launched in December 2023, and YUSIMRY, which launched in July 2023, contributed \$11.6 million and \$6.1 million of additional net revenue, respectively, during the nine months ended September 30, 2024 compared to the same period in the prior year. The nine months ended September 30, 2024 also included \$6.3 million for the sale of rights to commercialize toripalimab within Canada on June 27, 2024. These favorable factors were partially offset by the sale of the CIMERLI ophthalmology franchise which contributed \$46.0 million less net revenue during the nine months ended September 30, 2024 compared to the same period in 2023. Our net revenue and market penetration may continue to be adversely impacted by pricing trends and competitive dynamics in the overall pegfilgrastim market.

We expect net revenue in the fourth quarter of 2024 to be significantly less than the third quarter of 2024 because of the impact of the temporary UDENYCA supply interruption driven by over-commitments and capacity constraints at our third-party CMO for packaging and labeling leading to channel supply of UDENYCA becoming substantially depleted after our announcement about the temporary UDENYCA supply interruption on September 13, 2024 and sales not becoming able to commence until we resume shipping UDENYCA, which we expect to do as final product lots are completed.

*Cost of Goods Sold*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Cost of goods sold	\$ 20,741	\$ 32,703	\$ (11,962)	\$ 83,695	\$ 74,425	\$ 9,270
Gross margin	71 %	56 %		61 %	55 %	

The decrease in cost of goods sold for the three months ended September 30, 2024 compared to the same period in the prior year was primarily due to \$24.1 million of costs in the third quarter of 2023 related to CIMERLI and YUSIMRY

which were divested during the first half of 2024 and a \$1.6 million reduction in the royalty payable to Amgen on UDENYCA net product revenue that expired on July 1, 2024. These decreases were partially offset by a \$9.7 million increase in product costs driven primarily by increased UDENYCA volume, a \$1.1 million increase in LOQTORZI royalties, and due to the sale in the third quarter of 2023 of certain UDENYCA units having no carrying value following our third quarter of 2022 write-down and a total original cost of \$2.4 million.

The increase in cost of goods sold for the nine months ended September 30, 2024 compared to the same period in the prior year was primarily due to a \$27.8 million increase related to volumes driven by UDENYCA and LOQTORZI, \$4.5 million in connection with a CMO contract change, and \$2.5 million in LOQTORZI royalties. These increases were partially offset by non-recurring costs of \$24.1 million related to products divested during the first half of 2024 mentioned above and \$3.0 million in contract modification fees in the first quarter of 2023 with one of our manufacturers for reducing the number of UDENYCA batches to be produced.

We expect COGS for the fourth quarter of 2024 to be significantly less than the third quarter of 2024 because of the impact of the temporary UDENYCA supply interruption driven by over-commitments and capacity constraints at our third-party CMO for packaging and labeling to channel supply of UDENYCA becoming substantially depleted after our announcement about the temporary UDENYCA supply interruption on September 13, 2024 and sales not becoming able to commence until we resume shipping UDENYCA, which we expect to do as final product lots are completed.

*Research and Development Expense*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Research and development	\$ 21,676	\$ 25,647	\$ (3,971)	\$ 72,101	\$ 83,068	\$ (10,967)

The decrease in research and development expense in the three months ended September 30, 2024 compared to the prior period was primarily due to the following:

- a decrease of \$5.8 million in co-development costs for toripalimab and CHS-006 resulting from reducing the scope of the development plan for toripalimab in the United States beginning in 2023 and the termination of the TIGIT Program announced in January 2024;
- a decrease of \$2.7 million for fewer expenditures during the quarter for the development of CHS-1000;
- a decrease of \$1.2 million in costs related to YUSIMRY; and
- a decrease of \$1.1 million in personnel and stock-based compensation expense primarily due to fewer employees.

The decrease was partially offset by the following:

- an increase of \$4.7 million for the development of casdozokitug; and
- an increase of \$1.5 million for the development of CHS-114.

The decrease in research and development expense in the nine months ended September 30, 2024 compared to the prior period was primarily due to the following:

- a decrease of \$13.1 million in personnel and stock-based compensation expense primarily due to a decrease in headcount, inclusive of \$3.6 million in restructuring charges from our reduction in force in the first quarter of 2023;
- a decrease of \$6.4 million in YUSIMRY costs primarily due to discontinuation of a study in the first quarter of 2023 and overall lower spend related to YUSIMRY;

- a decrease of \$3.8 million for fewer expenditures during the period for the development of CHS-1000; and
- a decrease of \$2.7 million in co-development costs for toripalimab and CHS-006 resulting from reducing the scope of the development plan for toripalimab in the United States beginning in 2023 and the termination of the TIGIT Program announced in January 2024.

The decrease was partially offset by the following:

- an increase of \$10.7 million for the development of casdozokitug; and
- an increase of \$5.0 million for the development of CHS-114.

We expect our research and development expense in 2024 to be lower than 2023 due to the estimated impacts of our cost containment initiatives and the termination of the TIGIT Program in January 2024. We expect these decreases to be partially offset by expenditures on our pipeline.

*Selling, General and Administrative Expense*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Selling, general and administrative	\$ 34,744	\$ 48,224	\$ (13,480)	\$ 126,441	\$ 142,521	\$ (16,080)

The decrease in selling, general and administrative expense in the three months ended September 30, 2024 was primarily due to a reduction of \$5.2 million in professional service fees; a lower average headcount, including reductions of \$4.5 million in employee and consultant costs and \$2.4 million in stock-based compensation; and a reduction of \$1.2 million in facilities, supplies and materials and other infrastructure related expenses to support our commercial infrastructure for our products.

The decrease in selling, general and administrative expense in the nine months ended September 30, 2024 was primarily due to a lower average headcount, including reductions of \$12.6 million in employee and consultant costs and \$6.0 million in stock-based compensation; a \$4.5 million decrease related to the non-recurring Surface acquisition costs incurred during the nine months ended September 2023; and a reduction of \$1.2 million in travel costs. These decreases were partially offset by the \$6.8 million net impairment charge relating to the write-off of the net carrying value of the intangible asset of \$10.6 million and the final remeasurement of the CVR liability of \$3.8 million related to NZV930 to its fair value of zero.

Excluding the potential impact of any acquisitions or business development transactions that have not been consummated, we expect our selling, general and administrative expense for 2024 to be lower than 2023 primarily as a result of the Sale Transactions, reduced headcount and decreased commercial costs.

*Interest Expense*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Interest expense	\$ 5,362	\$ 10,268	\$ (4,906)	\$ 21,812	\$ 29,923	\$ (8,111)

The decrease in interest expense in the three and nine months ended September 30, 2024 was primarily due to prepaying \$175.0 million of the principal amount due under the 2027 Term Loans on April 1, 2024 and prepaying the remaining \$75.0 million principal amount on May 8, 2024, partially offset by interest on the \$38.7 million 2029 Term Loan and the Revenue Purchase and Sale Agreement, both commencing May 8, 2024.

Primarily, as a result of fully repaying the \$250.0 million principal amount of the 2027 Term Loans during the second quarter of 2024, we expect interest expense to be lower in 2024 compared to 2023.

*Gain (loss) on Sale Transactions, net*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Gain (loss) on Sale Transactions, net	\$ (1,086)	\$ —	\$ (1,086)	\$ 176,646	\$ —	\$ 176,646

The Gain (loss) on Sale Transactions, net for the nine months ended September 30, 2024 includes the first quarter CIMERLI Sale and second quarter YUSIMRY Sale. The net gain of \$153.8 million on the CIMERLI Sale includes the cash receipts of \$187.8 million less assets transferred to Sandoz, assets derecognized, transaction costs of \$7.2 million, and other related employee transition expenses. The net gain of \$22.9 million on the YUSIMRY Sale to HFK includes the cash receipts of \$40.0 million less assets transferred to HFK, assets and liabilities derecognized, and transaction costs of \$1.0 million.

*Loss on Debt Extinguishment*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Loss on debt extinguishment	\$ —	\$ —	\$ —	\$ 12,630	\$ —	\$ 12,630

The \$12.6 million loss on debt extinguishment in the nine months ended September 30, 2024 resulted from the payoff of the 2027 Term Loans in May 2024, and the charge included the write-off of the remaining debt discount and debt issuance costs, the prepayment premium fee, the make-whole interest payment, and lender fees.

*Other Income (Expense), Net*

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Other income (expense), net	\$ 2,084	\$ 2,253	\$ (169)	\$ 6,420	\$ 5,598	\$ 822

Other income (expense), net in the three months ended September 30, 2024 was comparable to the three months ended September 30, 2023. Other income (expense), net in the nine months ended September 30, 2024 changed favorably compared to the same period in the prior year primarily due to an increase in TSA income of \$2.1 million and an increase in foreign exchange gains of \$1.1 million, partially offset by a reduction of \$1.3 million in investment and interest income.

**Liquidity and Capital Resources**

Certain relevant measures of our liquidity and capital resources are summarized as follows:

(in thousands)	September 30, 2024	December 31, 2023
<b>Financial assets</b>		
Total Cash, cash equivalents and marketable securities	\$ 97,690	\$ 117,748
<b>Financial liabilities:</b>		
2029 Term Loan	\$ 36,618	\$ —
Revenue Purchase and Sale Agreement	29,607	—
2027 Term Loans	—	246,481
2026 Convertible Notes	227,891	226,888
Total Financial liabilities	\$ 294,116	\$ 473,369

We have generated significant operating losses in all years since our inception other than \$79.2 million of net income in the nine months ended September 30, 2024, primarily due to the Sale Transactions in March 2024 and June 2024, \$132.2 million in 2020, and \$89.8 million in 2019. We have funded our operations primarily through sales of our common stock, issuance and incurrence of convertible and term debt, the Revenue Purchase and Sale Agreement, the Sale Transactions and sales of our products.

On September 13, 2024, we announced that our third-party labeling and packaging CMO for UDENYCA delayed production of UDENYCA due to over-commitments and capacity constraints. These delays caused a temporary UDENYCA supply interruption. The CMO recently informed us that production will resume later in the week of November 4, 2024. Based on the production schedule, a significant number of units are projected to be completed without further interruption or delay by the end of 2024. We expect to restock the distribution channels as fast as possible, as we expect to ship final product lots as they are completed, making sure they get to customers in an expedited fashion. We have also made significant progress in our efforts to diversify our labeling and packaging resources. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. Although we currently believe that our estimates for the timing of UDENYCA commercial supply availability from our two labeling and packaging CMOs are reasonable, any delays from third parties would result in delays to UDENYCA commercial supply availability. For a discussion of risks related to manufacturing our products and our reliance on third parties, please see “Risk Factors—Risks Related to Manufacturing and Supply Chain” and “Risk Factors—Risks Related to Reliance on Third Parties.”

On June 27, 2024, we entered into the Canada License Agreement pursuant to which, we granted to Apotex an exclusive license under our rights to toripalimab to commercialize toripalimab within Canada. Pursuant to the Canada License Agreement, Apotex paid us \$6.3 million USD. In addition, Apotex agreed to pay us the USD equivalent of up to an aggregate of \$51.5 million CAD in milestone payments in connection with the achievement of certain regulatory and sales milestones with respect to toripalimab in Canada. Finally, Apotex agreed to pay us a low double-digit percentage of any future net sales of toripalimab in Canada that we will subsequently pay to Junshi Biosciences pursuant to the Collaboration Agreement.

On June 26, 2024, we entered into the YUSIMRY Purchase Agreement by and between us and HKF. Pursuant to the terms and subject to the conditions set forth in the YUSIMRY Purchase Agreement, we sold our YUSIMRY immunology franchise through the sale of certain assets, including YUSIMRY, intellectual property exclusively related to YUSIMRY, certain contracts related to YUSIMRY, YUSIMRY inventory, and all activities related to research and development of YUSIMRY to HKF for upfront, cash consideration of \$40.0 million and the assumption of \$17.0 million of inventory purchase commitments by HKF. We retained the rights to certain patents that were licensed to Pfizer under the Pfizer License Agreement.

On May 8, 2024, we entered into the 2029 Term Loan providing for a secured loan facility in the principal amount of \$38.7 million, with proceeds of \$37.5 million after the original issue discount which were used as part of the full repayment of all outstanding indebtedness and terminated all commitments under the 2027 Term Loans.

On May 8, 2024, we entered into the Revenue Purchase and Sale Agreement. We received proceeds of \$37.5 million by selling to the Purchaser Group a right to receive payment in full of 5.0% of U.S. net sales of UDENYCA and LOQTORZI with respect to a specified threshold applicable to UDENYCA net sales and a specified threshold applicable to LOQTORZI net sales during an applicable year and 0.5% of U.S. net sales of UDENYCA and LOQTORZI that exceeded the specified threshold during that year, commencing May 8, 2024. The proceeds were used by us as part of the full repayment of all outstanding indebtedness and terminated all commitments under the 2027 Term Loans.

On April 1, 2024, \$175.0 million of the cash and cash equivalents was used to repay \$175.0 million of the total principal balance of \$250.0 million of the 2027 Term Loans, as further described below.



On January 19, 2024, we entered into the CIMERLI Purchase Agreement by and between us and Sandoz. Pursuant to the terms and subject to the conditions set forth in the CIMERLI Purchase Agreement, on March 1, 2024, we completed the CIMERLI Sale for our CIMERLI ophthalmology franchise through the sale of our subsidiary, Coherus Ophthalmology, to Sandoz for upfront, all-cash consideration of \$170.0 million plus an additional \$17.8 million for CIMERLI product inventory and prepaid manufacturing assets.

On February 5, 2024, we entered into the Consent and Amendment, that among other things: (1) provided consent to consummation of the transactions contemplated by the CIMERLI Purchase Agreement, and released certain of our subsidiary from our obligation and certain assets subject to the transactions contemplated thereby, (2) required us to make a partial prepayment of \$175.0 million of the principal of the 2027 Term Loans outstanding upon consummation of the transactions contemplated by the CIMERLI Purchase Agreement, subject to certain conditions and (3) adjusted the minimum net sales covenant level under the 2027 Term Loans. Upon the closing of the CIMERLI Sale, we became obligated to repay \$175.0 million of the total principal balance of \$250.0 million of the loans outstanding as well as \$6.8 million in prepayment premium and make-whole payments under the 2027 Term Loans, of which we paid on April 1, 2024.

On September 8, 2023, we obtained \$28.8 million of cash, cash equivalents and marketable securities as part of the Surface Acquisition.

On May 16, 2023, we entered into the Underwriting Agreement with the Underwriters, pursuant to which we sold an aggregate of 11,764,706 Firm Shares to the Underwriters. Additionally, under the terms of the Underwriting Agreement, we granted the Underwriters an option, for 30 days from the date of the Underwriting Agreement, to purchase up to an additional 1,764,705 Option Shares, which the Underwriters elected to exercise in full. The price to the public in the Public Offering was \$4.25 per share. The Underwriters agreed to purchase the shares from us pursuant to the Underwriting Agreement at a price of \$3.995 per share.

On May 18, 2023, we completed the sale and issuance of an aggregate of 13,529,411 Shares in the Public Offering, including the exercise in full of the Underwriters' option to purchase the Option Shares. We received net proceeds of approximately \$53.6 million, after deducting the Underwriters' discounts and commissions and offering expenses payable by us.

On November 8, 2022, we entered into the Sales Agreement related to the ATM Offering pursuant to which we may issue and sell from time to time up to \$150.0 million of our common stock. On May 15, 2023, pursuant to an Amendment No. 1 to Sales Agreement and in connection with the Public Offering, we reduced the amount of shares that could be issued and sold pursuant to its ATM Offering with TD Cowen by \$86.2 million, lowering the aggregate offering price under the Agreement from \$150.0 million to \$63.8 million. On September 11, 2023, pursuant to an Amendment No. 2 to Sales Agreement, we increased the amount of shares that could be issued and sold pursuant to its ATM Offering with TD Cowen by \$28.7 million, increasing the aggregate offering price under the Sales Agreement from \$63.8 million to \$92.5 million. No shares were sold during the three months ended September 30, 2024. During the nine months ended September 30, 2024, we sold 650,005 shares of common stock pursuant to the ATM Offering, at a weighted-average price per share of \$2.44 for gross proceeds of \$1.6 million and received net proceeds of \$1.5 million, net of \$0.1 million of commissions and fees. For the ATM Offering program to date as of September 30, 2024, we sold 5,126,650 shares of common stock at a weighted-average price per share of \$5.39 for gross proceeds of \$27.6 million and received net proceeds of \$26.9 million, net of \$0.7 million of commissions and fees. As of September 30, 2024, we had approximately \$64.9 million of our common stock remaining available for sales under the ATM Offering. The ability to elect to sell shares of our common stock in the ATM Offering from time to time adds to our financial flexibility.

As of September 30, 2024, we had an accumulated deficit of \$1.5 billion and cash and cash equivalents of \$97.7 million. We believe that our available cash and cash equivalents, cash collected from product sales, divestitures, ATM Offering and Public Offering proceeds received to date will be sufficient to fund our planned expenditures and meet our obligations for at least the twelve months following our financial statement issuance date.

We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Further, our operating plan may change, and we may need additional funds to meet operational needs and capital requirements for product development and commercialization sooner than planned. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates and the extent to which we may enter into additional agreements with third parties to participate in their development and commercialization, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated research and development activities, and on-going and future licensing and collaboration obligations. We may need to raise additional funds in the future; however, there can be no assurance that such efforts will be successful or that, if they are successful, the terms and conditions of such financing will be favorable. Our future funding requirements will depend on many factors, including the following:

- cash proceeds from product sales;
- the payment of interest, principal and royalties related to our financial liabilities;
- the costs of manufacturing, distributing and marketing our products;
- the cost of manufacturing clinical drug supplies and establishing commercial supplies of our product candidates and products;
- the timing for our packaging and labeling CMO to resume manufacturing and to make UDENYCA products available in a sufficient quantity to meet the demand from our customers;
- the timing for us to receive FDA authorization to produce UDENYCA product at our additional packaging and labeling CMO's facility and the timing for our additional packaging and labeling CMO to make UDENYCA products available in a sufficient quantity to meet the demand from our customers;
- the percentage of customers that continue to purchase our products and that do not switch to products made by our competitors;
- the terms and timing of any other collaborative, licensing and other arrangements that we have established or may establish;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from any product candidates that are approved in the future;
- the number and characteristics of product candidates that we pursue;
- the scope, rate of progress, results and cost of our clinical trials, preclinical testing and other related activities;
- the costs of acquiring originator comparator materials and manufacturing preclinical study and clinical trial supplies and other materials from CMOs and related costs associated with release and stability testing;
- the cost, timing and outcomes of regulatory approvals;
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the extent to which we divest, acquire or invest in businesses, products or technologies;
- the impact of general economic conditions on our business, including but not limited to increased interest rates and high inflation; and
- the costs of the impact from any future outbreaks of the COVID-19 pandemic or future pandemics.

For further discussion of risks related to our financial condition and capital requirements, please see "Risk Factors—Risks Related to Our Financial Condition and Capital Requirements."

## **Financing arrangements**

### *2027 Term Loans*

During the second quarter of 2024, we fully repaid and terminated all commitments under the 2027 Term Loans. Proceeds from the divestiture of our CIMERLI ophthalmology franchise received in March 2024 were used to pay down \$175.0 million of outstanding principal, and a prepayment premium and make-whole amount totaling \$6.8 million on April 1, 2024. On May 8, 2024, we used the proceeds from the 2029 Term Loan and Revenue Purchase and Sale Agreement to repay the remaining \$75.0 million principal balance outstanding on the 2027 Term Loans and a prepayment premium and make-whole amount totaling \$3.5 million.

### *2029 Term Loan*

Concurrent with the payoff of the 2027 Term Loans, on May 8, 2024, we entered into the 2029 Term Loan providing for a secured loan facility in the principal amount of \$38.7 million, with proceeds of \$37.5 million after the original issue discount. The 2029 Term Loan will mature on May 8, 2029, accrues interest equal to 8.0% per annum, plus a three-month SOFR rate and provides for interest-only payments on a quarterly basis until maturity.

The 2029 Term Loan is secured by a lien on substantially all of our assets, including intellectual property, subject to customary exclusions and exceptions. The 2029 Loan Agreement contains customary representations and warranties, covenants and events of default, including a financial covenant commencing on the 2029 Term Loan Effective Date, which requires us to maintain certain levels of cash and cash equivalents. The 2029 Loan Agreement also contains other customary provisions, such as expense reimbursement, as well as indemnification rights for the benefit of the Agent and the 2029 Lenders. For further details, see Note 8. Financial Liabilities in the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### *Revenue Purchase and Sale Agreement*

On May 8, 2024, we entered into the Revenue Purchase and Sale Agreement. Under the terms of the Revenue Purchase and Sale Agreement, in exchange for the Purchaser Group's payment to us of \$37.5 million, we sold to the Purchaser Group a right to receive payment in full of 5.0% of U.S. net sales of UDENYCA and LOQTORZI with respect to a specified threshold applicable to UDENYCA net sales and a specified threshold applicable to LOQTORZI net sales during an applicable year and 0.5% of U.S. net sales of UDENYCA and LOQTORZI that exceeded the specified threshold during that year, commencing on May 8, 2024. The Purchaser Group's right to receive the Revenue Payment terminates and we no longer have the obligation to pay the Purchaser Group Revenue Payments once the Purchaser Group receives the amount equal to 2.25 times the Purchase Price. We may also buy-out the Purchaser Group's rights to receive the Revenue Payments by triggering certain conditions and paying the Purchaser Group the unpaid portion of the 2.25 multiple on the Purchase Price. The proceeds from the Purchase Price were used by us as part of the full repayment of the 2027 Term Loans.

The Revenue Purchase and Sale Agreement contains various representations and warranties, including with respect to organization, authorization, and certain other matters, certain covenants with respect to payment, reporting, intellectual property, in-licenses, out-licenses, and certain other actions, indemnification obligations and other provisions customary for transactions of this nature.

### *2026 Convertible Notes*

As of September 30, 2024, the carrying amount of our \$230.0 million aggregate principal amount convertible senior subordinated notes due 2026 was \$227.9 million. The 2026 Convertible Notes accrue interest at a rate of 1.5% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, and will mature on April 15, 2026, unless earlier repurchased or converted at the option of holders. Since inception, the conversion price has been 51.9224 shares of common stock per \$1,000 principal amount of the 2026 Convertible Notes, which represents a conversion price

of approximately \$19.26 per share of common stock. The initial conversion price represents a premium of approximately 30.0% over the last reported sale of \$14.82 per share of our common stock on the Nasdaq Global Market on April 14, 2020, the date the 2026 Convertible Notes were issued. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. The 2026 Convertible Notes are not redeemable at our election before maturity. If the 2026 Convertible Notes were converted on September 30, 2024, the holders of the 2026 Convertible Notes would have received common shares with an aggregate value of \$12.4 million based on our closing stock price of \$1.04 as of September 30, 2024.

In connection with the pricing of the 2026 Convertible Notes, we entered into privately negotiated capped call transactions with certain of the initial purchasers of the 2026 Convertible Notes and other financial institutions. Since inception, the cap price has been \$25.93 per share, which represents a premium of approximately 75.0% over the last reported sale price of our common stock of \$14.82 per share on April 14, 2020, and is subject to certain adjustments under the terms of the capped call transactions.

### **Contingent Milestones**

We have obligations to make future payments to third parties that become due and payable upon the achievement of certain development, regulatory and commercial milestones (such as clinical trial achievements, the filing of a BLA, approval by the FDA or product launch). These milestone payments and other similar fees are contingent upon future events and therefore are only recorded when it becomes probable that a milestone will be achieved or other applicable criteria will be met. Because the achievement of these milestones had not reached the threshold for recognition as of September 30, 2024, such contingencies were not recorded in our financial statements.

The following presents a summary of our active partnerships and collaborations that have contingent regulatory and sales milestones as of September 30, 2024:

Counterparty	Description	Potential Aggregate Milestone Amount
Junshi Biosciences	LOQTORZI	\$355.0 million <sup>(1)</sup>
Adimab	Casdozokitug	\$13.0 million
Vaccinex	CHS-114	\$15.0 million

(1) \$290.0 million relates to sales milestones and \$65.0 million relates to regulatory milestones for indications that are not currently the subject of our clinical trials, excluding the \$25.0 million milestone payment to Junshi Biosciences, of which we paid \$12.5 million in the second quarter of 2024 and expect to pay \$12.5 million in the first quarter of 2025.

### **Contingent Value Rights**

We have recorded a contingent consideration liability for the fair value of the potential payments under the CVR Agreement in connection with the Surface Acquisition. These potential payments during the 10-year period following September 8, 2023 are only due if we first receive milestone- or royalty-based payments under certain license agreements or upfront payments pursuant to ex-U.S. licensing agreements. Payments can be in the form of cash, stock or a combination of cash and stock. The CVR liability associated with GSK and contingent consideration are recorded in other liabilities, non-current on the condensed consolidated balance sheets at September 30, 2024. For further details, see Note 6. Acquisition and Dispositions in the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Other Commitments**

We enter into contracts in the normal course of business with CROs for preclinical research studies and clinical trials, research supplies and other services and products for operating purposes. We have also entered into agreements with several CMOs for the manufacture and clinical drug supply of our commercial and product candidates. Our non-cancelable purchase commitments as of September 30, 2024 were \$67.0 million, as outlined in Note 9. Commitments

and Contingencies in the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q. In connection with the YUSIMRY Sale, HKF assumed \$17.0 million in YUSIMRY inventory purchase commitments, of which, \$17.0 million remained as of September 30, 2024. If HKF were to default on its obligations under the YUSIMRY Purchase Agreement, we could become liable to pay any unpaid portion of these purchase commitments.

There have been no significant changes to our leases during the nine months ended September 30, 2024, as compared to the discussion in the 2023 Form 10-K.

### **Summary Statement of Cash Flows**

The following table summarizes our cash flows for the periods presented:

(in thousands)	Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (49,048)	\$ (161,947)
Net cash provided by investing activities	230,863	109,437
Net cash (used in) provided by financing activities	(187,205)	69,234
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (5,390)	\$ 16,724

#### *Net cash used in operating activities*

Cash used in operating activities of \$49.0 million for the nine months ended September 30, 2024 was primarily due to net income of \$79.2 million adjusted for non-cash items including stock-based compensation expense of \$21.4 million, loss on debt extinguishment of \$12.6 million, impairment of out-license asset net of CVR liability remeasurement of \$6.8 million, other non-cash adjustments of \$6.2 million, and changes in our operating assets and liabilities of \$1.4 million, partially offset by the net gain on Sale Transactions of \$176.6 million.

Cash used in operating activities of \$161.9 million for the nine months ended September 30, 2023 was primarily due to the net loss of \$158.2 million adjusted for non-cash items including stock-based compensation expense of \$32.3 million and other non-cash adjustments of \$7.2 million, partially offset by the changes in our operating assets and liabilities of \$43.2 million.

#### *Net cash provided by investing activities*

Cash provided by investing activities of \$230.9 million for the nine months ended September 30, 2024 was primarily due to cash proceeds of \$187.8 million from the CIMERLI Sale, cash proceeds of \$40.0 million from the YUSIMRY Sale, proceeds from sale of investments in marketable securities of \$8.7 million, and proceeds from maturities of investments in marketable securities of \$6.2 million, partially offset by a \$12.5 million milestone payment in connection with the 2<sup>nd</sup> Amendment with Junshi Biosciences.

Cash provided by investing activities of \$109.4 million for the nine months ended September 30, 2023 was primarily due to proceeds from maturities of investments in marketable securities of \$108.1 million, proceeds from sale of investments in marketable securities of \$13.3 million, and \$7.0 million of cash acquired from the Surface Acquisition, partially offset by purchases of investments in marketable securities of \$19.5 million.

#### *Net cash (used in) provided by financing activities*

Cash used in financing activities of \$187.2 million for the nine months ended September 30, 2024 was primarily due to \$260.4 million in payments to fully repay the 2027 Term Loans (excluding interest which is presented as an operating activity) and \$2.5 million in tax payments related to net share settlement of RSUs. These payments were

partially offset by \$37.0 million of proceeds on the 2029 Term Loan, net of debt discount and issuance costs, \$36.5 million of proceeds from the Revenue Purchase and Sale Agreement, net of issuance costs, and \$1.5 million in proceeds from the ATM Offering, net of issuance costs.

Cash provided by financing activities of \$69.2 million for the nine months ended September 30, 2023 was primarily due to proceeds of \$53.6 million from the Public Offering, net of issuance costs, \$18.2 million proceeds from the ATM Offering, net of issuance costs, and \$1.3 million proceeds from purchase under the ESPP. These were partially offset by \$3.3 million in tax payments related to net share settlement.

### **Critical Accounting Policies and Significant Judgments and Estimates**

The preparation of our condensed consolidated financial statements in accordance with U.S. GAAP 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 generated and expense incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

There have been no significant changes to our critical accounting estimates during the nine months ended September 30, 2024, as compared to the critical accounting estimates described in our 2023 Form 10-K, except for the Revenue Purchase and Sale Agreement described below. We believe that the critical accounting estimates discussed in the 2023 Form 10-K are meaningful to understanding our historical and future performance, as these estimates relate to the more significant areas involving management's judgments and assumptions.

#### ***Revenue Purchase and Sale Agreement***

The Revenue Purchase and Sale Agreement contains an embedded derivative that meets the criteria to be bifurcated and accounted for separately from the Revenue Purchase and Sale Agreement. The Royalty Fee Derivative Liability was recorded at fair value upon entering into the Revenue Purchase and Sale Agreement and is subsequently remeasured to fair value at each reporting period with the corresponding change in fair value recognized in other income (expense), net in the condensed consolidated statements of operations. The Revenue Purchase and Sale Agreement was initially valued and is remeasured using a "with-and-without" method. The "with-and-without" methodology involves valuing the whole instrument on an as-is basis with the embedded derivative and then valuing the Revenue Purchase and Sale Agreement without the embedded derivative. The difference between the entire instrument with the embedded derivative compared to the instrument without the embedded derivative is the fair value of the Royalty Fee Derivative. We use Monte Carlo simulation models that require the use of Level 3 unobservable inputs, primarily the amount and timing of our expected future revenue, the estimated volatility of these revenues, the discount rate corresponding to the risk of revenue, and the probability of certain events.

#### **Recent Accounting Pronouncements**

For a description of the impact of recent accounting pronouncements, see Note 1. Organization and Summary of Significant Accounting Policies in the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

We are exposed to market risk related to changes in interest rates. As of September 30, 2024, we had cash and cash equivalents of \$97.7 million. A portion of our cash equivalents, which are in money market funds, may be subject

to interest rate risk and could fall in value if market interest rates increase. However, because our cash equivalents are primarily short-term in duration, we believe that our exposure to interest rate risk on these investments is not significant and a 1% movement in market rate interest rates would not have a significant impact on the total value of our portfolio.

We are also subject to credit risk from trade receivables related to product sales, and we monitor the credit worthiness of customers that are granted credit in the normal course of business. In general, there is no requirement for collateral from customers. We have not experienced significant losses with respect to the collection of trade receivables.

We are exposed to interest rate risk with respect to variable rate debt. As of September 30, 2024, we had \$38.7 million principal outstanding on our 2029 Term Loan that accrues interest at 8.0% per annum, plus the three-month SOFR, with a floor of 1.0%. We currently do not hedge our variable interest rate debt. The interest rate during the fourth quarter of 2024 will be 12.60%. A hypothetical 100 basis point increase in the interest rate on our variable rate debt could result in up to a \$0.4 million increase in the annual interest expense that we pay.

In April 2020, we issued \$230.0 million aggregate principal amount of 2026 Convertible Notes with a fixed interest rate of 1.5%. Since the notes have a fixed annual interest rate, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt fluctuates when interest rates change. Additionally, the fair value of the 2026 Convertible Notes can be impacted when the market price of our common stock fluctuates. We carry the 2026 Convertible Notes on our balance sheet at face value less the unamortized discount and issuance costs, and we present the fair value for required disclosure purposes only.

Substantially all of our sales are denominated in U.S. dollars. Until the CIMERLI Sale, we had exposure to the exchange rate between the U.S. Dollar and the Euro through purchases of CIMERLI inventory and royalties paid to Bioeq that were denominated in Euros. Accordingly, fluctuations in the exchange rate between the U.S. Dollar and the Euro had an impact on our condensed consolidated statements of operations. On January 19, 2024, we entered into the CIMERLI Purchase Agreement with Sandoz. Pursuant to the CIMERLI Purchase Agreement, on March 1, 2024, we completed the divestiture of our CIMERLI ophthalmology franchise through the sale of our subsidiary, Coherus Ophthalmology. Refer to Note 6. Acquisition and Dispositions for additional information.

#### **ITEM 4. Controls and Procedures**

##### **Evaluation of Effectiveness of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and our Chief Financial Officer, and evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were, in design and operation, effective at the reasonable assurance level.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer, principal financial officer and principal accounting officer, as appropriate, to allow for timely decisions regarding required disclosure.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to correct any material deficiencies that we may discover. Our goal is to ensure that our management has timely access to material information that could affect our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to modify our disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures,

management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

#### **Changes in Internal Control Over Financial Reporting.**

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Limitations on Effectiveness of Controls and Procedures**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

## **PART II – OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

The information called for by this Item is incorporated herein by reference to the information set forth in Note 9. Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Item 1A. Risk Factors**

#### ***Risk Factor Summary***

*Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading “Risk Factors” and should be carefully considered, together with other information in this Quarterly Report on Form 10-Q, including our financial statements and related notes thereto, before making investment decisions regarding our common stock.*

- We have a limited history of profitability, which we have not maintained and may not achieve again, and only two products that have been approved and are being marketed, with multiple products that are not approved and still in development.
- The commercial success of our existing products or any future products will depend upon the degree of market acceptance and adoption by prescribing physicians, healthcare providers and the patients to whom our medicines are prescribed. Additionally, obtaining placement on national or local clinical guidelines/pathways, as well as coverage on third-party payor formularies, can impact our short and long-term financial performance.
- As we have in-licensed development or commercial rights to LOQTORZI, we rely on prior and ongoing preclinical, clinical, regulatory and manufacturing expertise of our collaborators in order to advance this product candidate through regulatory approvals in the United States and other licensed territories.
- Our products and our product candidates, even if approved, will remain subject to regulatory scrutiny.



- Disruptions at the FDA and other government agencies caused by funding shortages, government shut-downs or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, and conduct inspections of manufacturing facilities, or otherwise prevent new or modified products from being developed, or approved or commercialized in a timely manner or at all, which could negatively impact our business.
- Our biosimilar product faces significant competition from the reference product and from other biosimilar products or pharmaceuticals approved for the same indication as the originator product. LOQTORZI faces significant competition from other immuno-oncology biologics. If we fail to compete effectively, we may not achieve significant market penetration and expansion.
- We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.
- If an improved version of an originator product, such as Neulasta, is developed or if the market for the originator product significantly declines, sales of our biosimilar product may suffer.
- Healthcare reform measures, including the Inflation Reduction Act of 2022 (the “IRA”), may increase the difficulty and cost for us to obtain marketing approval for and commercialize our products, affect the prices we may set, and have a material adverse effect on our business and results of operations.
- We are highly dependent on the services of our key executives and personnel, including our President and Chief Executive Officer, Dennis M. Lanfear, and if we are not able to retain these members of our management or recruit additional management, clinical and scientific personnel, our business will suffer.
- We rely on third parties to conduct our nonclinical and clinical studies and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.
- We are subject to a multitude of manufacturing risks and the risks of inaccurately forecasting sales of our products. We also need to make a determination of excess or obsolete inventory that requires significant judgment and may result in write-downs of inventory, charges related to firm purchase commitments, or both. Any adverse developments affecting the manufacturing operations of our products and product candidates could substantially increase our costs and limit supply for our products and product candidates.
- The continuation of the war between Russia and Ukraine and conflicts in the Middle East may exacerbate certain risks we face.
- Our products or our product candidates may cause undesirable side effects or have other properties that could, as applicable, delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following marketing approval, if granted.
- If we infringe or are alleged to infringe intellectual property rights of third parties, our business could be harmed. Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.
- We are heavily dependent on the development, clinical success, regulatory approval and commercial success of our product candidates. We cannot give any assurance that any of our product candidates will receive regulatory approval, which is necessary before they can be commercialized.

## **Risk Factors**

*Investing in the common stock of a biopharmaceutical company, including one with significant international partnerships and multiple products in development, is a highly speculative undertaking and involves a substantial degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q. If any of the following risks are realized, our business, financial condition, results of operations and prospects could be materially and adversely affected. The risks described below are not the only risks facing us. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect any one or more of our businesses, our financial condition, our results of operations or our prospects.*

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

***We have a limited history of profitability, which we have not maintained and may not achieve again, and only two products that have been approved and are being marketed, with multiple products that are not approved and still in development.***

With the exception of generating net income of \$79.2 million in the nine months ended September 30, 2024, \$132.2 million in 2020 and \$89.8 million in 2019, we incurred a net loss of \$10.8 million in the quarter ended September 30, 2024 and incurred net losses in each year from our inception in September 2010 through December 31, 2023. It is uncertain that we will be profitable in future periods as research and development is expensive and risky. The amount of our future net losses or any future net income will depend, in part, on the amount of our future expenditures offset by the amount of future product sales, including sales of our current products or any other products that may receive regulatory approval. Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk.

For example, as of September 30, 2024, we had an accumulated deficit of \$1.5 billion. The losses and accumulated deficit were primarily due to the substantial investments we made to identify, develop or license our product candidates, including conducting, among other things, analytical characterization, process development and manufacturing, formulation and clinical studies and providing general and administrative support for these operations.

We have incurred and anticipate we will continue to incur certain development and commercial expenses for LOQTORZI, the anti-PD-1 antibody we licensed from Junshi Biosciences in 2021, and have agreed to pay up to \$90.0 million for the achievement of certain regulatory approvals and up to \$290.0 million for the attainment of certain sales thresholds. The recent launch of this product and future work to advance our product candidates through clinical development will be expensive and could result in us continuing to experience future net losses.

For UDENYCA and LOQTORZI which are launched products, and if we obtain regulatory approval to market any other product candidates, our future revenue will depend upon the size of the markets in which our product candidates may receive approval and our ability to achieve sufficient market acceptance, pricing, reimbursement from third-party payers, and adequate market share for our product candidates which include all product candidates for which we obtained commercial rights, in those markets. However, even if additional product candidates in addition to our current products gain regulatory approval and are commercialized, we may not be profitable.

Our expenses will increase substantially if and as we:

- establish a sales, marketing and distribution infrastructure to commercialize any of our product candidates for which we may obtain marketing approval;
- make upfront, milestone, royalty or other payments under any license agreements;

- continue our nonclinical and clinical development of our product candidates;
- initiate additional nonclinical, clinical or other studies for our product candidates;
- expand the scope of our current clinical studies for our product candidates;
- advance our programs into more expensive clinical studies;
- change or add contract manufacturers, clinical research service providers, testing laboratories, device suppliers, legal service providers or other vendors or suppliers;
- seek regulatory approvals for our product candidates that successfully complete clinical studies;
- seek to identify, assess, acquire or develop other product candidates or products that may be complementary to our products;
- seek to create, maintain, protect and expand our intellectual property portfolio;
- engage legal counsel and technical experts to help us evaluate and avoid infringing any valid and enforceable intellectual property rights of third parties;
- engage in litigation, including patent litigation, and Inter Partes Review (“IPR”) proceedings with originator companies or others that may hold patents;
- seek to attract and retain skilled personnel;
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts; and
- experience any delays or encounter issues with any of the above, including but not limited to failed studies, conflicting results, safety issues, manufacturing delays, litigation or regulatory challenges that may require longer follow-up of existing studies, additional major studies or additional supportive studies or analyses in order to pursue marketing approval.

Further, the net loss or net income we achieve may fluctuate significantly from quarter-to-quarter and year-to-year such that a period-to-period comparison of our results of operations may not be a good indication of our future performance quarter-to-quarter and year-to-year due to factors including the timing of clinical trials, any litigation that we may initiate or that may be initiated against us as well as any settlements or judgments from such litigation, the execution of collaboration, licensing or other agreements and the timing of any payments we make or receive thereunder.

***We continue to be dependent on the ability to raise funds. This additional funding may not be available on acceptable terms or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development and commercialization efforts or other operations.***

As of September 30, 2024, our cash, cash equivalents and marketable securities were \$97.7 million. We expect that our existing cash and cash equivalents, investments and cash collected from our product sales will be sufficient to fund our current operations for the foreseeable future. We have financed our operations primarily through the sale of equity securities, convertible notes, credit facilities, license agreements and through recent product sales of our products.

However, our operating or investing plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned. Our future funding requirements will depend on many factors, including but not limited to:

- our ability to continue to successfully commercialize our products;
- our ability to resolve supply interruptions for the supply of our products, such as the ongoing temporary

UDENYCA supply interruption that we announced on September 13, 2024;

- the scope, rate of progress, results and cost of any clinical studies, nonclinical testing and other related activities;
- the cost of manufacturing clinical drug supplies and establishing commercial supplies of our product candidates and products;
- the timing for our packaging and labeling CMO to resume manufacturing and to make UDENYCA products available in a sufficient quantity to meet the demand from our customers;
- the timing for us to receive FDA authorization to produce UDENYCA product at our additional packaging and labeling CMO's facility and the timing for our additional packaging and labeling CMO to make UDENYCA products available in a sufficient quantity to meet the demand from our customers;
- the percentage of customers that continue to purchase our products and that do not switch to products made by our competitors;
- the number and characteristics of product candidates that we pursue;
- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any licensing or other arrangements to acquire intellectual property rights that we may establish, including any milestone and royalty payments thereunder;
- the timing of conversion in common shares or repayment in cash of our convertible debt, the timing of repayment in cash, whether due or not, of our long-term debt and the payment of interest, principal and royalties related to our financial liabilities; and
- the cost, timing and outcomes of any litigation that we may file against third parties or that may be filed against us by third parties.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our stockholders, and the issuance of additional securities, whether equity or debt, by us or the possibility of such issuance may cause the market price of our shares to decline. The sale of additional equity or convertible securities, such as the sales from time to time through our Sales Agreement with TD Cowen pursuant to which we may issue and sell from time to time up to \$150.0 million of our common stock through or to TD Cowen as our sales agent or principal in an ATM Offering, may dilute the share ownership of our existing stockholders. The incurrence of indebtedness could result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as those contained in the 2029 Loan Agreement we entered into on May 8, 2024 with the Agent and the 2029 Lenders that provides for a senior secured term loan facility of up to \$38.7 million, including limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business such as a financial covenant commencing on May 8, 2024, which requires us to maintain certain levels of cash and cash equivalents. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage or for a lower price than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or for specific strategic considerations.

If we are unable to obtain funding on a timely basis or at all, stay profitable or generate any net profits, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any products or product candidates or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our financial condition and results of operations.

#### **Risks Related to Launch and Commercialization of our Products and our Product Candidates**

##### ***We have a limited operating history in an emerging regulatory environment on which to assess our business.***

We are a biopharmaceutical company with a limited operating history in an emerging regulatory environment of biosimilar and immuno-oncology products. Although we have received upfront payments, milestone and other contingent payments or funding for development from some of our collaboration and license agreements, our only approved products are UDENYCA and LOQTORZI which are approved for commercialization in the United States, and we have no products approved in any other territories.

One of the steps necessary for us to generate meaningful revenue is for us, alone or with strategic collaboration partners, to successfully market and sell our products, and to complete the development of, and obtain the regulatory approvals necessary to commercialize, one or more of our product pipeline candidates, which include:

- CHS-1000;
- casdozokitug;
- CHS-114; and
- toripalimab in non-NPC indications.

We may not be able to continue to generate meaningful revenue from product sales, as this depends heavily on our success in many areas, including but not limited to:

- our ability to continue to successfully commercialize all three UDENYCA product presentations and LOQTORZI;
- competing against numerous current and future pegfilgrastim and adalimumab products with significant market share;
- healthcare providers, payers, and patients adopting our products and product candidates once approved and launched;
- our ability to procure and commercialize our biosimilar product;
- obtaining additional regulatory approvals for product candidates for which we complete clinical studies;
- obtaining adequate third-party coverage and reimbursements for our products;
- obtaining market acceptance of our products and product candidates as viable treatment options;
- completing nonclinical and clinical development of our product candidates;
- developing and testing of our product formulations;
- attracting, hiring and retaining qualified personnel;
- developing a sustainable and scalable manufacturing process for our products and any approved product candidates and establishing and maintaining supply and manufacturing relationships with third parties that can conduct the process and provide adequate (in amount and quality) products to support clinical development and the market demand for our products and product candidates, if approved;
- addressing any competing technological and market developments;

- identifying, assessing and developing (or acquiring/in-licensing on favorable terms) new product candidates;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how; and
- defending against any litigation including patent or trade secret infringement lawsuits, which may be filed against us, or achieving successful outcomes of IPR petitions that we have filed, or may in the future file, against third parties.

Even if one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs to commercialize any such product. Our expenses could increase beyond our expectations if we are required by the FDA, the European Medical Agency (the “EMA”), other regulatory agencies, domestic or foreign, or by any unfavorable outcomes in intellectual property litigation filed against us, to change our manufacturing processes or assays or to perform clinical, nonclinical or other types of studies in addition to those that we currently anticipate. In cases where we are successful in obtaining additional regulatory approvals to market one or more of our product candidates, our revenue will be dependent, in part, upon the size of the markets in the territories for which we gain regulatory approval, the number of biosimilar or immuno-oncology competitors in such markets, the accepted price for the product, the ability to get reimbursement at any price, the nature and degree of competition from originators and other biosimilar or immuno-oncology companies (including competition from large pharmaceutical companies entering the biosimilar market or possessing large established positions in the immuno-oncology market that may be able to gain advantages in the sale of biosimilar or immuno-oncology products based on brand recognition or existing relationships with customers and payers) and whether we own (or have partnered with companies owning) the commercial rights for that territory. If the market for our products and product candidates (or our share of that market) is not as significant as we expect, the price of our products is not what we project, the indication approved by regulatory authorities is narrower than we expect or the reasonably accepted population for treatment is narrowed by competition, physician choice or treatment guidelines, we may not generate significant revenue from sales of such products, even if approved. If we are unable to successfully complete development and obtain additional regulatory approval for our products, our business may suffer.

***The commercial success of our existing products or any future products will depend upon the degree of market acceptance and adoption by prescribing physicians, healthcare providers and the patients to whom our medicines are prescribed. Additionally, obtaining placement on national or local clinical guidelines/pathways, as well as coverage on third-party payor formularies, can impact our short and long-term financial performance.***

Even with the requisite approvals from the FDA and comparable foreign regulatory authorities, the commercial success of our products or product candidates, if approved, will depend in part on the medical community, patients and third-party payers accepting our products and product candidates as medically useful, cost-effective and safe. Any product that we bring to the market may not gain market acceptance by physicians, patients, third-party payers and others in the medical community. The degree of market acceptance of our product LOQTORZI, or any of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the safety and efficacy of the product, as demonstrated in clinical studies, and potential advantages over competing treatments;
- the prevalence and severity of any side effects and any limitations or warnings contained in a product’s approved labeling;
- the clinical indications for which approval is granted;
- for our immuno-oncology product candidates, our ability to compete in a competitive immuno-oncology market that may differ from the biosimilar market;

- inclusion, in either parity or better position, on commonly accepted clinical guidelines or pathways that influence prescribing patterns or affect reimbursement;
- relative convenience, ease of administration and any real or perceived benefit from administration at home as opposed to in the clinic;
- prevalence of the disease or condition for which the product is approved;
- the cost of treatment, particularly in relation to competing treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and timing of market introduction of competitive products;
- the extent to which the product is approved for inclusion on formularies of hospitals, integrated delivery networks and managed care organizations;
- publicity concerning our products or competing products and treatments;
- the extent to which third-party payers (including government and national/regional commercial plans) provide adequate third-party coverage and reimbursement for our products and product candidates, if approved;
- the price at which we sell our products;
- the potential impact of the IRA on the pharmaceutical industry and the market for biosimilars;
- the actions taken by current and future competitors to delay, restrict or block customer usage of the product; and
- our ability to maintain compliance with regulatory requirements.

Market acceptance of any future product candidates, if approved, will not be fully known until after they are launched and may be negatively affected by a potential poor safety experience and the track record of other biosimilar and immunology products and product candidates. Further, continued market acceptance of UDENYCA and LOQTORZI, and any future product candidates that may be approved, depends on our efforts to educate the medical community and third-party payers on the benefits of our products and product candidates and will require significant resources from us and we have significantly less resources compared to large, well-funded pharmaceutical entities. Given the resource disparity, our outreach may have little success or may never be successful. If our products or any future product candidates that are approved fail to achieve an adequate level of acceptance by physicians, patients, third-party payers and others in the medical community, we will not be able to generate sufficient revenue to sustain profitability.

***The third-party coverage and reimbursement status of our products are uncertain. Failure to obtain or maintain adequate coverage and reimbursement for new or current products could limit our ability to market those products and decrease our ability to generate revenue.***

Pricing, coverage and reimbursement of our products, or any of our product candidates, if approved, may not be adequate to support our commercial infrastructure. The prices required to successfully compete may not continue to be sufficient to recover our development and manufacturing costs, and as a result, we may not be profitable in the future. Accordingly, the availability and adequacy of coverage and reimbursement by governmental and commercial payers are essential to enable provider/patient access to our products and our patient support services must be sufficiently scaled to meet the needs of patients receiving our products. Sales will depend substantially, both domestically and abroad, on the extent to which the costs of our products will be paid for by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations or reimbursed by government authorities, private health insurers and other third-party payers. If coverage and reimbursement are not available, or are available only to limited levels, or

become unavailable, we may not be able to successfully commercialize our products or any of our product candidates, if approved. Even if coverage is provided, the approved reimbursement amount may not be adequate to allow us to establish or maintain pricing sufficient to realize a return on our investment.

There is significant uncertainty related to third-party coverage and reimbursement of newly approved products. In the United States, third-party payers, including private and governmental payers such as the Medicare and Medicaid programs, play an important role in determining the extent to which new drugs and biologics will be covered and reimbursed. The Medicare program covers certain individuals aged 65 or older or those who are disabled or suffering from end-stage renal disease. The Medicaid program, which varies from state to state, covers certain individuals and families who have limited financial means. The Medicare and Medicaid programs increasingly are used as models for how private payers and other governmental payers develop their coverage and reimbursement policies for drugs and biologics. It is difficult to predict what third-party payers will decide with respect to the coverage and reimbursement for any newly approved product. In addition, in the United States, no uniform policy of coverage and reimbursement for biologics exists among third-party payers. Therefore, coverage and reimbursement for biologics can differ significantly from payer to payer. As a result, the process for obtaining favorable coverage determinations often is time-consuming and costly and may require us to provide scientific and clinical support for the use of our products to each payer separately, with no assurance that coverage and adequate reimbursement will be obtained.

Effective January 2019, U.S. Centers for Medicare & Medicaid Services (“CMS”) assigned a product specific Q-Code to Udenyca, which is necessary to enable providers to separately bill for Udenyca to have its own reimbursement rate with Medicare or other third-party payers. However, reimbursement is not guaranteed and rates may vary based on product life cycle, site of care, type of payer, coverage decisions, and provider contracts. Furthermore, while payers have adopted the Q-Code assigned by CMS for Udenyca, there remains uncertainty as to whether such payers will continue to cover and pay providers for the administration and use of the product with each patient or may favor competing products. If our products or any of our future product candidates, are not covered or adequately reimbursed by third-party payers, including Medicare, then the cost of the relevant product may be absorbed by healthcare providers or charged to patients. If this is the case, our expectations of the pricing we expect to achieve for such product and the related potential revenue may be significantly diminished.

Outside of the United States, pharmaceutical businesses are generally subject to extensive governmental price controls and other market regulations. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. Other countries allow companies to fix their own prices for medical products but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenue and profits.

Increasing efforts by governmental and third-party payers in the United States and abroad to control healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for new products approved and, as a result, they may not cover or provide adequate payment for our products or any of our product candidates. While cost containment practices generally benefit biosimilars, severe cost containment practices may adversely affect our product sales. Furthermore, the impact of the IRA on our business and the pharmaceutical industry generally is currently unknown. We expect to experience pricing pressures in connection with the sale of our products and any of our product candidates due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes.

***Our products and our product candidates, even if approved, will remain subject to regulatory scrutiny.***

Our products and our product candidates, even if approved, will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-



marketing studies and submission of safety, efficacy and other post-market information, including both federal and state requirements in the United States and requirements of comparable foreign regulatory authorities.

Manufacturers and manufacturers' facilities are required to comply with extensive FDA, and comparable foreign regulatory authority, requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices ("cGMP") regulations. As such, we and our contract manufacturers will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any NDA, original BLA submitted under Section 351(a) of the Public Health Service Act ("PHSA"), Section 351(k) BLA or MAA. Accordingly, we and others with whom we work must continue to spend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any regulatory approvals that we or our collaboration partners receive for our product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval or may contain requirements for potentially costly additional clinical trials and surveillance to monitor the safety and efficacy of the product candidate. We will be required to report certain adverse events and production problems, if any, to the FDA and comparable foreign regulatory authorities. Any new legislation addressing drug safety issues could result in delays in product development or commercialization or increased costs to ensure compliance. We will have to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we may not promote our products for indications or uses for which they do not have approval. If our product candidates are approved, we must submit new or supplemental applications and obtain approval for certain changes to the approved products, product labeling or manufacturing process. We or our collaboration partners could also be asked to conduct post-marketing clinical studies to verify the safety and efficacy of our products in general or in specific patient subsets. If original marketing approval is obtained via an accelerated biosimilar approval pathway, we could be required to conduct a successful post-marketing clinical study to confirm clinical benefit for our products. An unsuccessful post-marketing study or failure to complete such a study could result in the withdrawal of marketing approval.

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency or problems with the facility where the product is manufactured or disagrees with the promotion, marketing or labeling of a product, such regulatory agency may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we fail to comply with applicable regulatory requirements, a regulatory agency or enforcement authority may, among other possibilities:

- issue warning letters;
- impose civil or criminal penalties;
- suspend or withdraw regulatory approval;
- suspend any of our ongoing clinical studies;
- refuse to approve pending applications or supplements to approved applications submitted by us;
- impose restrictions on our operations, including closing our contract manufacturers' facilities; or
- seize or detain products or require a product recall.

Any government investigation of alleged violations of law could require us to expend significant time and resources in response and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to commercialize and generate revenue from our products. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained and we may not sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We also cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States, China or other foreign countries.

***Disruptions at the FDA and other government agencies caused by funding shortages, government shut-downs or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, and conduct inspections of manufacturing facilities, or otherwise prevent new or modified products from being developed, or approved or commercialized in a timely manner or at all, which could negatively impact our business.***

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, government shut-downs, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the FDA have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for new drugs and biologics or modifications to approved drugs and biologics to be reviewed or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the United States government has periodically shut down and certain regulatory agencies, such as the FDA, had to furlough critical FDA employees and stop critical activities.

Separately, in response to the COVID-19 pandemic, the FDA postponed most inspections of domestic and foreign manufacturing facilities at various points. If a prolonged government shutdown occurs, or if further global health concerns emerge, such events could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

#### **Risks Related to Competitive Activity**

***Our biosimilar product faces significant competition from the reference product and from other biosimilar products or pharmaceuticals approved for the same indication as the originator product. Our product LOQTORZI and product candidate CHS-114, if approved, will face significant competition from other immuno-oncology biologics. If we fail to compete effectively, we may not achieve significant market penetration and expansion.***

We operate in highly competitive pharmaceutical markets. Successful competitors in the pharmaceutical market have demonstrated the ability to effectively discover molecules, obtain patents, develop, test and obtain regulatory approvals for products, as well as an ability to effectively commercialize, market and promote approved products. Numerous companies, universities and other research institutions are engaged in developing, patenting, manufacturing and marketing of products competitive with those that we are developing. Many of these potential competitors are large, experienced multinational pharmaceutical and biotechnology companies that enjoy significant competitive advantages, such as substantially greater financial, research and development, legal, governmental affairs, manufacturing, personnel, and marketing resources, with additional benefits of mergers and acquisitions.

LOQTORZI recently entered a competitive market in the United States where a number of anti-PD-1 or PD-L1 antibody drugs have been approved by the FDA, although not in NPC, including the following marketed products from several competitors: Keytruda® (pembrolizumab) from Merck & Company, Inc. ("Merck"), Opdivo® (nivolumab) from Bristol-Myers Squibb Company ("BMS"), Tecentriq® (atezolizumab) from Genentech, Imfinzi® (durvalumab) from AstraZeneca plc ("AstraZeneca"), Bavencio® (avelumab) from EMD Serono Inc. and Pfizer, Libtayo® (cemiplimab-rwlc)

from Regeneron Pharmaceuticals, Inc. (“Regeneron”), Jemperli (dostarlimab-gxly) from GlaxoSmithKline plc (“GlaxoSmithKline”) and TEVIMBRA® (tislelizumab-jsgr) from BeiGene, Ltd. In addition to LOQTORZI, multiple other competitors are seeking to develop and approve novel anti-PD-1 or PD-L1 antibody drugs in the United States in the coming years, including but not limited to camrelizumab from Elevar Therapeutics, Inc. (in collaboration with Jiangsu Hengrui Pharmaceuticals Co., Ltd.). As the only immunotherapy approved by the FDA for the treatment of NPC, we believe LOQTORZI addresses a potentially high unmet need.

CHS-114, if approved, faces competition from programs in development specifically targeting CCR8, including those by Bristol-Myers Squibb Company, Gilead/Jounce, Shionogi, AbbVie, Bayer, F. Hoffmann-La Roche Ltd, Amgen, LaNova and Immunophage;

UDENYCA faces competition in the United States from Amgen, Biocon Biologics Inc. (“Biocon”), Sandoz International GmbH (“Sandoz”), Pfizer, Spectrum Pharmaceuticals, Inc. (“Spectrum”), Amneal Pharmaceuticals, Inc. (“Amneal”) and Fresenius Medical Care AG & Co. KGaA (“Fresenius”).

These companies may also have greater brand recognition and more experience in conducting preclinical testing and clinical trials of product candidates, obtaining FDA and other regulatory approvals of products and marketing and commercializing products once approved.

Additionally, many manufacturers of originator products have increasingly used legislative, regulatory and other means, such as litigation, to delay regulatory approval and to seek to restrict competition from manufacturers of biosimilars. These efforts may include or have included:

- settling, or refusing to settle, patent lawsuits with biosimilar companies, resulting in such patents remaining an obstacle for biosimilar approval;
- submitting Citizen Petitions to request the FDA Commissioner to take administrative action with respect to prospective and submitted biosimilar applications;
- appealing denials of Citizen Petitions in United States federal district courts and seeking injunctive relief to reverse approval of biosimilar applications;
- restricting access to reference brand products for equivalence and biosimilarity testing that interferes with timely biosimilar development plans;
- attempting to influence potential market share by conducting medical education with physicians, payers, regulators and patients claiming that biosimilar products are too complex for biosimilar approval or are too dissimilar from originator products to be trusted as safe and effective alternatives;
- implementing payer market access tactics that benefit their brands at the expense of biosimilars;
- seeking state law restrictions on the substitution of biosimilar products at the pharmacy without the intervention of a physician or through other restrictive means such as excessive recordkeeping requirements or patient and physician notification;
- seeking federal or state regulatory restrictions on the use of the same non-proprietary name as the reference brand product for a biosimilar or interchangeable biologic;
- seeking changes to the United States Pharmacopeia, an industry recognized compilation of drug and biologic standards;
- obtaining new patents covering existing products or processes, which could extend patent exclusivity for a number of years or otherwise delay the launch of biosimilars; and
- influencing legislatures so that they attach special patent extension amendments to unrelated federal legislation.

***Our products and our product candidates, if approved, could face price competition from other products or biosimilars of the same reference products for the same indication. This price competition could exceed our capacity to respond, detrimentally affecting our market share and revenue as well as adversely affecting the overall financial health and attractiveness of the market for the biosimilar.***

Competitors in the biosimilar market have the ability to compete on price through PBMs, payers and their third-party administrators, IDNs and hospitals who exert downward pricing pressure on our product offerings. It is possible our biosimilar competitors' compliance with price discounting demands in exchange for market share or volume requirements could exceed our capacity to respond in kind and reduce market prices beyond our expectations. There could be similar price competition in the immuno-oncology market that could adversely affect our results in the future. Such practices may limit our ability to increase market share and may also impact profitability.

***We face intense competition and rapid technological change and the possibility that our competitors may develop therapies that are similar, more advanced, less costly, easier to administer or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.***

Many of our competitors have substantially greater financial, technical and other resources, including larger research and development, marketing and manufacturing organizations. Additionally, mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated in our competitors. As a result, these companies may obtain regulatory approval more rapidly than we are able to and may be more effective in selling and marketing their products. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective or less costly than any product candidate that we may develop; they may also obtain patent protection that could block our products; and they may obtain regulatory approval, product commercialization and market penetration earlier than we do. Our competitors may have products that are easier to administer than our products, which could adversely affect our results. Biosimilar or immuno-oncology product candidates developed by our competitors may render our potential product candidates uneconomical, less desirable or obsolete, and we may not be successful in marketing our product candidates against competitors.

***If other competitors to toripalimab (in indications besides NPC), casdozokitug, CHS-1000 and CHS-114 are approved and successfully commercialized before toripalimab (in indications besides NPC), casdozokitug, CHS-1000 and CHS-114, our business would suffer.***

There are a number of companies that currently commercialize PD-1/PD-L1 blocking antibodies or are developing such compounds for commercialization in the United States. If other competitors to toripalimab (in indications besides NPC), casdozokitug, CHS-1000 and CHS-114 are successfully commercialized before toripalimab (in indications besides NPC), casdozokitug, CHS-1000 and CHS-114, we may never achieve meaningful market share for these products, our revenue would be reduced and, as a result, our business, prospects and financial condition could suffer.

***If an improved version of an originator product, such as Neulasta, is developed or if the market for the originator product significantly declines, sales of our biosimilar product may suffer.***

Originator companies may develop improved versions of a reference product as part of a life cycle extension strategy and may obtain regulatory approval of the improved version under a new or supplemental BLA submitted to the applicable regulatory authority. Should the originator company succeed in obtaining an approval of an improved biologic product, it may capture a significant share of the collective reference product market in the applicable jurisdiction and significantly reduce the market for the reference product and thereby the potential size of the market for our biosimilar product. In addition, the improved product may be protected by additional patent rights that may subject our follow-on biosimilar to claims of infringement.

Biologic reference products may also face competition as technological advances are made that may offer patients a more convenient form of administration or increased efficacy or as new products are introduced. External developments can also result in changing preferences for convenient forms of administration of products that may impact our business. As new products are approved that compete with the reference product to our biosimilar product, sales of the reference originator product may be adversely impacted or rendered obsolete. If the market for the reference product is impacted, we may lose significant market share for our biosimilar product. As a result of the above factors, our business, prospects and financial condition could suffer.

***Any product candidates for which we intend to seek approval as original biologic products may face competition sooner than anticipated.***

Our development of novel biologic product candidates, such as casdozokitug and CHS-114, subjects us to additional risks relating to biosimilar competition. In particular, under the Biologics Price Competition and Innovation Act of 2009 (“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 12 years from the date on which the reference product was first licensed. During this 12-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.

We believe that LOQTORZI and any of our future product candidates approved under an original BLA should qualify for the 12-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 product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. 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 Ability to Hire and Retain Highly Qualified Personnel**

***We are highly dependent on the services of our key executives and personnel, including our President and Chief Executive Officer, Dennis M. Lanfear, and if we are not able to retain these members of our management or recruit additional management, product development and scientific personnel, our business will suffer.***

We are highly dependent on the principal members of our management and scientific and technical staff. The loss of service of any of our management or key scientific and technical staff could harm our business. In addition, we are dependent on our continued ability to attract, retain and motivate highly qualified additional management, product development and scientific personnel. If we are not able to retain our management, particularly our President and Chief Executive Officer, Mr. Lanfear, and to attract, on acceptable terms, additional qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or grow.

Our future performance will also depend, in part, on our ability to successfully integrate newly hired executive officers into our management team and our ability to develop an effective working relationship among senior management. Our failure to integrate these individuals and create effective working relationships among them and other members of management could result in inefficiencies in the development and commercialization of our product candidates, harming future regulatory approvals, sales of our product candidates and our results of operations. Additionally, we do not currently maintain “key person” life insurance on the lives of our executives or any of our employees.

We will need to expand and effectively manage our managerial, scientific, operational, financial, commercial and other resources in order to successfully pursue our product development and commercialization efforts. Our success

also depends on our continued ability to attract, retain and motivate highly qualified management and technical personnel. We may not be able to attract or retain qualified management and scientific and product development personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly those located in the San Francisco Bay Area. We also use equity compensation as a part of a comprehensive compensation package for our personnel. The majority of our outstanding options have exercise prices that are above our current stock price. See the tables describing our outstanding stock options in Note 12. Stock-Based Compensation and Employee Benefits to our financial statements included in our Annual Report for the Fiscal Year ended December 31, 2023. If we are not able to attract, retain and motivate necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

***We may need to expand our organization, particularly due to employee turnover, and we may experience difficulties in managing this turnover, which could disrupt our operations.***

As of September 30, 2024, we had 235 full-time and part-time employees. As our development and commercialization plans and strategies develop and evolve from time to time and as we experience turnover, we may need to hire additional people in the future. Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these hiring activities. We may not be able to effectively manage during a period of employee turnover, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of our current and potential future product candidates. If our management is unable to effectively manage our turnover, our expenses may increase more than expected, our ability to generate or grow revenue could be reduced. Our future financial performance and our ability to commercialize product candidates and compete effectively will depend, in part, on our ability to effectively manage any future growth.

#### **Risks Related to Reliance on Third Parties**

***We rely on third parties, and in some cases a single third party, to manufacture nonclinical, clinical and commercial drug supplies of our products and product candidates and to store critical components of our products and product candidates for us. Our business could be harmed if those third parties fail to provide us with sufficient quantities of products and product candidates or fail to do so at acceptable quality levels or prices.***

We do not currently have the infrastructure or capability internally to manufacture supplies of our product candidates for use in our nonclinical and clinical studies, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale. We rely on third-party manufacturers to manufacture and supply us with our product candidates for our preclinical and clinical studies as well as to maintain commercial supplies of our product candidates. Successfully transferring complicated manufacturing techniques to contract manufacturing organizations and scaling up these techniques for commercial quantities is time consuming and we may not be able to achieve such transfer or do so in a timely manner. Moreover, the availability of contract manufacturing services for protein-based therapeutics is highly variable and there are periods of relatively abundant capacity alternating with periods in which there is little available capacity. If our need for contract manufacturing services increases during a period of industry-wide production capacity shortage, we may not be able to produce our product candidates on a timely basis or on commercially viable terms. Although we will plan accordingly and generally do not begin a clinical study unless we believe we have a sufficient supply of a product candidate to complete such study, any significant delay or discontinuation in the supply of a product candidate for an ongoing clinical study due to the need to replace a third-party manufacturer could considerably delay completion of our clinical studies, product testing and potential regulatory approval of our product candidates, which could harm our business and results of operations.

Reliance on third-party manufacturers entails additional risks, including reliance on the third party for regulatory compliance and quality assurance, the possible breach of the manufacturing agreement by the third party and the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us. In addition, third-party manufacturers may not be able to comply with cGMP or similar regulatory requirements outside the United States. Our failure or the failure of our third-party manufacturers to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates or any other product candidates or products that we may develop. Any failure or refusal to supply the components for our product candidates that we may develop could delay, prevent or impair our clinical development or commercialization efforts. If our contract manufacturers were to breach or terminate their manufacturing arrangements with us, the development or commercialization of the affected products or product candidates could be delayed, which could have an adverse effect on our business. Any change in our manufacturers could be costly because the commercial terms of any new arrangement could be less favorable and because the expenses relating to the transfer of necessary technology and processes could be significant.

On September 13, 2024, we announced that our third-party labeling and packaging CMO for UDENYCA delayed production of UDENYCA due to over-commitments and capacity constraints. These delays caused a temporary UDENYCA supply interruption. The CMO recently informed us that production will resume later in the week of November 4, 2024. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. The length of the temporary UDENYCA supply interruption will depend on the number of future manufacturing slots scheduled by the CMOs and whether future manufacturing slots are successfully completed on schedule or at all. Although we believe that the steps that we have taken will help to lessen the impact of the temporary UDENYCA supply interruption, this manufacturing depends on third parties and we cannot make any assurances about the timing of the resolution of the issue. Similar circumstances could arise in the future that could result in supply disruption to our products and product candidates. Supply disruptions like this will have an adverse impact on our financial statements and reputation.

If any of our product candidates are approved, in order to produce the quantities necessary to meet anticipated market demand, any contract manufacturer that we engage may need to increase manufacturing capacity. If we are unable to build and stock our product candidates in sufficient quantities to meet the requirements for the launch of these candidates or to meet future demand, our revenue and gross margins could be adversely affected. We cannot be certain that we will be able to obtain long-term supply arrangements for our product candidates or materials used to produce them on acceptable terms, if at all. If we are unable to arrange for third-party manufacturing, or to do so on commercially reasonable terms, we may not be able to complete development of our product candidates or market them.

***We rely on third parties to conduct our nonclinical and clinical studies and perform other tasks for us. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or comply with regulatory requirements, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.***

We have relied upon and plan to continue to rely upon third-party CROs to monitor and manage data for our ongoing nonclinical and clinical programs. We rely on these parties for execution of our nonclinical and clinical studies and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs and other vendors are required to comply with cGMP, GCP, and good laboratory practices ("GLP"), which are regulations and guidelines enforced by the FDA, the Competent Authorities of the Member States of the EEA and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these regulations through periodic

inspections or remote regulatory assessments (“RRAs”) of study sponsors, principal investigators, study sites and other contractors. If we, any of our CROs, service providers or investigators fail to comply with applicable regulations or GCPs, the data generated in our nonclinical and clinical studies may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional nonclinical and clinical studies before approving our marketing applications. There can be no assurance that upon inspection or conclusion of an RRA by a given regulatory authority, such regulatory authority will determine that any of our clinical studies comply with GCP regulations. In addition, our clinical studies must be conducted with product generated under cGMP regulations. Failure to comply by any of the participating parties or ourselves with these regulations may require us to repeat clinical studies, which would delay the regulatory approval process. Moreover, our business may be implicated if our CROs or any other participating parties violate federal or state fraud and abuse or false claims laws and regulations or healthcare or data privacy and security laws.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our on-going nonclinical and clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our protocols, regulatory requirements or for other reasons, our clinical studies may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. CROs may also generate higher costs than anticipated. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenue could be delayed.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, a transition period is necessary when a new CRO commences work, which can materially impact our ability to meet our desired clinical development timelines. Though we strive to carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, prospects and financial condition.

***We are dependent on Junshi Biosciences and Orox / Laboratorio Gador S.A. for the commercialization of our product candidates in certain markets and we intend to seek additional commercialization partners for major markets, and the failure to commercialize in those markets could have a material adverse effect on our business and operating results.***

We have an exclusive license from Junshi Biosciences to develop and commercialize LOQTORZI in the United States and Canada. Our licensors are responsible for supplying us with drug substance and final drug products.

Our exclusive licensee, Orox / Laboratorio Gador S.A., is responsible for commercialization of certain of our products and product candidates, including UDENYCA, in certain Caribbean and Latin American countries (excluding Brazil, and in the case of UDENYCA, also excluding Argentina).

Our licenses with Junshi Biosciences, Orox / Laboratorio Gador S.A., or other future license or collaboration agreements, may not result in positive outcomes. Factors that may affect the success of our licenses and collaborations include, but are not limited to, the following:

- our existing and potential collaboration partners may fail to provide sufficient amounts of commercial products, including because of import restrictions, or they may be ineffective in doing so;
- our existing and potential collaboration partners may fail regulatory inspections or RRAs which may preclude or delay the delivery of commercial products;
- our existing and potential collaboration partners may fail to exercise commercially reasonable efforts to market and sell our products in their respective licensed jurisdictions or they may be ineffective in doing so;



- our existing and potential licensees and collaboration partners may incur financial, legal or other difficulties that force them to limit or reduce their participation in our joint projects;
- our existing and potential licensees and collaboration partners may terminate their licenses or collaborations with us, which could make it difficult for us to attract new partners or adversely affect perception of us in the business and financial communities; and
- our existing and potential licensees and collaboration partners may choose to pursue alternative, higher priority programs, which could affect their commitment to us.

Moreover, any disputes with our licensees and collaboration partners could substantially divert the attention of our senior management from other business activities and may require us to incur substantial costs associated with litigation or arbitration proceedings. If we cannot maintain successful license and collaboration arrangements, our business, financial condition and operating results may be adversely affected.

***There are risks and uncertainties associated with the CIMERLI TSA and YUSIMRY TSA, one or more of which could have a material adverse effect on our business, financial condition, results of operations, cash flows or stock price.***

In connection with the CIMERLI Sale, we and Sandoz entered into the CIMERLI TSA pursuant to which we will provide certain business support services to Sandoz for a defined period not expected to extend beyond December 31, 2024. In connection with the YUSIMRY Sale, we and HKF entered into the YUSIMRY TSA pursuant to which we will provide certain business support services to HKF for a defined period not expected to extend beyond December 31, 2024. There are a number of risks and uncertainties associated with the CIMERLI TSA and YUSIMRY TSA, which could have a material adverse effect on our business, financial condition, results of operations, cash flows or stock price, including, among other things:

- the need to expend employee time and attention on the CIMERLI TSA and YUSIMRY TSA that could be spent on other areas of our business;
- the need to provide significant support services under the CIMERLI TSA and YUSIMRY TSA on behalf of Sandoz and HKF, respectively, such as logistics, payments, accounting, payroll, commercial, regulatory and manufacturing;
- the exposure to the financial status of Sandoz and HKF for any payments due to us under the CIMERLI TSA and YUSIMRY TSA, respectively, which may be significant; and
- potential unanticipated costs to us under the CIMERLI TSA and YUSIMRY TSA.

#### **Risks Related to Manufacturing and Supply Chain**

***We are subject to a multitude of manufacturing risks and the risks of inaccurately forecasting sales of our products. We also need to make a determination of excess or obsolete inventory that requires significant judgment and may result in write-downs of inventory, charges related to firm purchase commitments, or both. Any adverse developments affecting the manufacturing operations of our products and product candidates could substantially increase our costs and limit supply for our products and product candidates.***

The process of manufacturing our products and product candidates is complex, highly regulated and subject to several risks, including but not limited to:

- product loss due to contamination, equipment failure or improper installation or operation of equipment or vendor or operator error;
- equipment failures, labor shortages, natural disasters, power failures and numerous other factors associated with the manufacturing facilities in which our product candidates are produced, and potentially exacerbated

by climate change; and

- disruption of supply chains for critical and specialized raw materials, delays in regulatory inspections of manufacturing and testing facilities, and reduced manufacturing capacities created by global events such as the COVID-19 pandemic and the ongoing conflict in Ukraine.

We have experienced reduced production yields, product defects and other supply disruptions. For example, we have experienced failures with respect to the manufacturing of certain lots of each of our products and product candidates resulting in delays prior to our taking corrective action. Additionally, if microbial, viral or other contaminations are discovered in our products or product candidates or in the manufacturing facilities in which our products or product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination.

Any adverse developments affecting manufacturing operations for our products and product candidates, including due to sudden or long-term changes in weather patterns or conflicts in particular geographic areas, may result in shipment delays, inventory shortages, lot failures, withdrawals or recalls or other interruptions in the supply of our products and product candidates. We also need to make a determination of excess or obsolete inventory that requires significant judgment and includes consideration of many factors, such as estimates of future product demand, current and future market conditions, product expiration information and potential product obsolescence, among others. Although we believe that the assumptions we use in estimating potential inventory write-downs are reasonable, if actual market conditions are less favorable than projected by us, write-downs of inventory, charges related to firm purchase commitments, or both may be required which would be recorded as cost of goods sold in our consolidated statements of operations. Adverse developments affecting our assumptions of the level and timing of demand for our products include those that are outside of our control such as the actions taken by competitors and customers, the direct or indirect effects of the COVID-19 pandemic, and other factors. We may have to take inventory write-downs and incur other charges and expenses, such as charges related to firm purchase commitments, for products that are manufactured in reliance on a forecast that proves to be inaccurate because we do not sell as many units as forecasted. For example, during the third quarter of 2022, we recorded a \$26.0 million write-down of UDENYCA inventory that was at risk of expiration and during the fourth quarter of 2023, we recorded a \$47.0 million charge for the write-down of slow moving YUSIMRY inventory and the related partial recognition of certain firm purchase commitments. Although we believe that the assumptions that we use in estimating inventory write-downs are reasonable, additional write-downs of inventory may be required in the future if actual market conditions are less favorable than our projections, which could materially and adversely impact our financial results. In addition to such write-downs, we may also have to incur charges and expenses related to firm purchase commitments or for product candidates that fail to meet specifications, undertake costly remediation efforts or seek costlier manufacturing alternatives.

On September 13, 2024, we announced that our third-party labeling and packaging CMO for UDENYCA delayed production of UDENYCA due to over-commitments and capacity constraints. These delays caused a temporary UDENYCA supply interruption. The CMO recently informed us that production will resume later in the week of November 4, 2024. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. Although we currently believe that our estimates for the timing of UDENYCA commercial supply availability from our two labeling and packaging CMOs are reasonable, any delays from third parties would result in delays to UDENYCA commercial supply availability. The length of the temporary UDENYCA supply interruption will depend on the number of future manufacturing slots scheduled by the CMOs and whether future manufacturing slots are successfully completed on schedule or at all.

***We currently engage single suppliers for manufacture, clinical trial services, formulation development and product testing of our product candidates. The loss of any of these suppliers or vendors could materially and adversely affect our business.***

For our products and our product candidates, we currently engage a distinct vendor or service provider for each of the principal activities supporting our manufacture and development of these products, such as manufacture of the biological substance present in each of the products, manufacture of the final filled and finished presentation of these products, as well as laboratory testing, formulation development and clinical testing of these products. Because we currently have engaged a limited number of back-up suppliers or vendors for these single-sourced services, and although we believe that there are alternate sources that could fulfill these activities, we cannot make any assurances that identifying and establishing relationships with alternate suppliers and vendors would not result in significant delay in the development of our product candidates. Additional delays or cost increases could occur due to the direct or indirect effects of the COVID-19 pandemic and the ongoing conflict in Ukraine. Additionally, we may not be able to enter into arrangements with alternative service providers on commercially reasonable terms or at all. A delay in the development of our products and product candidates, or having to enter into a new agreement with a different third party on less favorable terms than we have with our current suppliers, could have a material adverse impact on our business.

For example, on September 13, 2024, we announced that our third-party labeling and packaging CMO for UDENYCA delayed production of UDENYCA due to over-commitments and capacity constraints. These delays caused a temporary UDENYCA supply interruption. The CMO recently informed us that production will resume later in the week of November 4, 2024. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. Although we currently believe that our estimates for the timing of UDENYCA commercial supply availability from our two labeling and packaging CMOs are reasonable, any delays from third parties would result in delays to UDENYCA commercial supply availability. Sales of UDENYCA provided 93.4% of our net revenue in the three months ended September 30, 2024. The UDENYCA supply interruption will have a material adverse impact on our business, reputation and financial results based on the current expected time period until we can restore product availability and if the UDENYCA supply interruption takes longer than currently expected to resolve, the adverse impact is expected to greatly increase.

***We and our collaboration partners and contract manufacturers are subject to significant regulation with respect to manufacturing our product candidates. The manufacturing facilities on which we rely may not continue to meet regulatory requirements or may not be able to meet supply demands.***

All entities involved in the preparation of therapeutics for clinical studies or commercial sale, including our existing contract manufacturers for our product candidates, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in clinical studies must be manufactured in accordance with cGMP. These regulations govern manufacturing processes and procedures (including record keeping) and the implementation and operation of quality systems to control and assure the quality of investigational products and products approved for sale. Poor control of production processes can lead to the introduction of contaminants or to inadvertent changes in the properties or stability of our product candidates that may not be detectable in final product testing. We, our collaboration partners, or our contract manufacturers must supply all necessary documentation in support of a Section 351(k) BLA, original BLA, NDA or MAA on a timely basis and must adhere to GLP and cGMP regulations enforced by the FDA and other regulatory agencies through their facilities inspection program. Some of our contract manufacturers may have never produced a commercially approved pharmaceutical product and therefore have not obtained the requisite regulatory authority approvals to do so. The facilities and quality systems of some or all of our collaboration partners and third-party contractors must successfully complete a pre-approval inspection for compliance with the applicable regulations as a condition of regulatory approval of our product candidates or any of our other potential products. In addition, the regulatory authorities may, at any time, audit or inspect a manufacturing facility involved with the preparation of our product candidates or our other potential products or the associated quality systems for compliance with the regulations applicable to the activities being conducted. Although we oversee the contract manufacturers, we cannot control the manufacturing process of, and are completely dependent on, our contract

manufacturing partners for compliance with the regulatory requirements. If these facilities do not successfully complete a pre-approval plant inspection, regulatory approval of the products may not be granted or may be substantially delayed until any violations are corrected to the satisfaction of the regulatory authority, if ever.

The regulatory authorities also may, at any time following approval of a product for sale, inspect, audit or initiate an RRA of the manufacturing facilities of our collaboration partners and third-party contractors. If any such inspection, audit or RRA identifies a failure to comply with applicable regulations or if a violation of our product specifications or applicable regulations occurs independent of such an inspection, audit or RRA, we or the relevant regulatory authority may require remedial measures that may be costly or time consuming for us or a third party to implement and that may include the temporary or permanent suspension of a clinical study or commercial sales or the temporary or permanent closure of a facility. Any such remedial measures imposed upon us or third parties with whom we contract could materially harm our business.

If we, our collaboration partners or any of our third-party manufacturers fail to maintain regulatory compliance, the FDA or other applicable regulatory authority can impose regulatory sanctions including, among other things, refusal to approve a pending application for a new product candidate, withdrawal of an approval or suspension of production. As a result, our business, financial condition and results of operations may be materially harmed.

Additionally, if a manufacturer cannot meet the supply demand, supply from an alternative manufacturer would require the submission of a BLA/NDA supplement or MAA Variation (or equivalent foreign regulatory filing) which could result in further delay. The regulatory agencies may also require additional studies if a new manufacturer is relied upon for commercial production. Switching manufacturers may involve substantial costs and is likely to result in a delay in our desired clinical and commercial timelines. For example, there is currently a temporary UDENYCA supply interruption. An additional final packaging and labeling CMO has already started production testing and is expected to start manufacturing saleable product by the end of 2024. Commercial supply from that CMO is expected to commence in the first quarter of 2025, subject to FDA authorization. The length of the temporary UDENYCA supply interruption will depend on the number of future manufacturing slots scheduled by the CMOs and whether future manufacturing slots are successfully completed on schedule or at all. Although we believe that the steps that we have taken will help to lessen the impact of the temporary UDENYCA supply interruption, this manufacturing depends on third parties and we cannot make any assurances about the timing of the resolution of the issue.

These factors could cause us to incur additional costs and could cause the delay or termination of clinical studies, regulatory submissions, required approvals or commercialization of our product candidates. Furthermore, if our suppliers fail to meet contractual requirements and we are unable to secure one or more replacement suppliers capable of production at a substantially equivalent cost, our clinical studies may be delayed or we could lose potential revenue.

***The structure of complex proteins used in protein-based therapeutics is inherently variable and highly dependent on the processes and conditions used to manufacture them. If we are unable to develop manufacturing processes that achieve a requisite degree of biosimilarity to the originator drug, and within a range of variability considered acceptable by regulatory authorities, we may not be able to obtain regulatory approval for any biosimilar product candidate.***

Protein-based therapeutics are inherently heterogeneous and their structures are highly dependent on the production process and conditions. Products from one production facility can differ within an acceptable range from those produced in another facility. Similarly, physicochemical differences can also exist among different lots produced within a single facility. The physicochemical complexity and size of biologic therapeutics create significant technical and scientific challenges in the context of their replication as biosimilar products.

The inherent variability in protein structure from one production lot to another is a fundamental consideration with respect to establishing biosimilarity to an originator product to support regulatory approval requirements. For example, the glycosylation of the protein, meaning the manner in which sugar molecules are attached to the protein

backbone of a therapeutic protein when it is produced in a living cell, is critical to therapeutic efficacy, half-life, efficacy and even safety of the therapeutic and is therefore a key consideration for biosimilarity. Defining and understanding the variability of an originator molecule in order to match its glycosylation profile requires significant skill in cell biology, protein purification and analytical protein chemistry. Furthermore, manufacturing proteins with reliable and consistent glycosylation profiles at scale is challenging and highly dependent on the skill of the cell biologist and process scientist.

There are extraordinary technical challenges in developing complex protein-based therapeutics that not only must achieve an acceptable degree of similarity to the originator molecule in terms of characteristics such as the unique glycosylation pattern, but also the ability to develop manufacturing processes that can replicate the necessary structural characteristics within an acceptable range of variability sufficient to satisfy regulatory authorities.

Given the challenges caused by the inherent variability in protein production, we may not be successful in developing any biosimilar product candidates if regulators conclude that we have not achieved a sufficient level of biosimilarity to the originator product, or that the processes we use are unable to generate our products within an acceptable range of variability.

#### **Risks Related to Adverse Events**

***Our products or our product candidates may cause undesirable side effects or have other properties that could, as applicable, delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in significant negative consequences following marketing approval, if granted.***

As with most pharmaceutical products, use of our products or our product candidates could be associated with side effects or adverse events, which can vary in severity (from minor reactions to death) and frequency (infrequent or prevalent). Side effects or adverse events associated with the use of our product candidates may be observed at any time, including in clinical trials or when a product is commercialized. Undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical studies and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities. Results of our studies could reveal a high and unacceptable severity and prevalence of side effects such as toxicity or other safety issues and could require us or our collaboration partners to perform additional studies or halt development or sale of these product candidates or expose us to product liability lawsuits, which will harm our business. In such an event, we may be required by regulatory agencies to conduct additional animal or human studies regarding the safety and efficacy of our product candidates, which we have not planned or anticipated or our studies could be suspended or terminated, and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny or withdraw approval of our product candidates for any or all targeted indications. There can be no assurance that we will resolve any issues related to any product-related adverse events to the satisfaction of the FDA or any other regulatory agency in a timely manner, if ever, which could harm our business, prospects and financial condition.

Additionally, product quality characteristics have been shown to be sensitive to changes in process conditions, manufacturing techniques, equipment or sites and other such related considerations, hence any manufacturing process changes we implement prior to or after regulatory approval could impact product safety and efficacy.

Drug-related side effects could affect patient recruitment for clinical trials, the ability of enrolled patients to complete our studies or result in potential product liability claims. We currently carry product liability insurance and we are required to maintain product liability insurance pursuant to certain of our license agreements. We believe our product liability insurance coverage is sufficient in light of our current clinical programs; however, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. A successful product liability claim or series of claims brought against us could adversely affect our results of operations and business. In addition, regardless of merit or eventual outcome, product liability claims may result in impairment of our business reputation, withdrawal of clinical study participants, costs due to related litigation, distraction of management's attention from our primary business, initiation of investigations by regulators, substantial monetary

awards to patients or other claimants, the inability to commercialize our product candidates and decreased demand for our product candidates, if approved for commercial sale.

Additionally, if one or more of our product candidates receives marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including but not limited to:

- regulatory authorities may withdraw approvals of such product;
- regulatory authorities may require additional warnings on the label;
- we may be required to create a REMS plan, which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers or other elements to assure safe use;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

If we receive approval for our product candidates, regulatory agencies including the FDA and foreign regulatory agencies, regulations require that we report certain information about adverse medical events if those products may have caused or contributed to those adverse events. The timing of our obligation to report would be triggered by the date we become aware of the adverse event as well as the nature of the event. We may fail to report adverse events we become aware of within the prescribed timeframe. We may also fail to appreciate that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of our products. If we fail to comply with our reporting obligations, the FDA or foreign regulatory agencies could take action including criminal prosecution, the imposition of civil monetary penalties, seizure of our products or extended delay in approval or clearance of future products.

***Adverse events involving an originator product, other biosimilars of such originator product or other anti-PD-1 or PD-L1 antibody product may negatively affect our business.***

In the event that use of an originator product, other biosimilar for such originator product, or anti-PD-1 or PD-L1 antibody product results in unanticipated side effects or other adverse events, it is likely that our product will be viewed comparably and may become subject to the same scrutiny and regulatory sanctions as the originator product, other biosimilar, or other anti-PD-1 or PD-L1 antibody product, as applicable. Accordingly, we may become subject to regulatory supervisions, clinical holds, product recalls or other regulatory actions for matters outside of our control that affect the originator product, other biosimilar, or other anti-PD-1 or PD-L1 antibody product, as applicable, if and until we are able to demonstrate to the satisfaction of our regulators that our product is not subject to the same issues leading to the regulatory action as the originator product or other biosimilar, or other anti-PD-1 or PD-L1 antibody product, as applicable.

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

***If we infringe or are alleged to infringe intellectual property rights of third parties, our business could be harmed. Third-party claims of intellectual property infringement may prevent or delay our development and commercialization efforts.***

Our commercial success depends in large part on avoiding infringement of the patents and proprietary rights of third parties. There have been many lawsuits and other proceedings involving patent and other intellectual property rights in the pharmaceutical industry, including patent infringement lawsuits, interferences, oppositions and

reexamination proceedings before the USPTO and corresponding foreign patent offices. Numerous United States and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are developing product candidates. As the pharmaceutical industry expands and more patents are issued, the risk increases that our product candidates may be subject to claims of infringement of the patent rights of third parties.

Our research, development and commercialization activities may infringe or otherwise violate or be claimed to infringe or otherwise violate patents owned or controlled by other parties. The company that originated the product for which we introduced a biosimilar version, such as Amgen, as well as other competitors (including other companies developing biosimilars) have developed, and are continuing to develop, worldwide patent portfolios of varying sizes and breadth, many of which are in fields relating to our business, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use.

Third parties may assert that we are employing their proprietary technology without authorization. We are aware of third-party patents or patent applications with claims, for example, to compositions, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. While we have conducted freedom to operate analyses with respect to our products and our product candidates, including our in-licensed biosimilar candidates, as well as our pipeline candidates, we cannot guarantee that any of our analyses are complete and thorough, nor can we be sure that we have identified each patent and pending application in the United States and abroad that is relevant or necessary to the commercialization of our product candidates. Moreover, because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents covering our product candidates. With respect to products we are evaluating for inclusion in our future product pipeline, our freedom to operate analyses, including our research on the timing of potentially relevant patent expirations, are ongoing.

There may also be patent applications that have been filed but not published and if such applications issue as patents, they could be asserted against us. For example, in most cases, a patent filed today would not become known to industry participants for at least 18 months given patent rules applicable in most jurisdictions, which do not require publication of patent applications until 18 months after filing. Moreover, some United States patents may issue without any prior publication in cases where the patent applicant does not also make a foreign filing. We may also face claims from non-practicing entities that have no relevant product revenue and against whom our own patent portfolio may have no deterrent effect. In addition, coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates, 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 that a patent is invalid or unenforceable is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Also, in proceedings before courts in Europe, the burden of proving invalidity of the patent usually rests on the party alleging invalidity. 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 us. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

Third parties could bring claims against us that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial monetary damages. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. Ultimately, we could be prevented from commercializing a product or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on commercially acceptable terms or at all. If, as a result of patent infringement claims or to avoid potential claims, we choose or are required to seek licenses from third parties, these licenses may not be available on acceptable terms or at all. Even if we are able to obtain a license, the license may obligate us to pay substantial license fees or royalties or both, and the rights granted to us might be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Parties making claims against us may obtain injunctive or

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

In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference, IPR, derivation or post-grant proceedings declared or granted by the USPTO and similar proceedings in foreign countries, regarding intellectual property rights with respect to our current or future products. An unfavorable outcome in any such proceeding could require us to cease using the related technology or to attempt to license rights to it from the prevailing party or could cause us to lose valuable intellectual property rights. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, if any license is offered at all. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. We may also become involved in disputes with others regarding the ownership of intellectual property rights. For example, we jointly develop intellectual property with certain parties, and disagreements may therefore arise as to the ownership of the intellectual property developed pursuant to these relationships. If we are unable to resolve these disputes, we could lose valuable intellectual property rights.

Third parties may submit applications for patent term extensions in the United States or other jurisdictions where similar extensions are available or Supplementary Protection Certificates in the E.U. states and Switzerland seeking to extend certain patent protection, which, if approved, may interfere with or delay the launch of one or more of our products.

The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Patent litigation and other proceedings may fail, and even if successful, may result in substantial costs and distract our management and other employees. The companies that originated the products for which we intend to introduce biosimilar versions, as well as other competitors (including other biosimilar companies) may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could impair our ability to compete in the marketplace.

We do not know whether any of our pending patent applications will result in the issuance of any patents or whether the rights granted under any patents issuing from these applications will prevent any of our competitors from marketing similar products that may be competitive with our own. Moreover, even if we do obtain issued patents, they will not guarantee us the right to use our patented technology for commercialization of our product candidates. Third parties may have blocking patents that could prevent us from commercializing our own products, even if our products use or embody our own, patented inventions.

The validity and enforceability of patents are generally uncertain and involve complex legal and factual questions. Any patents that may be issued on our pending applications may be challenged, invalidated or circumvented, which could limit our ability to stop competitors from marketing products similar to ours. Furthermore, our competitors may develop similar or alternative technologies not covered by any patents that may issue to us.

For technologies for which we do not seek patent protection, we may rely on trade secrets to protect our proprietary position. However, trade secrets are difficult to protect. We seek to protect our technology and product candidates, in part, by entering into confidentiality agreements with those who have access to our confidential information, including our employees, consultants, advisors, contractors or collaborators. We also seek to preserve the integrity and confidentiality of our proprietary technology and processes by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these



individuals, organizations and systems, agreements or security measures may be breached and we may not have adequate remedies for any breach. In addition, our trade secrets may otherwise become known or be independently discovered by competitors. To the extent that our employees, consultants, advisors, contractors and collaborators use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

***We may be involved in lawsuits or IPR proceedings to protect or enforce our patents, which could be expensive, time consuming and unsuccessful.***

We may discover that competitors are infringing our issued patents. Expensive and time-consuming litigation may be required to abate such infringement. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. If we or one of our collaboration partners were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that the patent covering our product candidate is invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including but not limited to lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could include an allegation that someone involved in the prosecution of the patent withheld relevant or material information related to the patentability of the invention from the USPTO or made a misleading statement during prosecution. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

Interference proceedings provoked by third parties or brought by us or declared by the USPTO may be necessary to determine the priority of inventions with respect to our patents or patent applications. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if we cannot obtain a license from the prevailing party on commercially reasonable terms. Third parties may request an IPR of our patents in the USPTO. An unfavorable decision may result in the revocation of our patent or a limitation to the scope of the claims of our patents. Our defense of litigation, interference or IPR proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to continue our clinical trials, continue our research programs, license necessary technology from third parties or enter into development partnerships that would help us bring our product candidates to market.

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 any litigation we initiate to enforce our patents. 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 our common stock.

***We may be subject to claims that our employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

We employ individuals, retain independent contractors and consultants and members on our board of directors or scientific advisory board who were previously employed at universities or other pharmaceutical companies, including our competitors or potential competitors. For example, our Chief Executive Officer, Dennis M. Lanfear is a former employee of Amgen. Mr. Lanfear was employed at Amgen during periods when Amgen's operations included the development and commercialization of Neulasta. Senior members of our commercial team and medical affairs team who were responsible for the launch of additional presentations of UDENYCA formerly held positions at Amgen. Our board of directors and scientific advisory board include members who were former employees of Amgen and Abbott Laboratories. Although we have procedures in place to try to ensure that our employees, consultants and independent contractors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees or consultants have inadvertently or otherwise used or disclosed intellectual property, including trade

secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact 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.

On March 3, 2017, Amgen filed an action against us, KBI Biopharma, our employee Howard S. Weiser and Does 1-20 in the Superior Court of the State of California, County of Ventura. The complaint, which was amended, alleged that we engaged in unfair competition and improperly solicited and hired certain former Amgen employees in order to acquire and access trade secrets and other confidential information belonging to Amgen. The complaint, as amended, sought injunctive relief and monetary damages. On May 2, 2019, we and Amgen settled the trade secret action brought by Amgen. The details of the settlement are confidential but we will continue to market Udenyca and began paying a mid-single digit royalty to Amgen for five years starting on July 1, 2019 until July 1, 2024.

***If we fail to comply with our obligations in the agreements under which we license intellectual property and other rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.***

We are a party to certain non-exclusive intellectual property license agreements with certain vendors that are important to our business, and we expect to enter into additional license agreements in the future. Our existing license agreements impose, and we expect that future license agreements will impose, various diligence, milestone payment, royalty and other obligations on us. If we fail to comply with our obligations under these agreements or we are subject to a bankruptcy, we may be required to make certain payments to the licensor, we may lose the license or the licensor may have the right to terminate the license, in which event we would not be able to develop or market products covered by the license. Additionally, the milestone and other payments associated with these licenses will make it less profitable for us to develop our product candidates.

In the event we breach any of our obligations related to such agreements, we may incur significant liability to our licensing partners. Disputes may arise regarding intellectual property subject to a licensing agreement, including but not limited to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patents and other rights;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our collaborators; and
- the priority of invention of patented technology.

If disputes over intellectual property and other rights that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates and that could have a material adverse effect on our business.

***We may not be successful in obtaining or maintaining necessary rights to our products and product candidates through acquisitions and in-licenses.***

We currently have rights to certain intellectual property, through licenses from third parties and under patent applications that we own, to develop and commercialize our products and product candidates. Because we may find that our programs require the use of proprietary rights held by third parties, the growth of our business may depend in part

on our ability to acquire, in-license or use these proprietary rights. We may be unable to acquire or in-license compositions, methods of use, processes or other third-party intellectual property rights from third parties that we identify as necessary for our product candidates. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive. These established companies may have a competitive advantage over us due to their size, financial resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment. We may also get into disputes or litigation with third parties from whom we license intellectual property rights necessary for the sale of our products.

If we are unable to successfully obtain required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of that program and our business and financial condition could suffer.

***Our ability to market our biosimilar products in the United States may be significantly delayed or prevented by the BPCIA patent dispute resolution mechanism.***

The BPCIA created an elaborate and complex patent dispute resolution mechanism for biosimilars that, if we choose to implement it, could prevent us from launching our product candidates in the United States or could substantially delay such launches. However, even if we elect not to implement this mechanism, the launch of our products in the United States could still be prevented or substantially delayed by intellectual property disputes with originator companies that market the reference products on which our biosimilar products are based.

The BPCIA establishes a patent disclosure and briefing process between the biosimilar applicant and the originator that is demanding and time-sensitive. While certain aspects of this process are still being tested in the federal courts, the United States Supreme Court, as discussed further below, ruled in 2017 that this process is not mandatory, such that a biosimilar applicant may elect to engage in this process, but is not required to do so. The following is an overview of the patent exchange and patent briefing procedures established by the BPCIA for biosimilar applicants that elect to employ them:

1. Disclosure of the Biosimilar Application. Within 20 days after the FDA publishes a notice that its application has been accepted for review, a Section 351(k) biosimilar applicant may elect to provide a copy of its application to the originator if it chooses to engage in the BPCIA patent exchange mechanism.
2. Identification of Pertinent Patents. Within 60 days of the date of receipt of the application the originator must identify patents owned or controlled by the originator, which it believes could be asserted against the biosimilar applicant.
3. Statement by the Biosimilar Applicant. Following the receipt of the originator's patent list, the biosimilar applicant must state either that it will not market its product until the relevant patents have expired or alternatively provide its arguments that the patents are invalid, unenforceable or would not be infringed by the proposed biosimilar product candidate. The biosimilar applicant may also provide the originator with a list of patents it believes the brand-name firm could assert against the reference product.
4. Statement by the Originator. In the event the biosimilar applicant has asserted that the patents are invalid, unenforceable or would not be infringed by the proposed follow-on product, the originator must provide the biosimilar applicant with a response within 60 days. The response must provide the legal and factual basis of the opinion that such patent will be infringed by the commercial marketing of the proposed biosimilar.
5. Patent Resolution Negotiations. If the originator provides its detailed views that the proposed biosimilar would infringe valid and enforceable patents, then the parties are required to engage in good faith negotiations to identify which of the discussed patents will be the subject of a patent infringement action. If the parties agree on the patents to be litigated, the brand-name firm must bring an action for patent

infringement within 30 days.

6. Simultaneous Exchange of Patents. If those negotiations do not result in an agreement within 15 days, then the biosimilar applicant must notify the originator of how many patents (but not the identity of those patents) that it wishes to litigate. Within five days, the parties are then required to exchange lists identifying the patents to be litigated. The number of patents identified by the originator may not exceed the number provided by the biosimilar applicant. However, if the biosimilar applicant previously indicated that no patents should be litigated, then the originator may identify one patent.
7. Commencement of Patent Litigation. The originator must then commence patent infringement litigation within 30 days. That litigation will involve all of the patents on the originator's list and all of the patents on the follow-on applicant's list. The follow-on applicant must then notify the FDA of the litigation. The FDA must then publish a notice of the litigation in the Federal Register.
8. Notice of Commercial Marketing. The BPCIA requires the biosimilar applicant to provide notice to the originator 180 days in advance of its first commercial marketing of its proposed follow-on biologic. The originator is allowed to seek a preliminary injunction blocking such marketing based upon any patents that either party had preliminarily identified but were not subject to the initial phase of patent litigation. The litigants are required to "reasonably cooperate to expedite such further discovery as is needed" with respect to the preliminary injunction motion. The federal courts have not yet settled the issue as to when, or under what circumstances, the biosimilar applicant must provide the 180-day notice of commercial marketing provided in the BPCIA.

On June 12, 2017, the Supreme Court issued its decision in *Amgen v. Sandoz*, holding that (i) the "patent dance" is optional; and (ii) the 180-day pre-marketing notification may be given either before or after receiving FDA approval of the biosimilar product. The Supreme Court declined to rule whether a state injunctive remedy may be available to the originator and remanded that question to the Federal Circuit for further consideration. On December 14, 2017, the Federal Circuit decided that state law claims are preempted by the BPCIA on both field and conflict grounds.

A significant legal risk for a biosimilar applicant that pursues regulatory approval under the Section 351(k) regulatory approval route and also elects to engage in the above-described BPCIA patent exchange mechanism, is that the process could result in the initiation of patent infringement litigation prior to FDA approval of a Section 351(k) application, and such litigation could result in blocking the market entry of the biosimilar product. However, even if biosimilar applicants opt out of the BPCIA patent exchange process, originators will still have the right to assert patent infringement as a basis to enjoin a biosimilar product launch. Thus, whether or not we engage in the BPCIA patent exchange process, there is risk that patent infringement litigation initiated by originators could prevent us indefinitely from launching any biosimilar product.

The legal and strategic considerations weighing for or against a decision to voluntarily engage in the BPCIA patent exchange process are complex and will differ on a product-by-product basis. If we decide to engage in the BPCIA patent exchange process, preparing for and conducting the patent exchange, briefing and negotiation process outlined above will require extraordinarily sophisticated legal counseling and extensive planning, all under extremely tight deadlines. Moreover, it may be difficult for us to secure or retain such legal support if large, well-funded originators have already entered into engagements with highly qualified law firms or if the most highly qualified law firms choose not to represent biosimilar applicants due to their long-standing relationships with originators.

Under the complex, and uncertain rules of the BPCIA patent provisions, coupled with the inherent uncertainty surrounding the legal interpretation of any originator patents that might be asserted against us in this new process, we see substantial risk that the BPCIA process may significantly delay or defeat our ability to market our biosimilar product in the United States, or may result in us incurring substantial legal settlement costs.

## Risks Related to the Discovery and Development of Our Product Candidates

***We are heavily dependent on the development, clinical success, regulatory approval and commercial success of our product candidates. We cannot give any assurance that any of our product candidates will receive regulatory approval, which is necessary before they can be commercialized.***

We invest substantial efforts and financial resources to identify, acquire and develop our product candidates. Our future success is dependent on our ability to develop, obtain regulatory approval for, and then commercialize and obtain adequate third-party coverage and reimbursement for one or more of our product candidates. We currently have two approved products: UDENYCA and LOQTORZI.

Our product candidates are in varying stages of development and will require additional clinical development, management of nonclinical, clinical and manufacturing activities, regulatory approval, adequate manufacturing supplies, commercial organization and significant marketing efforts before we generate any revenue from product sales. Other than certain pharmacokinetic bridging studies, we have not initiated phase 3 clinical trials for other product candidates in our pipeline. It may be some time before we file for market approval with the relevant regulatory agencies for these product candidates.

We cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if they are successful in clinical trials. If we and our existing or future collaboration partners do not receive regulatory approvals for our product candidates, we may not be able to continue our operations.

We, together with our collaboration partners, generally plan to seek regulatory approval to commercialize our product candidates in the United States, the E.U., and additional foreign countries where we or our partners have commercial rights. To obtain regulatory approval, we and our collaboration partners must comply with numerous and varying regulatory requirements of such countries regarding safety, efficacy, chemistry, manufacturing and controls, clinical studies, commercial sales, and pricing and distribution of our product candidates. Even if we and our collaboration partners are successful in obtaining approval in one jurisdiction, we cannot ensure that we will obtain approval in any other jurisdictions. If we and our collaboration partners are unable to obtain approval for our product candidates in multiple jurisdictions, our revenue and results of operations could be negatively affected.

***The regulatory approval processes of the FDA, EMA and comparable foreign authorities are lengthy, time consuming and inherently unpredictable, and the regulatory approval requirements for biosimilars are evolving. If we and our collaboration partners are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.***

The research, development, testing, manufacturing, labeling, packaging, approval, promotion, advertising, storage, marketing, distribution, post-approval monitoring and reporting and export and import of biologic and biosimilar products are subject to extensive regulation by the FDA and other regulatory authorities in the United States, by the EMA and EEA Competent Authorities in the European Economic Area ("EEA"), and by other regulatory authorities in other countries, where regulations differ from country to country. Neither we nor any existing or future collaboration partners are permitted to market our product candidates in the United States until we and our collaboration partners receive approval from the FDA, or in the EEA until we and our collaboration partners receive EC or EEA Competent Authority approvals.

The time required to develop new products or obtain approval for new products by the FDA and comparable foreign authorities is unpredictable, may take many years following the completion of clinical studies and depends upon numerous factors. Further, applications to the Human Genetic Resources Administration of China (HGRAC) required for any activities, including development activities and data sharing with our partners in China, may result in product development delays. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain

approval may change during the course of a product candidate's clinical development and may vary among jurisdictions, which may cause delays in the approval or the decision not to approve an application. Neither we nor any collaboration partner has obtained regulatory approval for any of our products and product candidates, other than UDENYCA, which has received approval from the FDA and EMA, and LOQTORZI, which has received approval from the FDA and is also approved for use in China, and it is possible that none of our other current or future product candidates will ever obtain additional regulatory approvals.

Applications for our product candidates could fail to receive regulatory approval for many reasons, including but not limited to the following:

- the data collected from clinical studies of our product candidates may not be sufficient to support the submission of an original BLA, an NDA, a Section 351(k) BLA, a biosimilar marketing authorization under Article 6 of Regulation (EC) No. 726/2004 or Article 10(4) of Directive 2001/83/EC in the EEA or other submission or to obtain regulatory approval in the United States, the EEA or elsewhere;
- the FDA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical studies;
- the FDA may determine that the population studied in the clinical program may not be sufficiently broad or representative to assure safety and efficacy in the full population for which we seek approval, or that conclusions of clinical trials conducted in a single country or region outside the United States may not be generalizable to the patient population in the United States;
- the FDA or comparable foreign regulatory authorities may disagree with our interpretation of data from analytical and bioanalytical studies, nonclinical studies or clinical studies;
- we may be unable to demonstrate to the FDA or comparable foreign regulatory authorities that a product candidate's risk-benefit ratio for its proposed indication is acceptable;
- the FDA or comparable foreign regulatory authorities may fail to approve the manufacturing processes, test procedures and specifications or facilities of our collaborators or third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

This approval process, as well as the unpredictability of the results of clinical studies, may result in our failure to obtain regulatory approval to market any of our product candidates, which would significantly harm our business. Any delays in the commencement or completion of clinical testing could significantly impact our product development costs and could result in the need for additional financing.

***Clinical drug development involves a lengthy and expensive process and we may encounter substantial delays in our clinical studies or may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.***

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we or our collaboration partners, or both, as the case may be, must conduct clinical studies to demonstrate the safety and efficacy of the product candidates in humans.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical study process. The results of preclinical studies and early clinical studies of our product candidates may not be predictive of the results of later-stage clinical studies. Product candidates that have shown promising results in early-stage clinical studies may still suffer significant setbacks in subsequent registration clinical studies. There is a high failure rate for product candidates proceeding through clinical studies, and product candidates in later stages of clinical studies may fail to show the desired safety and efficacy traits despite having

progressed through preclinical studies and initial clinical studies. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical studies due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier studies. Nonclinical and clinical data are also often susceptible to varying interpretations and analyses. We do not know whether any clinical studies we may conduct for our product candidates will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval. Furthermore, biosimilar clinical studies must use originator products as comparators, and such supplies may not be available on a timely basis to support such trials.

We cannot guarantee that any clinical studies will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical studies can occur at any stage of testing, and our future clinical studies may not be successful. Events that may prevent successful or timely completion of clinical development include but are not limited to:

- inability to generate sufficient preclinical, toxicology or other *in vivo* or *in vitro* data to support the initiation of human clinical studies;
- delays in reaching a consensus with regulatory agencies on study design;
- delays in reaching agreement on acceptable terms with prospective CROs, and clinical study sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and clinical study sites;
- delays in obtaining required institutional review board (“IRB”) approval at each clinical study site;
- imposition of a clinical hold by regulatory agencies, after review of an IND or amendment or equivalent application or amendment, or an inspection of our clinical study operations or study sites or as a result of adverse events reported during a clinical trial;
- delays in recruiting suitable patients to participate in our clinical studies sponsored by us or our partners;
- difficulty collaborating with patient groups and investigators;
- failure by our CROs, other third parties or us to adhere to clinical study requirements;
- failure to perform in accordance with the FDA’s good clinical practices requirements or applicable regulatory guidelines in other countries;
- delays in patients completing participation in a study or return for post-treatment follow-up, or patients dropping out of a study;
- occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols;
- the cost of clinical studies of our product candidates being greater than we anticipate;
- clinical studies of our product candidates producing negative or inconclusive results, which may result in us deciding or regulators requiring us to conduct additional clinical studies or abandon product development programs; and
- delays in manufacturing, testing, releasing, validating, importing, exporting or distributing sufficient stable quantities of our product candidates and originator products for use in clinical studies or the inability to do any of the foregoing.

Any inability to successfully complete nonclinical and clinical development could result in additional costs to us or impair our ability to generate revenue. In addition, if we make manufacturing or formulation changes to our product candidates, we may need to conduct additional studies to bridge our modified product candidates to earlier versions.

***If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.***

Patient enrollment is a significant factor in the timing of clinical trials, and the timing of our clinical trials will depend, in part, on the speed at which we can recruit patients to participate in our trials, as well as completion of required follow-up periods. We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials to such trial's conclusion as required by the FDA or other comparable regulatory authorities. Some of the conditions for which we may plan to evaluate our product candidates are rare diseases with limited patient pools from which to draw for clinical trials. The eligibility criteria of our clinical trials, once established, may further limit the pool of available trial participants.

Patient enrollment in clinical trials may be affected by other factors, including:

- size and nature of the targeted patient population;
- severity of the disease or condition under investigation;
- availability and efficacy of approved therapies for the disease or condition under investigation;
- patient eligibility criteria for the trial in question as defined in the protocol;
- perceived risks and benefits of the product candidate under study;
- clinicians' and patients' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any products that may be approved for, or any product candidates under investigation for, the indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the ability to monitor patients adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective patients;
- continued enrollment of prospective patients by clinical trial sites; and
- the risk that patients enrolled in clinical trials will drop out of such trials before completion.

Additionally, other pharmaceutical companies targeting these same diseases are recruiting clinical trial patients from these patient populations, which may make it more difficult to fully enroll any clinical trials. We also rely on, and will continue to rely on, CROs and clinical trial sites to ensure proper and timely conduct of our clinical trials and preclinical studies. Though we have entered into agreements governing their services, we will have limited influence over their actual performance. Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and jeopardize our ability to obtain regulatory approval for the sale of our product candidates.



***The development, manufacture and commercialization of biosimilar products under various global regulatory pathways pose unique risks.***

We and our collaboration partners intend to pursue market authorization globally. In the United States, an abbreviated pathway for approval of biosimilar products was established by the BPCIA, enacted on March 23, 2010, as part of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, the “ACA”). The BPCIA established this abbreviated pathway under Section 351(k) of the PHS Act. Subsequent to the enactment of the BPCIA, the FDA issued guidance documents regarding the demonstration of biosimilarity and interchangeability as well as the submission and review of biosimilar applications. Moreover, market acceptance of biosimilar products in the United States is unclear. Numerous states are considering or have already enacted laws that regulate or restrict the substitution by state pharmacies of biosimilars for originator products already licensed by the FDA. Market success of biosimilar products will depend on demonstrating to patients, physicians, payers and relevant authorities that such products are similar in quality, safety and efficacy as compared to the reference product.

We will continue to analyze and incorporate into our biosimilar development plans any final regulations issued by the FDA, pharmacy substitution policies enacted by state governments and other applicable requirements established by relevant authorities. The costs of development and approval will be dependent upon the application of any laws and regulations issued by the relevant regulatory authorities.

Biosimilar products may also be subject to extensive originator-controlled patent portfolios and patent infringement litigation, which may delay and could prevent the commercial launch of a product. Moreover, the BPCIA prohibits the FDA from accepting an application for a biosimilar candidate to a reference product within four years of the reference product’s licensure by the FDA. In addition, the BPCIA provides innovative biologics with 12 years of exclusivity from the date of their licensure, during which time the FDA cannot approve any application for a biosimilar candidate to the reference product.

Under current E.U. regulations, an application for regulatory approval of a biosimilar drug cannot be submitted in the E.U. until expiration of an eight-year data exclusivity period for the reference (originator) product, measured from the date of the reference product’s initial marketing authorization. Furthermore, once approved, the biosimilar cannot be marketed until expiration of a ten-year period following the initial marketing authorization of the reference product, such ten-year period being extendible to 11 years if the reference product received approval of an additional therapeutic indication, within the first eight years following its initial marketing authorization, representing a significant clinical benefit in comparison with existing therapies.

In Europe, the approval of a biosimilar for marketing is based on an opinion issued by the EMA and a decision issued by the EC. Therefore, the marketing approval will cover the entire EEA. However, substitution of a biosimilar for the originator is a decision that is made at the national level. Additionally, a number of countries do not permit the automatic substitution of biosimilars for the originator product. Therefore, even if we obtain marketing approval for the entire EEA, we may not receive substitution in one or more European nations, thereby restricting our ability to market our products in those jurisdictions.

Other regions, including Canada, Japan and South Korea, also have their own legislation outlining a regulatory pathway for the approval of biosimilars. In some cases, other countries have either adopted European guidance (Singapore and Malaysia) or are following guidance issued by the World Health Organization (Cuba and Brazil). While there is overlap in the regulatory requirements across regions, there are also some areas of non-overlap. Additionally, we cannot predict whether countries that we may wish to market in which do not yet have an established or tested regulatory framework could decide to issue regulations or guidance or adopt a more conservative viewpoint than other regions. Therefore, it is possible that even if we obtain agreement from one health authority to an accelerated or optimized development plan, we will need to defer to the most conservative view to ensure global harmonization of the development plan. Also, for regions where regulatory authorities do not yet have sufficient experience in the review and approval of a biosimilar product, these authorities may rely on the approval from another region (e.g., the United States

or the E.U.), which could delay our approval in that region. Finally, it is possible that some countries will not approve a biosimilar without clinical data from their population or may require that the biosimilar product be manufactured within their region, or some countries may require both.

***If other biosimilars of pegfilgrastim (Neulasta) are determined to be interchangeable and our biosimilar product is not, our business could suffer.***

The FDA or other relevant regulatory authorities may determine that a proposed biosimilar product is “interchangeable” with a reference product, meaning that the biosimilar product may be substituted for the reference product without the intervention of the health care provider who prescribed the reference product, if the application includes sufficient information to show that the product is biosimilar to the reference product and that it can be expected to produce the same clinical result as the reference product in any given patient. If the biosimilar product may be administered more than once to a patient, the applicant must demonstrate that the risk in terms of safety or diminished efficacy of alternating or switching between the biosimilar product and the reference product is not greater than the risk of using the reference product without such alternation or switch. To make a final determination of interchangeability, regulatory authorities may require additional confirmatory information beyond what we plan to initially submit in our applications for approval, such as more in-depth analytical characterization, animal testing or further clinical studies. Provision of sufficient information for approval may prove difficult and expensive.

We cannot predict whether any of our biosimilar products and product candidates will meet regulatory authority requirements for approval not only as a biosimilar product but also as an interchangeable product in any jurisdiction. Furthermore, legislation governing interchangeability could differ by jurisdiction on a state or national level worldwide. For example, recent U.S. legislative proposals have sought to reduce or altogether eliminate the statutory and regulatory distinctions between interchangeable products and conventional biosimilars. Such efforts, if successful, could reduce or eliminate any competitive or regulatory advantages currently afforded to interchangeable products.

The labelling of “interchangeability” is important because, in the United States for example, the first biosimilar determined to be interchangeable with a particular reference, or originator, product for any condition of use is eligible for a period of market exclusivity that delays an FDA determination that a second or subsequent biosimilar product is interchangeable with that originator product for any condition of use until the earlier of: (1) one year after the first commercial marketing of the first interchangeable product; (2) 18 months after resolution of a patent infringement suit instituted under 42 U.S.C. § 262(l)(6) against the applicant that submitted the application for the first interchangeable product, based on a final court decision regarding all of the patents in the litigation or dismissal of the litigation with or without prejudice; (3) 42 months after approval of the first interchangeable product, if a patent infringement suit instituted under 42 U.S.C. § 262(l)(6) against the applicant that submitted the application for the first interchangeable product is still ongoing; or (4) 18 months after approval of the first interchangeable product if the applicant that submitted the application for the first interchangeable product has not been sued under 42 U.S.C. § 262(l)(6). Thus, a determination that another company’s product is interchangeable with the originator biologic before we obtain approval of our corresponding biosimilar product candidates may delay the potential determination that our products are interchangeable with the originator product, which could materially adversely affect our results of operations and delay, prevent or limit our ability to generate revenue.

***Failure to obtain regulatory approval in any targeted regulatory jurisdiction would prevent us from marketing our products to a larger patient population and reduce our commercial opportunities.***

We are marketing LOQTORZI and UDENYCA in the United States, and subject to product approvals and relevant patent and settlement agreement expirations, we intend to market our other products in the United States and outside the United States on our own or with future collaboration partners. We entered into a distribution agreement with our licensee Orox / Laboratorio Gador S.A. for the commercialization of a biosimilar version of pegfilgrastim (Neulasta) in certain Caribbean and Latin American countries. We intend to market our products in the United States and may seek to partner commercially all products outside the United States, such as our Canada License Agreement with Apotex in Canada for LOQTORZI.

In order to market our products in the E.U., the United States and other jurisdictions, we and our collaboration partners must obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The EMA is responsible for the centralized procedure for the regulation and approval of human medicines. This procedure results in a single marketing authorization that is valid in all E.U. countries, as well as in Iceland, Liechtenstein and Norway. The time required to obtain approval abroad may differ from that required to obtain FDA approval. The foreign regulatory approval process may include all of the risks associated with obtaining FDA approval and we may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We or our collaboration partners may not be able to file for regulatory approvals and may not receive necessary approvals to commercialize our products in any market. Failure to obtain these approvals would materially and adversely affect our business, financial condition and results of operations.

***We may not be successful in our efforts to identify, develop or commercialize additional product candidates.***

Although a substantial amount of our effort will focus on the continued clinical testing, potential approval and commercialization of our existing product candidates, the success of our business also depends upon our ability to identify, develop and commercialize additional product candidates. Research programs to identify new product candidates require substantial technical, financial and human resources. We may focus our efforts and resources on potential programs or product candidates that ultimately prove to be unsuccessful. Our development efforts may fail to yield additional product candidates suitable for clinical development and commercialization for a number of reasons, including but not limited to the following:

- we may not be successful in identifying potential product candidates that pass our strict screening criteria;
- we may not be able to overcome technological hurdles to development or a product candidate may not be capable of producing commercial quantities at an acceptable cost or at all;
- we may not be able to assemble sufficient resources to acquire or discover additional product candidates;
- our product candidates may not succeed in nonclinical or clinical testing; and
- competitors may develop alternatives that render our product candidates obsolete or less attractive or the market for a product candidate may change such that a product candidate may not justify further development.

If any of these events occur, we may be forced to abandon our development efforts for a program or programs or we may not be able to identify, develop or commercialize additional product candidates, which would have a material adverse effect on our business and could potentially cause us to cease operations.

**Risks Related to Our Compliance with Applicable Laws**

***Healthcare reform measures, including the IRA, may increase the difficulty and cost for us to obtain marketing approval for and commercialize our products, affect the prices we may set, and have a material adverse effect on our business and results of operations.***

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in March 2010, the ACA, was passed, which substantially changed the way health care is financed by both governmental and private insurers and has impacted and continues to impact the United States pharmaceutical industry. The ACA, among other things, modified the average manufacturer price (“AMP”) definition under the Medicaid Drug Rebate Program (“MDRP”) for drugs that are inhaled, infused, instilled, implanted or injected and not generally distributed through the retail channel; expanded rebate payments under the MDRP to include utilization by individuals enrolled in Medicaid managed care organizations; added a provision to increase the Medicaid rebate for line extension drugs; established annual fees and taxes on manufacturers of certain branded prescription drugs; expanded the entities

eligible for discounts under the Public Health Service 340B drug pricing program; and established the Medicare Part D coverage gap discount program, in which manufacturers must agree to offer point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

Since its enactment, there have been judicial, executive and Congressional challenges to certain aspects of the ACA. On June 17, 2021, the United States Supreme Court dismissed the most recent judicial challenge to the ACA brought by several states without specifically ruling on the constitutionality of the ACA.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. These changes include the American Rescue Plan Act of 2021, which eliminated the statutory cap on the Medicaid drug rebate beginning January 1, 2024. The rebate was previously capped at 100% of a drug's AMP.

Most significantly, on August 16, 2022, the IRA was signed into law. Among other things, the IRA requires manufacturers of certain drugs to engage in price negotiations with Medicare (beginning in 2026), with prices that can be negotiated subject to a cap; imposes rebates under Medicare Part B and Medicare Part D to penalize price increases that outpace inflation (first due in 2023); and replaces the Part D coverage gap discount program with a new discounting program (beginning in 2025). The IRA permits the Secretary of HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years. HHS has and will continue to issue and update guidance as these programs are implemented. On August 29, 2023, HHS announced the list of the first ten drugs that will be subject to price negotiations, although the Medicare drug price negotiation program is currently subject to legal challenges. For that and other reasons, the impact of the IRA on our business and the pharmaceutical industry cannot yet be fully determined. If a product becomes subject to the IRA negotiation provision and related price cap, that may significantly alter the economic rationale for developing and commercializing a biosimilar. Additionally, in response to the Biden administration's October 2022 executive order, on February 14, 2023, HHS released a report outlining three new models for testing by the Center for Medicare and Medicaid Innovation which will be evaluated on their ability to lower the cost of drugs, promote accessibility, and improve quality of care. It is unclear whether the models will be utilized in any health reform measures in the future.

The cost of prescription pharmaceuticals in the United States is likely to remain the subject of considerable discussion. There have been several Congressional inquiries and proposed and enacted legislation designed to, among other things, reform government program reimbursement methodologies. The likelihood of implementation of these and other reform initiatives is uncertain. In the coming years, additional legislative and regulatory changes could be made to governmental health programs that could significantly impact pharmaceutical companies and the success of our product candidates. We expect that healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

Individual states in the United States have also proposed and enacted legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, marketing cost disclosure and other transparency measures, and, in some cases, measures designed to encourage importation from other countries and bulk purchasing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures, such as a single reimbursement code for biosimilar products.

We expect that healthcare reform measures that may be adopted in the future may result in more rigorous coverage criteria, new payment methodologies and additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar

reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

In the E.U., similar political, economic and regulatory developments may affect our ability to profitably commercialize our product candidates, if approved. In addition to continuing pressure on prices and cost containment measures, legislative developments at the E.U. or member state level may result in significant additional requirements or obstacles that may increase our operating costs. The delivery of healthcare in the E.U., including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than E.U., law and policy. National governments and health service providers have different priorities and approaches to the delivery of health care and the pricing and reimbursement of products in that context. In general, however, the healthcare budgetary constraints in most E.U. member states have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Coupled with ever-increasing E.U. and national regulatory burdens on those wishing to develop and market products, this could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to commercialize our product candidates, if approved. In markets outside of the United States and E.U., reimbursement and healthcare payment systems vary significantly by country, and many countries have instituted price ceilings on specific products and therapies.

***We may be subject, directly or indirectly, to federal and state healthcare laws, including fraud and abuse, false claims and physician payment transparency laws. If we are unable to comply or have not fully complied with such laws, we could face substantial penalties.***

Our operations are directly or indirectly through our customers subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act and physician sunshine laws and regulations. These laws impact, among other things, sales, marketing and education programs. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying remuneration, directly or indirectly, in cash or in kind, to induce or in return for the purchase, recommendation, order or furnishing of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it to have committed a violation;
- federal civil and criminal false claims laws, including the False Claims Act, which prohibit, among other things, individuals or entities from knowingly presenting or causing to be presented claims for payment from Medicare, Medicaid or other third-party payers that are false or fraudulent and which may apply to entities that provide coding and billing advice to customers. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- federal civil monetary penalties laws, which impose civil fines for, among other things, the offering or transfer of remuneration to a Medicare or state healthcare program beneficiary if the person knows or should know it is likely to influence the beneficiary's selection of a particular provider, practitioner, or supplier of services reimbursable by Medicare or a state healthcare program, unless an exception applies;
- HIPAA, which created new federal criminal statutes that prohibit executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation;

- federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- the federal physician “sunshine” requirements under the ACA, which requires certain manufacturers of drugs, devices, biologics and medical supplies to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value made by such manufacturers to physicians (defined to include doctors, dentists, optometrists, podiatrists, chiropractors, and certain non-physician practitioners (physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, anesthesiologist assistants and certified nurse midwives)), and teaching hospitals and ownership and investment interests held by physicians and their immediate family members; and
- state and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payer, including commercial insurers, state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures and pricing information.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened these laws.

Efforts to ensure that our operations and business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. If we are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in government health care programs, such as Medicare and Medicaid, imprisonment, 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 adversely affect our ability to operate our business and our results of operations. Further, defending against any such actions can be costly, time-consuming and may require significant personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

***If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate Program or other governmental pricing programs in the United States, we could be subject to additional reimbursement requirements, penalties, sanctions and fines which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.***

We participate in governmental programs that impose drug price reporting, payment, and other compliance obligations on pharmaceutical manufacturers. Medicaid is a joint federal and state program for low-income and disabled beneficiaries. Medicare is a federal program that is administered by the federal government covering individuals age 65 and over as well as those with certain disabilities. Medicare Part B reimburses physicians who administer our products. Under the MDRP, as a condition of having federal funds available for our covered outpatient drugs under Medicaid and under Medicare Part B, we must enter into, and have entered into, an agreement with the Secretary of Health and Human Services to pay a rebate to state Medicaid programs for each unit of our covered outpatient drugs dispensed to a Medicaid beneficiary and paid for by the state Medicaid program. Medicaid rebates are based on pricing data that we are required to report on a monthly and quarterly basis to CMS, the federal agency that administers the MDRP and Medicare programs. For the MDRP, these data include the AMP for each drug and, in the case of innovator products, the Best Price, which represents the lowest price available from us to any wholesaler, retailer, provider, health maintenance organization, nonprofit entity, or governmental entity in the United States in any pricing structure, calculated to include

all applicable sales and associated rebates, discounts and other price concessions. In connection with Medicare Part B, we must provide CMS with ASP information on a quarterly basis. CMS uses this information to compute Medicare Part B payment rates, which consist of ASP plus a specified percentage. If we become aware that our MDRP submissions for a prior period were incorrect or have changed as a result of recalculation of the pricing data, we must resubmit the corrected data for up to three years after those data originally were due. Pursuant to the IRA, the AMP and ASP figures we report will also be used to compute rebates under Medicare Part D and Medicare Part B triggered by price increases that outpace inflation. If we fail to provide information timely or are found to have knowingly submitted false information to CMS, we may be subject to civil monetary penalties and other sanctions, including termination from the MDRP.

Federal law requires that any company that participates in the MDRP also participate in the Public Health Service's 340B drug pricing program in order for federal funds to be available for the manufacturer's drugs under Medicaid and Medicare Part B. The 340B program is administered by the HRSA and requires us to agree to charge statutorily defined covered entities no more than the 340B "ceiling price" for our covered drugs when used in an outpatient setting. These 340B covered entities include a variety of community health clinics and other entities that receive health services grants from the Public Health Service, as well as hospitals that serve a disproportionate share of low-income patients. The 340B ceiling price is calculated using a statutory formula, which is based on the AMP and rebate amount for the covered outpatient drug as calculated under the MDRP. In general, products subject to Medicaid price reporting and rebate liability are also subject to the 340B ceiling price requirement. We must report 340B ceiling prices to HRSA on a quarterly basis, and HRSA publishes them to 340B covered entities. HRSA has finalized regulations regarding the calculation of the 340B ceiling price and the imposition of civil monetary penalties on manufacturers that knowingly and intentionally overcharge covered entities for 340B eligible drugs. HRSA has also finalized an administrative dispute resolution process through which 340B covered entities may pursue claims against participating manufacturers for overcharges.

In order to be eligible to have drug products paid for with federal funds under Medicaid and Medicare Part B and purchased by certain federal agencies and grantees, a pharmaceutical manufacturer must also participate in VA FSS pricing program. Under the VA FSS program, we must report the Non-Federal Average Manufacturer Price ("Non-FAMP" for our covered drugs to the VA and charge certain federal agencies no more than the Federal Ceiling Price, which is calculated based on Non FAMP using a statutory formula. These four agencies are the VA, the U.S. Department of Defense, the U.S. Coast Guard, and the U.S. Public Health Service (including the Indian Health Service). We must also pay rebates on products purchased by military personnel and dependents through the TRICARE retail pharmacy program. If a manufacturer participating in the FSS program fails to provide timely information or is found to have knowingly submitted false information, the manufacturer may be subject to civil monetary penalties.

Individual states continue to consider and have enacted legislation to limit the growth of healthcare costs, including the cost of prescription drugs and combination products. A number of states have either implemented or are considering implementation of drug price transparency legislation that may prevent or limit our ability to take price increases at certain rates or frequencies. Requirements under such laws include advance notice of planned price increases, reporting price increase amounts and factors considered in taking such increases, wholesale acquisition cost information disclosure to prescribers, purchasers, and state agencies, and new product notice and reporting. Such legislation could limit the price or payment for certain drugs, and a number of states are authorized to impose civil monetary penalties or pursue other enforcement mechanisms against manufacturers for the untimely, inaccurate, or incomplete reporting of drug pricing information or for otherwise failing to comply with drug price transparency requirements. If we are found to have violated state law requirements, we may become subject to penalties or other enforcement mechanisms, which could have a material adverse effect on our business.

Pricing and rebate calculations vary across products and programs, are complex, and are often subject to interpretation by us, governmental or regulatory agencies, and the courts, which can change and evolve over time. Such pricing calculations and reporting, along with any necessary restatements and recalculations, could increase costs for complying with the laws and regulations governing the MDRP and other governmental programs, and under the MDRP could result in an overage or underage in Medicaid rebate liability for past quarters. Price recalculations under the MDRP also may affect the ceiling price at which we are required to offer products under the 340B program. Civil monetary

penalties can be applied if we are found to have knowingly submitted any false price or product information to the government, if we are found to have made a misrepresentation in the reporting of ASP, if we fail to submit the required price data on a timely basis, or if we are found to have charged 340B covered entities more than the statutorily mandated ceiling price. CMS could also terminate our Medicaid drug rebate agreement, in which case federal payments may not be available under Medicaid or Medicare Part B for our covered outpatient drugs. We cannot make any assurances that our submissions will not be found by CMS or other governmental agencies to be incomplete or incorrect.

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

***The market price of our common stock may be highly volatile, and purchasers of our common stock could incur substantial losses.***

The market price of our common stock has been highly volatile since our Initial Public Offering (“IPO”) and the intraday sales price per share has ranged from \$0.97 to \$38.10 per share during the period from November 6, 2014 through September 30, 2024 and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include those discussed in the “Risk Factors” section of this Quarterly Report on Form 10-Q and others such as:

- adverse results or delays in preclinical or clinical studies;
- the risk of deterioration in our financial conditions, such as reduced collection of cash and increased costs in the future;
- any inability to obtain additional funding;
- any delay in filing an IND, NDA, BLA, Section 351(k) BLA or other regulatory submission for any of our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory agency’s review of that IND, NDA, BLA, Section 351(k) BLA or other regulatory submission;
- the perception of limited market sizes or pricing for our products and product candidates;
- failure to successfully develop and commercialize our product candidates;
- post-marketing safety issues relating to our product candidates or biosimilars generally;
- failure to maintain our existing strategic collaborations or enter into new collaborations;
- failure by us or our licensors and strategic collaboration partners to prosecute, maintain or enforce our intellectual property rights;
- changes in laws or regulations applicable to our products;
- future outbreaks of COVID-19 and other viral pandemics;
- any inability to obtain adequate product supply for our product candidates or the inability to do so at acceptable prices;
- adverse regulatory decisions;
- introduction of new products, services or technologies by our competitors;
- failure to meet or exceed financial projections we may provide to the public;
- failure to meet or exceed the financial projections of the investment community;
- the perception of the pharmaceutical industry by the public, legislatures, regulators and the investment community;



- announcements of significant acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments by us, our strategic collaboration partners or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- additions or departures of key scientific or management personnel;
- lawsuits, including but not limited to complaints initiated by stockholders, customers and collaboration partners, and litigation filed by us or filed against us pertaining to patent infringement or other violations of intellectual property rights;
- the outcomes of any citizen petitions filed by parties seeking to restrict or limit the approval of biosimilar products;
- if securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock;
- changes in the market valuations of similar companies;
- general market or macroeconomic conditions, including rising interest rates and inflation;
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- issuance of patents to third parties that could prevent our ability to commercialize our product candidates;
- reductions in the prices of originator products that could reduce the overall market opportunity for our products that are biosimilars to such originator products; and
- changes in biosimilar regulatory requirements that could make it more difficult for us to develop our product candidates.

In addition, biopharmaceutical companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

***Our principal stockholders and management own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.***

As of September 30, 2024, our executive officers, directors, five percent stockholders and their affiliates beneficially owned approximately 32.4% of our voting stock (assuming no exercise of outstanding options or conversion of our outstanding convertible notes). These stockholders have the ability to influence us through their ownership positions, which may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

***Our indebtedness could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts and could divert our cash flow from operations for debt payments.***

Our leverage and debt service obligations could adversely impact our business, including by:

- impairing our ability to generate cash sufficient to pay interest or principal, including periodic principal payments;
- increasing our vulnerability to general adverse economic and industry conditions;

- increasing our need to meet minimum net sales requirements when our future sales are uncertain;
- requiring the dedication of a portion of our cash flow from operations to service our debt, thereby reducing the amount of our cash flow available for other purposes, including funds for clinical development or to pursue future business opportunities;
- requiring us to sell debt or equity securities or to sell some of our core assets, possibly on unfavorable terms, to meet payment obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we compete; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

Any of the foregoing factors could have negative consequences on our financial condition and results of operations.

This indebtedness could be due sooner upon the triggering of certain covenants in our debt agreements and or upon the occurrence of an event of default. If and when our indebtedness becomes due, if we do not have sufficient cash or access to capital to pay such indebtedness, we will default on our obligations which will adversely harm our business. We entered into the 2029 Loan Agreement that contains affirmative and negative covenants that restrict our operations, including, among other restrictions, the requirement to maintain certain levels of cash and cash equivalents. Further, the 2029 Loan Agreement includes certain other affirmative covenants and negative covenants, including, covenants and restrictions that among other things, restrict our ability to incur liens, incur additional indebtedness, make investments, engage in certain mergers and acquisitions or asset sales, and declare dividends or redeem or repurchase capital stock. We may need to request waivers from time to time with respect to the 2029 Loan Agreement and if we are unable to obtain a waiver that we need it could materially impact our business and financial results.

***Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.***

If our existing stockholders sell or indicate an intention to sell substantial amounts of our common stock in the public market the market price of our common stock could decline. In addition, we may authorize our sales agent to sell our common stock from time to time as part of the ATM Offering. As of September 30, 2024, there were 115,213,407 million shares of common stock outstanding.

In addition, as of September 30, 2024, approximately 37.6 million shares of common stock that are either subject to outstanding options and restricted stock units or reserved for future issuance under our equity incentive plans were eligible or may become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act. Certain of our outstanding options have exercise prices that are above our current stock price. See the tables describing our outstanding stock options in Note 12. Stock-Based Compensation and Employee Benefits to our financial statements included in our Annual Report for the Fiscal Year ended December 31, 2023. If these additional shares of common stock are sold or if it is perceived that they will be sold in the public market, the market price of our common stock could decline.

***Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans and convertible notes, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.***

We have needed and anticipate we will need additional capital in the future to continue our planned operations. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Similar to prior or ongoing financing transactions like the ATM Offering or the exchange of our shares for shares of outstanding stock of Surface as part of the acquisition of Surface, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially

diluted by subsequent sales. These sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. In addition, if we raise additional funds through licensing arrangements, it may be necessary to grant potentially valuable rights to our product candidates or grant licenses on terms that are not favorable to us.

Pursuant to our Amended and Restated 2014 Equity Incentive Award Plan (the “2014 Plan”), our management is authorized to grant stock options and other equity-based awards to our employees, directors and consultants. Any increase in the number of shares available for future grant under the 2014 Plan must be approved by our stockholders. Pursuant to our 2014 Employee Stock Purchase Plan (“ESPP”), eligible employees are able to acquire shares of our common stock at a discount to the prevailing market price, and an aggregate of 320,000 shares are initially available for issuance under the ESPP. The number of shares available for issuance under the ESPP were automatically increased on the first day of each fiscal year beginning in 2015 and ending in 2024, equal to 1% of the shares of common stock outstanding on the last day of the immediately preceding fiscal year or such smaller number of shares as determined by our board of directors. Pursuant to our 2016 Employment Commencement Incentive Plan (the “2016 Plan”), our management was authorized to grant stock options and other equity-based awards to our new employees, however in connection with the approval of the 2014 Plan in 2024, we agreed that we would not make any new awards under the 2016 Plan after the effective date of the 2014 Plan.

In April 2020, we issued and sold \$230.0 million aggregate principal amount of our 1.5% senior convertible notes due April 2026 (the “2026 Convertible Notes”). The holders may convert their 2026 Convertible Notes at their option at any time prior to the close of business on the second scheduled trading day immediately before April 15, 2026. Upon conversion of the 2026 Convertible Notes by a holder, the holder will receive shares of our common stock, together, if applicable, with cash in lieu of any fractional share. Since inception, the conversion price has been 51.9224 shares of common stock per \$1,000 principal amount of the 2026 Convertible Notes, which represents a conversion price of approximately \$19.26 per share of common stock.

***Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our business operations, financial condition, results of operations and prospects.***

Our cash and cash equivalents are deposited or invested with several banks and other financial institutions. Actual events involving reduced or limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, Silicon Valley Bank was closed and taken over by the Federal Deposit Insurance Corporation (“FDIC”) and subsequently had all of its customer deposits and other liabilities and substantially all loans and other assets acquired by First-Citizens Bank & Trust Company. We had approximately \$97.7 million of cash, cash equivalents and marketable securities as of September 30, 2024 with the majority held by custodians or in money market mutual funds that are not bank deposits. Our bank deposits are primarily held in accounts at three large banks that we believe to be stable at this time. Actual and perceived stability of banks can change from time to time and adverse perceptions by customers or investors about the banks where we deposit money could result in a material and adverse effect on our ability to access necessary cash. Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources, could, among other risks, adversely impact our ability to access funds for our basic operating expenses, financial obligations, payroll or fulfill our other important obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on our liquidity, business operations, financial condition, results of operations and prospects.

***We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.***

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain any future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to any appreciation of their stock.

***Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders or remove our current management.***

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that may have the effect of delaying or preventing a change in control of us or changes in our management. Our amended and restated certificate of incorporation and bylaws include provisions that:

- authorize “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- create a classified board of directors whose members serve staggered three-year terms;
- specify that special meetings of our stockholders can be called only by our corporate secretary pursuant to a resolution adopted by a majority of our board of directors;
- prohibit stockholder action by written consent;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors other than nominations made by or at the direction of the board of directors or a committee of the board of directors;
- provide that our directors may be removed only for cause or without cause by the holders of 66 2/3% of the voting power of all then outstanding shares of voting stock;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors;
- expressly authorize our board of directors to modify, alter or repeal our amended and restated bylaws; and
- require holders of 66 2/3% of the voting power of all then outstanding shares of voting stock to amend specified provisions of our amended and restated certificate of incorporation except for the provision making it possible for our board of directors to issue “blank check” preferred stock, and amended and restated bylaws.

These provisions, alone or together, could delay, deter or prevent hostile takeovers and changes in control or changes in our management.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

Any provision of our amended and restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

## General Risk Factors

***The international aspects of our business expose us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.***

We currently have limited international operations of our own and have and may have in the future a number of international collaborations, including our significant collaboration with Junshi Biosciences in China. Doing business internationally involves a number of risks, including but not limited to:

- multiple, conflicting and changing laws and regulations such as data privacy and security regulations, tax laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses, including those that affect our work with a collaboration partner in China;
- failure by us or our collaboration partners to obtain and maintain regulatory approvals for the use of our products in various countries;
- additional potentially relevant third-party patent rights;
- foreign CMOs may be subject to U.S. legislation, including the proposed BIOSECURE Act, sanctions, trade restrictions and other regulatory requirements which could increase the cost or reduce the supply of material available to us, delay the procurement or supply of such material or have an adverse effect on our ability to secure commitments from governments to purchase our products;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- difficulties in staffing and managing foreign operations by us or our collaboration partners;
- complexities associated with managing multiple payer reimbursement regimes, government payers or patient self-pay systems by our collaboration partners;
- limits in our or our collaboration partners' ability to penetrate international markets;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the impact of local and regional financial crises on demand and payment for our products and exposure to foreign currency exchange rate fluctuations;
- natural disasters, political and economic instability, including wars, terrorism and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions;
- certain expenses including, among others, expenses for travel, translation and insurance;
- expose us to sanctions, such as the sanctions levied by United States, E.U. and Russian regulatory bodies in connection with the war between Russia and Ukraine; and
- regulatory and compliance risks that relate to maintaining accurate information and control over sales and activities that may fall within the purview of the United States Foreign Corrupt Practices Act, its books and records provisions or its anti-bribery provisions.

***Investors' expectations of our performance relating to environmental, social and governance factors may impose additional costs and expose us to new risks.***

There is an increasing focus from certain investors, employees, regulators and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance (or "ESG") factors. Some investors and investor advocacy groups may use these factors to guide investment strategies and, in some cases, investors may choose not to invest in our company if they believe our policies relating to corporate responsibility are inadequate. Third-party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance, and a variety of organizations currently measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. Investors, particularly institutional investors, use these ratings to benchmark companies against their peers and if we are perceived as lagging with respect to ESG initiatives, certain investors may engage with us to improve ESG disclosures or performance and may also make voting decisions, or take other actions, to hold us and our board of directors accountable. In addition, the criteria by which our corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. We also face significant costs from complying with new ESG regulations, for example, the SEC's proposed climate disclosure rule would result in significant costs of compliance if it is approved as proposed in the future.

We may face reputational damage in the event our corporate responsibility initiatives or objectives do not meet the standards set by our investors, stockholders, lawmakers, listing exchange or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third-party rating services. A low ESG or sustainability rating by a third-party rating service could also result in the exclusion of our common stock from consideration by certain investors who may elect to invest with our competition instead. Ongoing focus on corporate responsibility matters by investors and other parties as described above may impose additional costs or expose us to new risks. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our business, share price, financial condition, or results of operations, including the sustainability of our business over time.

***Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them or that our trade secrets will be misappropriated or disclosed.***

Because we rely on third parties to develop and manufacture our product candidates, we must, at times, share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with our collaboration partners, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, such as trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have a material adverse effect on our business.

***So called "submarine" patents may be granted to our competitors that may significantly alter our launch timing expectations, reduce our projected market size, cause us to modify our product or process or block us from the market altogether.***

The term "submarine" patent has been used in the pharmaceutical industry and in other industries to denote a patent issuing from an application that was not published, publicly known or available prior to its grant. Submarine

patents add substantial risk and uncertainty to our business. Submarine patents may issue to our competitors covering our pipeline candidates and thereby cause significant market entry delay, defeat our ability to market our products or cause us to abandon development or commercialization of a molecule.

Examples of submarine patents include Brockhaus, et al., United States patents 8,063,182 and 8,163,522 (controlled by Amgen), which are directed to the fusion protein in Enbrel. On July 1, 2020, the United States Court of Appeals for the Federal Circuit issued a decision that affirmed the lower court's decision upholding the validity of these patents. As a result, we discontinued the development of CHS-0214 (our etanercept (Enbrel) biosimilar candidate).

The issuance of one or more submarine patents may harm our business by causing substantial delays in our ability to introduce a biosimilar candidate into the United States market.

***We may not identify relevant patents or may incorrectly interpret the relevance, scope or expiration of a patent, which might adversely affect our ability to develop and market our products.***

We cannot guarantee that any of our patent searches or analyses, including but not limited to the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete and thorough, nor can we be certain that we have identified each and every patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction.

The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our products or pipeline molecules. We may incorrectly determine that our products are not covered by a third-party patent.

Many patents may cover a marketed product, including but not limited to the composition of the product, methods of use, formulations, cell line constructs, vectors, growth media, production processes and purification processes. The identification of all patents and their expiration dates relevant to the production and sale of an originator product is extraordinarily complex and requires sophisticated legal knowledge in the relevant jurisdiction. It may be impossible to identify all patents in all jurisdictions relevant to a marketed product. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, which may negatively impact our ability to develop and market our products.

***Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our products.***

If we are unable to obtain and maintain effective patent rights for our product candidates or any future product candidates, we may not be able to prevent competitors from using technologies we consider important in our successful development and commercialization of our product candidates, resulting in loss of any potential competitive advantage our patents may have otherwise afforded us.

While our principal focus in matters relating to intellectual property is to avoid infringing the valid and enforceable rights of third parties, we also rely upon a combination of patents, trade secret protection and confidentiality agreements to protect our own intellectual property related to our product candidates and development programs. Our ability to enjoy any competitive advantages afforded by our own intellectual property depends in large part on our ability to obtain and maintain patents and other intellectual property protection in the United States and in other countries with respect to various proprietary elements of our product candidates, such as, for example, our product formulations and processes for manufacturing our products and our ability to maintain and control the confidentiality of our trade secrets and confidential information critical to our business.

We have sought to protect our proprietary position by filing patent applications in the United States and abroad related to our products that are important to our business. This process 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. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. There is no guarantee that any patent application we file will result in an issued patent having claims that protect our products. Additionally, while the basic requirements for patentability are similar across jurisdictions, each jurisdiction has its own specific requirements for patentability. We cannot guarantee that we will obtain identical or similar patent protection covering our products in all jurisdictions where we file patent applications.

The patent positions of biopharmaceutical companies generally are highly uncertain and involve complex legal and factual questions. As a result, the patent applications that we own or license may fail to result in issued patents with claims that cover our product candidates in the United States or in other foreign countries for many reasons. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found, considered or cited during patent prosecution, which can be used to invalidate a patent or prevent a patent from issuing from a pending patent application. Even if patents do successfully issue, and even if such patents cover our product candidates, third parties may challenge their validity, enforceability or scope, which may result in such patent claims being narrowed, found unenforceable or invalidated. Our patents and patent applications, even if they are unchallenged, may not adequately protect our intellectual property, provide exclusivity for our product candidates or prevent others from designing around our claims. Any of these outcomes could impair our ability to prevent competitors from using the technologies claimed in any patents issued to us, which may have an adverse impact on our business.

In addition, changes to United States patent laws provide additional procedures for third parties to challenge the validity of issued patents based on patent applications filed after March 15, 2013. If the breadth or strength of protection provided by the patents and patent applications we hold or pursue with respect to our current or future product candidates is challenged, then it could threaten our ability to prevent competitive products using our proprietary technology. Further, because patent applications in the United States and most other countries are confidential for a period of time, typically for 18 months after filing, we cannot be certain that we were the first to either (i) file any patent application related to our product candidates or (ii) invent any of the inventions claimed in our patents or patent applications. Furthermore, for applications filed before March 16, 2013 or patents issuing from such applications, an interference proceeding can be provoked by a third party or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the patent claims of our applications and patents. As of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications claiming the same invention are filed by different parties. A third party that files a patent application in the USPTO before we do, could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. The change to “first-to-file” from “first-to-invent” is one of the changes to the patent laws of the United States resulting from the Leahy-Smith America Invents Act (the “Leahy-Smith Act”), signed into law on September 16, 2011. Among some of the other significant changes to the patent laws are changes that limit where a patentee may file a patent infringement suit and provide opportunities for third parties to challenge any issued patent in the USPTO. It is not yet clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Patents granted by the European Patent Office may be opposed by any person within nine months from the publication of their grant and, in addition, may be challenged before national courts at any time. If the breadth or strength of protection provided by the patents and patent applications we hold, license or pursue with respect to our product candidates is threatened, it could threaten our ability to prevent third parties from using the same technologies that we use in our product candidates.

In June 2023, the European Unitary Patent system and the European Unified Patent Court (“UPC”) were launched. European patent applications now have the option, upon grant of a patent, of becoming a Unitary Patent which is subject to the jurisdiction of the UPC. In addition, conventional European patents, both already granted at the time the new



system began and granted thereafter, are subject to the jurisdiction of the UPC, unless actively opted out. This was a significant change in European patent practice, and deciding whether to opt-in or opt-out of Unitary Patent practice entails strategic and cost considerations. The UPC provides third parties with a new forum to centrally revoke our European patents and makes it possible for a third party to obtain pan-European injunctions against us. It will be several years before we will understand the scope of patent rights that will be recognized and the strength of patent remedies that will be provided by the UPC. While we have the right to opt our patents out of the UPC over the first seven years of the court's existence, doing so may preclude us from realizing the benefits of the UPC. Moreover, the decision whether to opt-in or opt-out of Unitary Patent status will require coordinating with co-applicants, if any, adding complexity to any such decision.

We have issued patents and have filed patent applications, which are currently pending, covering various aspects of our product candidates. We cannot offer any assurances about which, if any, patents will issue, the breadth of any such patent or whether any issued patents will be found invalid and unenforceable or will be threatened or infringed by third parties. Any successful actions by third parties to challenge the validity or enforceability of any patents, which may issue to us could deprive us of the ability to prevent others from using the technologies claimed in such issued patents. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced.

While our biosimilar business is based primarily on the timing of our biosimilar product launches to occur after the expiration of relevant patents and on avoiding infringing valid and enforceable rights of third parties, we have filed a number of patent applications seeking patents that cover various proprietary elements of our product candidates when we have believed securing such patents may afford a competitive advantage. Our patent portfolio includes pending patent applications and issued patents, in the United States and globally, covering our biosimilar product and methods of making it. We cannot guarantee that our proprietary technologies will avoid infringement of third-party patents. Moreover, because competitors may be able to develop their own proprietary technologies, it is uncertain whether any of our issued patents or pending patent applications would cover the products of any competitors. The product and patent landscape is highly uncertain and we cannot predict whether our patent filings will afford us a competitive advantage against third parties or if our products will avoid infringement of third-party patents.

We do not consider it necessary for us or our competitors to obtain or maintain a proprietary patent position in order to engage in the business of biosimilar development and commercialization. Hence, while our ability to secure patent coverage on our own proprietary developments may improve our competitive position with respect to the product candidates we intend to commercialize, we do not view our own patent filings as a necessary or essential requirement for conducting our business nor do we rely on our own patent filings or the potential for any commercial advantage they may provide us as a basis for our success.

***Obtaining and maintaining our patent protection depends on compliance with various procedural requirements, document submissions, fee payment and other requirements imposed by governmental patent agencies. Our patent protection could be reduced or eliminated for non-compliance with these requirements.***

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

***We may not be able to protect our intellectual property rights throughout the world.***

Filing, prosecuting, defending and enforcing patents on product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual

property rights to the same extent as federal and state laws in the United States. Further, licensing partners may choose not to file patent applications in certain jurisdictions in which we may obtain commercial rights, thereby precluding the possibility of later obtaining patent protection in these countries. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or importing products made using our inventions into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but the ability to enforce our patents is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, 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. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Governments of foreign countries may force us to license our patents to third parties on terms that are not commercially reasonable or acceptable to us. 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.

***If we are unable to maintain effective (non-patent) proprietary rights for our product candidates or any future product candidates, we may not be able to compete effectively in our markets.***

While we have filed patent applications to protect certain aspects of our own proprietary formulation and process developments, we also rely on trade secret protection and confidentiality agreements to protect proprietary scientific, business and technical information and know-how that is not or may not be patentable or that we elect not to patent. However, confidential information and trade secrets can be difficult to protect. Moreover, the information embodied in our trade secrets and confidential information may be independently and legitimately developed or discovered by third parties without any improper use of or reference to information or trade secrets. We seek to protect the scientific, technical and business information supporting our operations, as well as the confidential information relating specifically to our product candidates by entering into confidentiality agreements with parties to whom we need to disclose our confidential information, for example, our employees, consultants, scientific advisors, board members, contractors, potential collaborators and investors. However, we cannot be certain that such agreements have been entered into with all relevant parties. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems, but it is possible that these security measures could be breached. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached, and we may not have adequate remedies for any breach. Our confidential information and trade secrets thus may become known by our competitors in ways we cannot prove or remedy.

Although we expect all of our employees and consultants to assign their inventions to us, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we cannot provide any assurances that all such agreements have been duly executed. We cannot guarantee that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. For example, 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. Misappropriation or unauthorized disclosure of our trade secrets could impair our competitive position and

may have a material adverse effect on our business. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret. We cannot guarantee that our employees, former employees or consultants will not file patent applications claiming our inventions. Because of the “first-to-file” laws in the United States and the EU, such unauthorized patent application filings may defeat our attempts to obtain patents on our own inventions.

***We may be subject to claims challenging the inventorship of our patent filings and other intellectual property.***

Although we are not currently aware of any claims challenging the inventorship of our patent applications or ownership of our intellectual property, we may in the future be subject to claims that former employees, collaborators or other third parties have an interest in our patent applications or patents we may be granted or other intellectual property as an inventor or co-inventor. For example, we may have inventorship or ownership disputes arise from conflicting obligations of consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or ownership. 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.

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

Our corporate headquarters and laboratory are located in the San Francisco Bay Area and in Southern California (Camarillo), respectively. These locations have in the past experienced severe earthquakes, floods, wildfires and other natural disasters. We do not carry earthquake insurance. Earthquakes or other natural disasters could severely disrupt our operations or those of our collaboration partners and have a material adverse effect on our business, results of operations, financial condition and prospects. If a natural disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure (such as the manufacturing facilities of our third-party contract manufacturers) or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. The disaster recovery and business continuity plans we have in place currently are limited and are unlikely to prove adequate in the event of a serious disaster or similar event. We may incur substantial expenses as a result of the limited nature of our 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.

***The continuation of the war in Ukraine and conflicts in the Middle East may exacerbate certain risks we face.***

The war between Russia and Ukraine and the global response, including the imposition of sanctions by the United States and other countries, could create or exacerbate risks facing our business. Conflicts in the Middle East may also increase the risks facing our business. We have evaluated our operations and partner contracts, and we currently do not expect either conflict to directly have a significant effect on our financial condition or results of operations. However, if the war between Russia and Ukraine or conflicts in the Middle East escalate or expand, risks that we have identified in this Quarterly Report on Form 10-Q may be materially increased. For example, if our supply arrangements or clinical operations are disrupted due to expanded sanctions or involvement of, and adverse impacts on, countries where we have operations or relationships, our business could be materially disrupted. Further, the use of cyberattacks could expand as part of the ongoing conflicts, which could adversely affect our ability to maintain or enhance our cyber security measures. These and other risks are described more fully in this “Risk Factors” section.

***We incur significant increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance initiatives. We may fail to comply with the rules that apply to public companies,***

***including Section 404 of the Sarbanes-Oxley Act of 2002, which could result in sanctions or other penalties that would harm our business.***

We incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Securities Exchange Act, and regulations regarding corporate governance practices. The listing requirements of The Nasdaq Global Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel must devote a substantial amount of time to ensure that we maintain compliance with all of these requirements. Moreover, the reporting requirements, rules and regulations have increased our legal and financial compliance costs and make some activities more time consuming and costly. Any changes we have made, and may make in the future to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all. These reporting requirements, rules and regulations, coupled with the increase in potential litigation exposure associated with being a public company, may also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or board committees or to serve as executive officers, or to obtain certain types of insurance, including directors' and officers' insurance, on acceptable terms.

We are subject to Section 404 of The Sarbanes-Oxley Act of 2002 ("Section 404"), and the related rules of the SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. During the course of our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. Furthermore, if we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we are required to file accurate and timely quarterly and annual reports with the SEC under the Exchange Act. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from The Nasdaq Global Market or other adverse consequences that would materially harm our business.

Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may also lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. For example, the SEC's proposed climate disclosure rule would result in significant costs of compliance if final rules that are similar to the proposed rules are approved in the future. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs to maintain our current levels of such coverage.

***Our information technology systems, or those used by our third-party CROs or other contractors or consultants, may fail or suffer security breaches and geopolitical tensions or conflicts, such as the ongoing war in Ukraine or conflicts in the Middle East, may create a heightened risk of cyberattacks.***

We collect and maintain information in digital form that is necessary to conduct our business, and we are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, store and transmit large amounts of confidential information, including intellectual property, proprietary business information, preclinical and clinical trial data, and personal information (collectively, "Confidential Information") of customers and our employees and contractors. It is critical that we do so in a secure manner to maintain the confidentiality and integrity of such Confidential Information.

Despite the implementation of security measures, our information technology systems as well as those of our third-party collaborators, consultants, contractors, suppliers, and service providers, may be vulnerable to damage from physical or electronic break-ins, computer viruses, misconfigurations, “bugs” or other vulnerabilities, “phishing” attacks, malware, ransomware, denial of service and other cyberattacks or disruptive incidents that could result in unauthorized access to, use or disclosure of, corruption of, or loss of Confidential Information, and could subject us to significant liabilities and regulatory and enforcement actions, and reputational damage. In addition, geopolitical tensions or conflicts, such as the war between Russia and Ukraine or the conflicts in the Middle East, may create a heightened risk of cyberattacks. We have also outsourced elements of our information technology infrastructure, and as a result a number of third-party vendors may or could have access to our Confidential Information. If we or any of our third-party collaborators or service providers were to experience any material failure or security breach, it could result in a material disruption of our development programs, reputation, and business operations. For example, the loss of clinical study data from completed or ongoing clinical studies could result in delays in any regulatory approval or clearance efforts and significantly increase our costs to recover or reproduce the data, and subsequently commercialize the product.

We and certain of our service providers are from time to time subject to cyberattacks and security incidents. While we do not believe that we have experienced any significant system failure, accident or security breach to date, if we or our third-party collaborators, consultants, contractors, suppliers, or service providers were to suffer an attack or breach, for example, that resulted in the unauthorized access to or use or disclosure of Confidential Information, we may have to notify individuals, collaborators, government authorities, and the media, and may be subject to investigations, civil penalties, administrative and enforcement actions, and litigation, any of which could harm our business and reputation. Likewise, we rely on our third-party CROs and other third parties to conduct clinical studies, and similar events relating to their computer systems could also have a material adverse effect on our business. There can also be no assurance that our and our service providers’ cybersecurity risk management program and processes, including policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems, networks and Confidential Information.

Attacks upon information technology systems are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. Further, the continued hybrid working environment has generally increased the attack surface available to criminals, as more companies and individuals work online and work remotely, and as such, the risk of a cybersecurity incident potentially occurring, and our investment in risk mitigations against such an incident, is increasing. Because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. Even if identified, we may be unable to adequately investigate or remediate incidents or breaches due to attackers increasingly using tools and techniques that are designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence.

To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or systems, or inappropriate or unauthorized access to or disclosure or use of Confidential Information, we could incur liability and suffer reputational harm, and the development and commercialization of our products could be delayed. Federal, state and international laws and regulations can expose us to enforcement actions and investigations by regulatory authorities, and potentially result in regulatory penalties, fines and significant legal liability, if our information technology security efforts fail. We may also be exposed to a risk of loss or litigation and potential liability, which could materially and adversely affect our business, results of operations or financial condition. Our insurance policies may not be adequate to compensate us for the potential losses arising from such disruptions, failure, or security breach. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly, divert management attention, and harm our reputation.

***We are subject to governmental regulation and other legal obligations related to privacy, data protection and information security. Compliance with these requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data, and the failure to comply with such requirements could have a material adverse effect on our business, financial condition or results of operations.***

The global data protection landscape is rapidly evolving, and we are or may become subject to numerous state, federal and foreign laws, requirements and regulations governing the collection, use, disclosure, retention, and security of personal information, such as information that we may collect in connection with clinical trials in the U.S. and abroad. Implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business. This evolution may create uncertainty in our business, affect our ability to operate in certain jurisdictions or to collect, store, transfer use and share personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. Compliance with these privacy and data security requirements is rigorous and time-intensive and may increase our cost of doing business. Any failure or perceived failure by us to comply with federal, state or foreign laws or regulations, our internal policies and procedures or our contracts governing our processing of personal information could result in negative publicity, fines and penalties, litigation and reputational harm, which could materially and adversely affect our business, financial condition and results of operations.

In the United States, we and our partners may be subject to numerous federal and state laws and regulations, including state data breach notification laws, state health information privacy laws, and federal and state consumer protection laws and regulations, 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 partners. 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 Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and their implementing regulations (collectively, "HIPAA"). Depending on the facts and circumstances, we could be subject to criminal penalties if we knowingly obtain, use, or disclose individually identifiable health information maintained by a HIPAA covered entity in a manner that is not authorized or permitted by HIPAA.

Even when HIPAA does not apply, according to the Federal Trade Commission ("FTC"), failing to take appropriate steps to keep consumers' personal information secure constitutes unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. The FTC has authority to initiate enforcement actions against entities that make deceptive statements about privacy and data sharing in privacy policies, fail to limit third-party use of personal health information, fail to implement policies to protect personal health information or engage in other unfair practices that harm customers or that may violate Section 5(a) of the FTC Act. Additionally, federal and state consumer protection laws are increasingly being applied by the FTC and states' attorneys general to regulate the collection, use, storage, and disclosure of personal information, through websites or otherwise, and to regulate the presentation of website content.

In addition, state laws govern the privacy and security of personal information in certain circumstances, many of which differ from each other in significant ways and may not have the same requirements, thus complicating compliance efforts. By way of example, California enacted the California Consumer Privacy Act as amended by the California Privacy Rights Act (collectively, the "CCPA"), which requires covered businesses that process the personal information of California residents to, among other things: (i) provide certain disclosures to California residents regarding the business's collection, use, and disclosure of their personal information; (ii) receive and respond to requests from California residents to access, delete, and correct their personal information, or to opt out of certain disclosures of their personal information; and (iii) enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Similar laws have passed in other states and are continuing to be proposed

at the state and federal level, reflecting a trend toward more stringent privacy legislation in the United States. The enactment of such laws could have potentially conflicting requirements that would make compliance challenging. In the event that we are subject to or affected by HIPAA, the CCPA or other domestic privacy and data protection laws, any liability from failure to comply with the requirements of these laws could adversely affect our business and financial condition.

In addition, the regulatory framework for the receipt, collection, processing, use, safeguarding, sharing and transfer of personal data is rapidly evolving and is likely to remain uncertain for the foreseeable future as new global privacy rules are being enacted and existing ones are being updated and strengthened. For example, on May 25, 2018, the General Data Protection Regulation (“GDPR”) took effect. The GDPR is applicable in each EEA member state and applies to companies established in the EEA as well as companies that collect and use personal data to offer goods or services to, or monitor the behavior of, individuals in the EEA, including, for example, through the conduct of clinical trials. GDPR introduces more stringent data protection obligations for processors and controllers of personal data. Among other things, the GDPR requires the establishment of a lawful basis for the processing of data, includes requirements relating to the consent of the individuals to whom the personal data relates, including detailed notices for clinical trial subjects and investigators, as well as requirements regarding the security of personal data and notification of data processing obligations or security incidents to appropriate data protection authorities or data subjects. The GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States; and the efficacy and longevity of current transfer mechanisms between the EEA and the United States remains uncertain. Case law from the Court of Justice of the European Union (“CJEU”) states that reliance on the standard contractual clauses - a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism - alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case-by-case basis. On July 10, 2023, the European Commission adopted its Adequacy Decision in relation to the new EU-US Data Privacy Framework (“DPF”) rendering the DPF effective as a GDPR transfer mechanism to U.S. entities self-certified under the DPF. We expect the existing legal complexity and uncertainty regarding international personal data transfers to continue. In particular, we expect the DPF Adequacy Decision to be challenged and international transfers to the United States and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators. As a result, we may have to make certain operational changes and we will have to implement revised standard contractual clauses and other relevant documentation for existing data transfers within required time frames. Penalties and fines for failure to comply with GDPR are significant, including fines of up to €20 million or 4% of the total worldwide annual turnover of a non-compliant undertaking, whichever is higher. In addition to fines, a breach of the GDPR may result in regulatory investigations, reputational damage, orders to cease/ change our data processing activities, enforcement notices, assessment notices (for a compulsory audit) and/ or civil claims (including class actions).

Further, since the beginning of 2021, we have also been subject to the United Kingdom General Data Protection Regulation and Data Protection Act 2018, which collectively imposes separate but similar obligations to those under the GDPR and comparable penalties, including fines of up to £17.5 million or 4% of a noncompliant undertaking’s global annual revenue for the preceding financial year, whichever is greater. On October 12, 2023, the U.K. Extension to the DPF came into effect (as approved by the U.K. government), as a data transfer mechanism from the U.K. to U.S. entities self-certified under the DPF. Other foreign jurisdictions are increasingly implementing or developing their own privacy regimes with complex and onerous compliance obligations and robust regulatory enforcement powers. As we continue to expand into other foreign countries and jurisdictions, we may be subject to additional laws and regulations that may affect how we conduct business.

Although we work to comply with applicable laws, regulations and standards, our contractual obligations and other legal obligations, these requirements are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another or other legal obligations with which we must comply. Any failure or perceived failure by us or our employees, representatives, contractors, consultants or other third parties to comply with such requirements or adequately address privacy and security concerns, even if unfounded,

could result in additional cost and liability to us, damage our reputation, and have a material adverse effect on our business, financial condition and results of operations.

***We may be negatively impacted by continued inflation.***

We may be adversely impacted by continued increases in inflation. Current and future inflation may be driven by the following factors: supply chain disruptions, increased costs of transportation, increased input costs such as the cost of fuel, shortages, and governmental stimulus or fiscal policies. Continuing increases in inflation could impact the overall demand for our products, our costs for labor and materials and the size of any margins we are able to realize on our revenues. This would have a material and adverse impact on our business, financial position, results of operations and cash flows. Inflation may also result in higher interest rates, which in turn would result in higher interest expense related to our variable rate indebtedness.

***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.***

Our research and development activities and our third-party manufacturers' and suppliers' activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our and our manufacturers' facilities pending their use and disposal. We cannot eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, environmental damage resulting in costly cleanup and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Although we believe that the safety procedures utilized by us and our third-party manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources and state or federal or other applicable authorities may curtail our use of certain materials or interrupt our business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. We cannot predict the impact of such changes and cannot be certain of our future compliance. We do not currently carry biological or hazardous waste insurance coverage.

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

**Issuer Purchases of Equity Securities**

We did not repurchase any of our equity securities during the third quarter ended September 30, 2024. A total of 8,163 shares were surrendered to us in the third quarter of 2024, to satisfy minimum tax withholding obligations in connection with the vesting or exercise of stock-based awards.

**ITEM 3. Defaults Upon Senior Securities**

Not applicable

**ITEM 4. Mine Safety Disclosures**

Not applicable



**ITEM 5. Other Information**

(a) None.

(b) None.

(c) During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each such term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. Exhibits**

Reference is made to the Index to Exhibits included in this Quarterly Report on Form 10-Q.

**INDEX TO EXHIBITS**

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Date Filed	
3.1	<a href="#">Amended and Restated Certificate of Incorporation.</a>	8-K	3.1	11/13/2014	
3.2	<a href="#">Amended and Restated Bylaws.</a>	8-K	3.1	11/18/2020	
4.1	Reference is made to exhibits 3.1 and 3.2.				
4.2	<a href="#">Form of Common Stock Certificate.</a>	S-1/A	4.2	10/24/2014	
4.3	<a href="#">Indenture, dated as of April 17, 2020, between Coherus Biosciences, Inc. and U.S. Bank National Association, as Trustee.</a>	8-K	4.1	4/17/2020	
4.4	<a href="#">Form of certificate representing the 1.5% Convertible Senior Subordinated Notes due 2026.</a>	8-K	4.2	4/17/2020	
4.5	<a href="#">Notice of Successor Trustee to Indenture dated February 7, 2022.</a>	10-Q	4.5	5/5/2022	
31.1	<a href="#">Certification of Principal Executive Officer Required under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).</a>				X
31.2	<a href="#">Certification of Principal Financial Officer under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).</a>				X
32.1	<a href="#">Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350 and Securities Exchange Act Rule 13a-14(b).</a>				X
101	The following materials from Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 formatted in iXBRL (Inline eXtensible Business Reporting Language) includes: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Stockholders’ Deficit, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to the Condensed Consolidated Financial Statements.				X
104	Cover page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).				X

†† Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment or pursuant to Regulation S-K, Item 601(b)(10). Such omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed. Additionally, schedules and attachments to this exhibit have been omitted pursuant to Regulation S-K, Item 601(a)(5).

# Indicates management contract or compensatory plan.

**SIGNATURES**

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

**COHERUS BIOSCIENCES, INC.**

Date: November 6, 2024

/s/ Dennis M. Lanfear

Dennis M. Lanfear  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 6, 2024

/s/ Bryan McMichael

Bryan McMichael  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis M. Lanfear, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coherus 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: November 6, 2024

/s/ Dennis M. Lanfear

Dennis M. Lanfear

President and Chief Executive Officer

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bryan McMichael, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coherus 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: November 6, 2024

/s/ Bryan McMichael

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Bryan McMichael  
Chief Financial Officer

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**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Coherus BioSciences, Inc. (the "Registrant") certify that the Quarterly Report of Coherus BioSciences, Inc. on Form 10-Q for the quarterly period ended September 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 6, 2024

By: /s/ Dennis M. Lanfear

Name: Dennis M. Lanfear

Title: President and Chief Executive Officer

Date: November 6, 2024

By: /s/ Bryan McMichael

Name: Bryan McMichael

Title: Chief Financial Officer

*This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.*

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