

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-39512

Metacrine, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
4225 Executive Square, Suite 600
San Diego, California
(Address of principal executive offices)

47-2297384
(I.R.S. Employer
Identification No.)

92037
(Zip Code)

Registrant's telephone number, including area code: (858) 369-7800

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The number of outstanding shares of the registrant's common stock on November 9, 2022 was 42,569,515.

Metacrine, Inc.
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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Metacrine, Inc.

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

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,752	\$ 48,910
Short-term investments	—	27,517
Prepaid expenses and other current assets	2,285	2,313
Total current assets	55,037	78,740
Property and equipment, net	—	347
Operating lease right-of-use asset	—	902
Total assets	\$ 55,037	\$ 79,989
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 691	\$ 368
Accrued liabilities	2,630	6,567
Current portion of operating lease liability	—	825
Current portion of long-term debt	1,208	—
Total current liabilities	4,529	7,760
Operating lease liability, net of current portion	—	181
Long-term debt, net of debt discount	12,580	13,303
Other long-term liabilities	863	1,390
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; authorized shares – 10,000,000 as of September 30, 2022 and December 31, 2021; issued and outstanding shares – none as of September 30, 2022 and December 31, 2021	—	—
Common stock, \$0.0001 par value; authorized shares – 200,000,000 as of September 30, 2022 and December 31, 2021; issued shares – 42,569,515 and 42,110,560 as of September 30, 2022 and December 31, 2021, respectively; outstanding shares – 42,569,515 and 42,108,428 as of September 30, 2022 and December 31, 2021, respectively	4	4
Additional paid-in-capital	244,677	240,309
Accumulated other comprehensive loss	—	(5)
Accumulated deficit	(207,616)	(182,953)
Total stockholders' equity	37,065	57,355
Total liabilities and stockholders' equity	\$ 55,037	\$ 79,989

See accompanying notes to the unaudited condensed consolidated financial statements.

Metacrine, Inc.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating expenses:				
Research and development	\$ 1,322	\$ 14,072	\$ 10,311	\$ 36,297
General and administrative	3,842	4,007	12,736	11,695
Restructuring charges	—	—	902	—
Gain from lease termination and asset sale	—	—	(508)	—
Total operating expenses	<u>5,164</u>	<u>18,079</u>	<u>23,441</u>	<u>47,992</u>
Loss from operations	(5,164)	(18,079)	(23,441)	(47,992)
Other income (expense):				
Interest income	228	22	318	85
Interest expense	(550)	(252)	(1,475)	(743)
Other expense, net	(35)	(19)	(65)	(31)
Total other income (expense)	<u>(357)</u>	<u>(249)</u>	<u>(1,222)</u>	<u>(689)</u>
Net loss	<u>\$ (5,521)</u>	<u>\$ (18,328)</u>	<u>\$ (24,663)</u>	<u>\$ (48,681)</u>
Other comprehensive loss:				
Unrealized gain (loss) on available-for-sale securities, net	20	(5)	5	1
Comprehensive loss	<u>\$ (5,501)</u>	<u>\$ (18,333)</u>	<u>\$ (24,658)</u>	<u>\$ (48,680)</u>
Net loss per share, basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.69)</u>	<u>\$ (0.58)</u>	<u>\$ (1.85)</u>
Weighted average shares of common stock outstanding, basic and diluted	<u>42,569,515</u>	<u>26,521,689</u>	<u>42,376,858</u>	<u>26,300,676</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

Metacrine, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Nine Months Ended September 30,	
	2022	2021
Operating activities:		
Net loss	\$ (24,663)	\$ (48,681)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	68	227
Stock-based compensation	4,364	5,260
Non-cash interest expense	485	193
Amortization (accretion) of premiums/discounts on investments, net	(2)	320
Amortization of right-of-use asset	179	502
Gain on lease termination and asset sale	(508)	—
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	28	1,995
Accounts payable and accrued liabilities	(4,138)	5,407
Lease liability	(196)	(549)
Net cash used in operating activities	<u>(24,383)</u>	<u>(35,326)</u>
Investing activities:		
Purchases of property and equipment	—	(8)
Proceeds from asset sale	700	—
Purchases of short-term investments	(12,676)	(39,176)
Sales and maturities of short-term investments	40,200	65,941
Net cash provided by investing activities	<u>28,224</u>	<u>26,757</u>
Financing activities:		
Proceeds from exercise of common stock options	—	1,096
Repurchase of unvested common stock	—	(1)
Deferred issuance costs	—	(37)
Proceeds from issuance of common stock from employee stock purchase plan	1	147
Net cash provided by financing activities	<u>1</u>	<u>1,205</u>
Net increase (decrease) in cash and cash equivalents	3,842	(7,364)
Cash and cash equivalents at beginning of period	48,910	24,393
Cash and cash equivalents at end of period	<u>\$ 52,752</u>	<u>\$ 17,029</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 962	\$ 552
Supplemental non-cash investing and financing activities:		
Vesting of common stock	\$ 3	\$ 20
Issuance costs in accounts payable and accrued liabilities	—	401

See accompanying notes to the unaudited condensed consolidated financial statements.

Metacrine, Inc.

Unaudited Condensed Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2022 and 2021
(In thousands, except share amounts)

	Common Stock			Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Additional paid-in capital			
Balance as of December 31, 2021	42,108,428	\$ 4	\$ 240,309	\$ (5)	\$ (182,953)	\$ 57,355
Stock-based compensation	—	—	4,364	—	—	4,364
Vesting of early exercised stock options	2,132	—	3	—	—	3
Vesting of restricted stock units	453,500	—	—	—	—	—
Issuance of common stock from employee stock purchase plan	5,455	—	1	—	—	1
Unrealized gain on investment securities	—	—	—	5	—	5
Net loss	—	—	—	—	(24,663)	(24,663)
Balance as of September 30, 2022	<u>42,569,515</u>	<u>\$ 4</u>	<u>\$ 244,677</u>	<u>\$ —</u>	<u>\$ (207,616)</u>	<u>\$ 37,065</u>

	Common Stock			Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Additional paid-in capital			
Balance as of December 31, 2020	25,969,442	\$ 3	\$ 210,021	\$ 1	\$ (120,746)	\$ 89,279
Stock-based compensation	—	—	5,260	—	—	5,260
Exercise of stock options	489,179	—	1,096	—	—	1,096
Vesting of early exercised stock options	28,262	—	20	—	—	20
Issuance of common stock from employee stock purchase plan	48,335	—	147	—	—	147
Unrealized gain on investment securities	—	—	—	1	—	1
Net loss	—	—	—	—	(48,681)	(48,681)
Balance as of September 30, 2021	<u>26,535,218</u>	<u>\$ 3</u>	<u>\$ 216,544</u>	<u>\$ 2</u>	<u>\$ (169,427)</u>	<u>\$ 47,122</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

Metacrine, Inc.
Unaudited Condensed Consolidated Statements of Stockholders' Equity
For the Three Months Ended September 30, 2022 and 2021
(In thousands, except share amounts)

	<u>Common Stock</u>		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance as of June 30, 2022	42,569,515	\$ 4	\$ 243,595	\$ (20)	\$ (202,095)	\$ 41,484
Stock-based compensation	—	—	1,082	—	—	1,082
Unrealized gain on investment securities	—	—	—	20	—	20
Net loss	—	—	—	—	(5,521)	(5,521)
Balance as of September 30, 2022	<u>42,569,515</u>	<u>\$ 4</u>	<u>\$ 244,677</u>	<u>\$ —</u>	<u>\$ (207,616)</u>	<u>\$ 37,065</u>

	<u>Common Stock</u>		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balance as of June 30, 2021	26,505,924	\$ 3	\$ 214,348	\$ 7	\$ (151,099)	\$ 63,259
Stock-based compensation	—	—	2,154	—	—	2,154
Exercise of stock options	22,368	—	37	—	—	37
Vesting of early exercised stock options	6,926	—	5	—	—	5
Unrealized loss on investment securities	—	—	—	(5)	—	(5)
Net loss	—	—	—	—	(18,328)	(18,328)
Balance as of September 30, 2021	<u>26,535,218</u>	<u>\$ 3</u>	<u>\$ 216,544</u>	<u>\$ 2</u>	<u>\$ (169,427)</u>	<u>\$ 47,122</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Metacrine, Inc. (the "Company") was incorporated in the state of Delaware on September 17, 2014 and is based in San Diego, California. The Company is a clinical-stage biopharmaceutical company currently focused on developing differentiated therapies for patients with gastrointestinal ("GI") diseases.

Principles of Consolidation and Basis of Presentation

In May 2019, the Company established a wholly-owned Australian subsidiary, Metacrine, Pty Ltd, in order to conduct various clinical activities for its product candidates. The unaudited condensed consolidated financial statements include the accounts of the Company and Metacrine, Pty Ltd. The functional currency of both the Company and Metacrine, Pty Ltd is the U.S. dollar. Assets and liabilities that are not denominated in the functional currency are remeasured into U.S. dollars at foreign currency exchange rates in effect at the balance sheet date except for nonmonetary assets, which are remeasured at historical foreign currency exchange rates in effect at the date of transaction. Net realized and unrealized gains and losses from foreign currency transactions and remeasurement are reported in other income (expense) in the unaudited condensed consolidated statements of operations and comprehensive loss. All intercompany accounts and transactions have been eliminated in consolidation.

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and applicable regulations of the U.S. Securities and Exchange Commission ("SEC"). The Company's unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed on March 30, 2022.

Proposed Merger with Equillum

On September 6, 2022, the Company entered into an Agreement and Plan of Merger (as amended on October 26, 2022, the "Merger Agreement") with Equillum, Inc., a Delaware corporation ("Equillum"), Equillum Acquisition Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Equillum ("Acquisition Sub"), Triumph Acquisition Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Acquisition Sub ("Acquisition Sub II"), and Triumph Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Acquisition Sub II ("Merger Sub"), pursuant to which, among other matters, and subject to the satisfaction or waiver of certain closing conditions described in the Merger Agreement, Merger Sub will be merged with and into the Company, and the Company will continue as the surviving corporation and an indirect, wholly owned subsidiary of Equillum (the "Merger").

Pursuant to the Merger Agreement, each share of the Company's common stock issued and outstanding immediately prior to the closing of the Merger (the "Closing") will be cancelled and converted into the right to receive consideration per share consisting of (i) the exchange ratio determined by dividing (x) (a) 125% of the Company's net cash as of the Closing by (b) the price per share of Equillum's common stock, par value \$0.0001 per share ("Equillum Common Stock") determined based on the 10 day trading volume weighted average price per share of Equillum Common Stock calculated 10 trading days prior to the date of the Closing, provided that the price per share of Equillum Common Stock shall be no less than \$2.70 and no more than \$4.50 by (y) the aggregate fully diluted shares of the Company's common stock, plus (ii) any cash payable in lieu of fractional shares of Equillum Common Stock.

The consummation of the Merger is subject to certain closing conditions, including (i) the Company's net cash being no less than \$23,000,000, (ii) the absence of certain legal impediments, (iii) the effectiveness of a registration statement on Form S-4 filed with the SEC on October 27, 2022, (iv) adoption of the Merger Agreement by the holders of a majority of the Company's outstanding common stock at a meeting of the Company's stockholders, and (v) approval of the issuance of shares of Equillum Common Stock in the Merger by the majority of the votes cast at a meeting of Equillum's stockholders (provided that a quorum exists). The Merger Agreement has been approved by the Company's board of directors and Equillum's board of directors.

The Merger Agreement contains certain termination rights for both Equillum and the Company and further provides that, in connection with the termination of the Merger Agreement by the Company under certain circumstances, including termination by the Company to accept and enter into a definitive agreement with respect to a superior proposal, the Company must pay Equillum a termination fee of \$1.25 million. In connection with the termination of the Merger Agreement by Equillum under certain circumstances, including termination by Equillum to accept and enter into a definitive agreement with respect to a superior proposal, Equillum must pay the Company a termination fee of \$1.75 million.

Liquidity and Capital Resources

From its inception through September 30, 2022, the Company has devoted substantially all its efforts to organizing and staffing, business planning, raising capital, researching, discovering and developing its pipeline in farnesoid X receptor ("FXR"), and other drug targets, and general and administrative support for these operations and has funded its operations primarily with the net proceeds from the issuance of convertible preferred stock, common stock, and long-term debt. The Company has incurred net losses and negative cash flows from operations since inception and had an accumulated deficit of \$207.6 million as of September 30, 2022. Management expects the Company will incur substantial operating losses for the foreseeable future in order to complete clinical trials and launch and commercialize any product candidates for which it receives regulatory approval. The Company will need to finance its operations through a combination of equity offerings, debt financings, strategic transactions, collaborations, and other similar

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

arrangements. As of September 30, 2022, the Company had available cash and cash equivalents of \$52.8 million and working capital of \$50.5 million to fund future operations. Management has prepared cash flow forecasts which indicate that, based on the Company's current cash resources available and working capital, the Company will have sufficient resources to fund its operations for at least one year after the date the financial statements are issued.

Use of Estimates

The preparation of the Company's unaudited condensed consolidated financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities. The most significant estimates in the Company's unaudited condensed consolidated financial statements relate to accruals for research and development expenses and stock-based compensation. These estimates and assumptions are based on current facts, historical experience, and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash in readily available checking accounts, money market funds, and commercial paper. The carrying amounts reported in the unaudited condensed consolidated balance sheets for cash and cash equivalents are valued at cost, which approximates fair value.

Short-Term Investments

The Company has classified short-term investments as available-for-sale securities, as the sale of such investments may be required prior to maturity to implement management strategies, and therefore has classified all short-term investments with maturity dates beyond three months at the date of purchase as current assets in the accompanying unaudited condensed consolidated balance sheets. Any premium or discount arising at purchase is amortized and/or accreted to interest income as an adjustment to yield using the straight-line method over the life of the instrument. Short-term investments are reported at their estimated fair value. The Company reviews its short-term investments in unrealized loss positions at each reporting date to assess whether the decline in their fair value is due to credit-related factors. The credit portion of unrealized losses and any subsequent improvements are recorded in other income (expense) through an allowance account. Unrealized gains and losses that are not credit-related are included in other comprehensive (income) loss as a component of stockholders' equity until realized. Realized gains and losses are determined using the specific identification method and are included in other income (expense). As of September 30, 2022, the Company did not report any short-term investments.

Fair Value Measurement

The Company accounts for certain assets and liabilities at their fair value. The Company uses the following fair value hierarchy to indicate the extent to which the inputs used to determine fair value are observable in the market:

- *Level 1:* Inputs are based on quoted prices for identical assets in active markets.
- *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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company has not experienced any losses in such accounts and management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Property and Equipment, Net

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of the related assets (generally three to five years). Leasehold improvements are stated at cost and amortized on a straight-line basis over the lesser of the remaining lease term or the estimated useful life of the leasehold improvements. Repairs and maintenance costs are charged to expense as incurred. The Company sold its property and equipment on March 31, 2022 in connection with the termination of the facility lease for its former corporate headquarters. Refer to Note 3 in the unaudited condensed consolidated financial statements for further discussion.

Leases

At the inception of a contractual arrangement, the Company determines whether the contract contains a lease by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset in exchange for

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

consideration over a period of time. Lease terms are determined at the commencement date by considering whether renewal options and termination options are reasonably assured of exercise. For its long-term operating leases, the Company recognizes a lease liability and a right-of-use ("ROU") asset on its unaudited condensed consolidated balance sheets and recognizes lease expense on a straight-line basis over the lease term. The lease liability is determined as the present value of future lease payments using the discount rate implicit in the lease or, if the implicit rate is not readily determinable, an estimate of the Company's incremental borrowing rate. The ROU asset is based on the lease liability, adjusted for any prepaid or deferred rent. The Company aggregates all lease and non-lease components for each class of underlying assets into a single lease component and variable charges for common area maintenance and other variable costs are recognized as expense as incurred. The Company has elected to not recognize a lease liability or ROU asset in connection with short-term operating leases and recognizes lease expense for short-term operating leases on a straight-line basis over the lease term. The Company does not have any financing leases. The Company terminated the facility lease for its former corporate headquarters on March 31, 2022. Refer to Note 3 in the unaudited condensed consolidated financial statements for further discussion.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value would be assessed using discounted cash flows or other appropriate measures of fair value. The Company did not report any long-lived assets as of September 30, 2022 and did not recognize any impairment losses during the nine months ended September 30, 2022 and 2021.

Research and Development Costs

Research and development costs are expensed in the period incurred. Research and development costs primarily consist of salaries and related expenses for personnel, stock-based compensation, external research and development costs incurred under agreements with contract research organizations, investigative sites and consultants to conduct the Company's preclinical, toxicology and clinical studies, milestone payments resulting from license agreements, laboratory supplies, costs related to compliance with regulatory requirements, costs related to manufacturing the Company's product candidates for clinical trials and preclinical studies, facilities, depreciation, and other allocated expenses. Payments made prior to the receipt of goods or services to be used in research and development are capitalized until the related goods are delivered or services performed.

The Company has entered into various research and development contracts with clinical research organizations, clinical manufacturing organizations and other companies. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and payments made in advance of performance are reflected in the accompanying unaudited condensed consolidated balance sheets as prepaid expenses and other current assets. The Company records accruals for estimated costs incurred for ongoing research and development activities. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the services, including the phase or completion of events, invoices received and contracted costs. Significant judgments and estimates may be made in determining the prepaid or accrued balances at the end of any reporting period. Actual results could differ from the Company's estimates.

Patent Costs

Costs related to filing and pursuing patent applications are recorded as general and administrative expenses and expensed as incurred since recoverability of such expenditures is uncertain.

Stock-Based Compensation

The Company recognizes stock-based compensation expense related to stock options, restricted stock units, and shares granted under the Company's 2020 Employee Stock Purchase Plan (the "ESPP"). Stock-based compensation expense represents the cost of the grant date fair value of the applicable awards recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis. The Company estimates the fair value of stock option grants and shares purchased under the ESPP using the Black-Scholes option pricing model. Stock-based compensation expense related to restricted stock units is determined based upon the fair market value of the Company's stock on the grant date. Stock-based compensation expense is adjusted to reflect forfeitures as they occur.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the unaudited condensed consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions on the basis of a two-step process whereby (1) management determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, management recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The Company recognizes interest and penalties related to unrecognized tax benefits within income tax expense. Any accrued interest and penalties are included within the related tax liability.

Comprehensive Loss

Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. The only component of other comprehensive loss is unrealized gains (losses) on available-for-sale securities. Comprehensive gains (losses) have been reflected in the unaudited condensed consolidated statements of operations and comprehensive loss and as a separate component in the unaudited condensed consolidated statements of stockholders' equity for all periods presented.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company and its chief operating decision-maker view the Company's operations and manages its business in one operating segment.

Revenue Recognition

The Company recognizes revenue under Accounting Standards Codification Topic 606 when its customers obtain control of promised goods or services, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In doing so, the Company follows a five-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, the Company assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Recent Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06 ("ASU No. 2020-06"), Debt with Conversion and Other Options (Topic 470) and Derivatives and Hedging – Contracts in Entity's Own Equity (Topic 815). ASU No. 2020-06 simplifies the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock and amending the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. The Company adopted ASU No. 2020-06 during the first quarter of 2022 using the modified retrospective method. The standard did not have a material impact on the Company's unaudited condensed consolidated financial statements.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common shares and dilutive common stock equivalents outstanding for the period determined using the treasury-stock and if-converted methods. Dilutive common stock equivalents are comprised of common stock warrants, unvested common stock subject to repurchase, and stock options and unvested restricted stock units outstanding under the Company's equity incentive plans.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Potentially dilutive securities not included in the calculation of diluted net loss per share because to do so would be anti-dilutive are as follows (in common stock equivalent shares):

	September 30,	
	2022	2021
Common stock options	3,831,573	3,418,224
Unvested restricted stock units	1,263,317	552,650
Unvested common stock	—	5,535
Common stock warrant	154,240	23,122
Total	5,249,130	3,999,531

Note 2. Balance Sheet Details**Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consist of the following (in thousands):

	September 30,	December 31,
	2022	2021
Prepaid research and development	\$ 2,120	\$ 1,241
Prepaid expenses	110	578
Other current assets	—	468
Interest receivable	55	26
Total prepaid expenses and other current assets	2,285	2,313

Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30,	December 31,
	2022	2021
Accrued research and development	\$ 746	\$ 4,250
Accrued compensation	342	1,653
Accrued final debt payment fee	525	—
Other accrued liabilities	1,017	664
Total accrued liabilities	\$ 2,630	\$ 6,567

Note 3. Commitments and Contingencies**Operating Leases**

The Company entered into a five-year noncancelable operating lease in June 2017 for its corporate headquarters in San Diego, California under an agreement that commenced in March 2018. Under the terms of the agreement, there was no option to extend the lease and the Company was subject to additional charges for common area maintenance and other costs. Monthly rental payments due under the lease commenced in March 2018 and escalated throughout the lease term.

On March 11, 2022, the Company entered into an Agreement for Termination of Lease and Voluntary Surrender of Premises ("Lease Termination Agreement") with ARE-SD Region No. 30, LLC ("Landlord") to accelerate the termination of the facility lease for its former corporate headquarters. Under the terms of the Lease Termination Agreement, the Company's lease would terminate on the later of March 31, 2022 and the date that Landlord notifies the Company that it has executed a lease agreement with a third party for the premises. On March 31, 2022 ("Lease Termination Date"), Landlord notified the Company that its lease had been terminated pursuant to the terms of the Lease Termination Agreement.

As consideration for Landlord's agreement to enter into the Lease Termination Agreement and accelerate the expiration date of the term of the lease, the Company surrendered certain items of personal property to Landlord and agreed to sell certain items of personal property to Belharra Therapeutics, Inc. ("Belharra") for \$0.7 million. The personal property was sold to Belharra on an "as is, where is" condition via a bill of sale that contained no representations or warranties. Jeffrey Jonker, a member of the Company's Board of Directors, is the Chief Executive Officer of Belharra. The personal property was sold to Belharra on the Lease Termination Date, and after the Lease Termination Date, the Company did not report any property and equipment.

On the Lease Termination Date, the Company derecognized the ROU asset of \$0.7 million and current and noncurrent operating lease liabilities of \$0.8 million in the unaudited condensed consolidated balance sheets in connection with the termination of its facility lease pursuant to the Lease Termination Agreement. The Company also derecognized net property and equipment of \$0.3 million and recorded a receivable from asset sale of \$0.7 million in connection with the asset sale to Belharra discussed above. The Company recognized a gain from lease termination and asset sale of \$0.5 million in the unaudited condensed consolidated statements of operations. Prior to the Lease Termination Date, the Company recognized depreciation expense of \$0.1 million. The Company recognized depreciation expense of \$0.1 million and \$0.2 million during the nine months ended September 30, 2022 and 2021, respectively.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Information related to the Company's operating lease prior to the Lease Termination Date is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense (including variable costs of none and \$95 during the three months ended September 30, 2022 and 2021, respectively, and \$96 and \$279 during the nine months ended September 30, 2022 and 2021, respectively.	\$ —	\$ 293	\$ 294	\$ 872
Cash paid for amounts included in the measurement of lease liabilities	\$ —	\$ 215	\$ 215	\$ 640

License Agreement with the Salk Institute

In November 2016, the Company and The Salk Institute for Biological Studies ("The Salk") entered into the Amended and Restated Exclusive FXR License Agreement, which was amended in February 2017 and July 2018, pursuant to which The Salk granted the Company an exclusive, worldwide license to certain FXR related intellectual property to make, use, offer for sale, import, export, and distribute products covered by such intellectual property ("FXR Licensed Products") and a non-exclusive, worldwide license to use certain technical information to research, develop, test, make, use, offer for sale, import, export and distribute FXR Licensed Products. The Company is required to use commercially reasonable efforts to achieve certain diligence milestones with respect to the FXR Licensed Products, including with respect to developing, producing and selling FXR Licensed Products. The Company is also required to pay The Salk up to \$6.5 million in milestone payments upon the completion of certain clinical and regulatory milestones, certain of which payments the Company may defer under certain circumstances. The Company is also obligated to pay The Salk a low single-digit percentage royalty on net sales, with a minimum annual royalty payment due beginning with the first commercial sale of each FXR Licensed Product. The applicable minimum annual royalty payment amount depends on the number of years that have elapsed since the first commercial sale of an FXR Licensed Product and is in the hundreds-of-thousands-of-dollars range. In addition, if the Company chooses to sublicense the FXR Licensed Product to any third parties, the Company must pay to The Salk a low single-digit percentage of all sublicensing revenue. In addition, in the event of a change of control, the Company is required to pay The Salk a low single-digit percentage of any payments and consideration that it receives in consideration of the change of control. The Company has accrued \$0.4 million in milestone payments based upon the achievement of certain regulatory milestones as of September 30, 2022.

Contingencies

In the event the Company becomes subject to claims or suits arising in the ordinary course of business, the Company would accrue a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Note 4. Long-Term Debt

Long-term debt consists of the following (in thousands):

	September 30, 2022	December 31, 2021
Principal	\$ 15,000	\$ 15,000
Unamortized debt discount	(1,212)	(1,697)
Total debt, net of debt discount	13,788	13,303
Less current portion of long-term debt	(1,208)	—
Long-term debt, net of debt discount	\$ 12,580	\$ 13,303

On August 27, 2019, the Company entered into a Loan and Security Agreement with a lender (the "Lender"). The Company borrowed \$10.0 million at the inception of the Loan and Security Agreement. On October 4, 2021, the Company entered into the second amendment to the Loan Agreement ("Second Amendment" or "Loan Agreement") pursuant to which the existing term loan tranches were replaced and superseded by new term loan tranches ("Term Loans") under which the Company could borrow up to an aggregate principal amount of \$45.0 million subject to the achievement of certain milestones. The Company borrowed \$15.0 million under the

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Term Loans on October 1, 2021. As of September 30, 2022, \$20.0 million in term loan tranches were available to the Company to borrow under the terms of the Loan Agreement, subject to the achievement of certain milestones.

Prior to the Second Amendment, the Term Loans accrued interest at a floating annual rate equal to the greater of (i) the prime rate used by the Lender plus 2% and (ii) 7.25%. Subsequent to the Second Amendment, the Term Loans accrue interest at a floating annual rate equal to the greater of (i) the prime rate used by the Lender plus 4.5% and (ii) 7.75%. The Company is only required to make monthly interest payments on amounts borrowed under the Term Loans from the applicable funding date through July 1, 2023 ("Interest Only Period"). Subsequent to the Interest Only Period, the Term Loans are payable in equal monthly installments of principal plus accrued and unpaid interest through the maturity date of April 1, 2025 ("Maturity Date").

In addition, the Company is required to make final fee payments equal to \$0.5 million on September 1, 2023 and 5.75% of the aggregate original principal amount of the Term Loans made pursuant to the Second Amendment on the Maturity Date. The Company recorded final fee payments in the unaudited condensed consolidated balance sheets of \$0.5 million and \$0.9 million in accrued liabilities and other long-term liabilities, respectively, as of September 30, 2022, and \$1.4 million in other long-term liabilities as of December 31, 2021.

The Company may elect to prepay all, but not less than all, of the Term Loans prior to the Maturity Date, subject to a prepayment fee of up to 3% of the then outstanding principal balance. After repayment, no Term Loan amounts may be borrowed again.

The Company's obligations under the Loan Agreement are secured by a security interest in substantially all of its assets, other than its intellectual property. The Loan Agreement includes customary affirmative and negative covenants and also includes standard events of default, including an event of default based on the occurrence of a material adverse event, and a default under any agreement with a third party resulting in a right of such third party to accelerate the maturity of any debt in excess of \$0.3 million. The negative covenants include, among others, restrictions on the Company transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying cash dividends or making other distributions, making investments, creating liens, selling assets and making any payment on subordinated debt, in each case subject to certain exceptions. Upon the occurrence and continuance of an event of default, the Lender may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the Loan Agreement. As of September 30, 2022 and December 31, 2021, the Company was in compliance with all applicable covenants under the Loan Agreement.

In connection with the Loan Agreement, the Company issued the Lender a warrant (the "Lender Warrant") to purchase shares of the Company's Series C convertible preferred stock at an exercise price of \$10.812 per share and expiring on August 27, 2029. The Lender Warrant was subsequently converted into a warrant to purchase 23,122 shares of common stock upon completion of the Company's initial public offering ("IPO") in September 2020. In connection with the Second Amendment, the Company issued to the Lender a warrant ("New Lender Warrant") to purchase an amount of shares of the Company's common stock equal to (i) the greater of (a) \$0.4 million and (b) 2.5% multiplied by the aggregate original principal amount of the Term Loans made pursuant to the Loan Agreement divided by (ii) \$2.86 per share (the "Warrant Price"), with an exercise price equal to the Warrant Price. The New Lender Warrant is exercisable immediately and expires on October 1, 2031, provided that, under certain circumstances, the Lender Warrant may terminate and expire earlier in connection with the closing of certain acquisition transactions involving the Company. The Lender Warrant provides that the holder thereof may elect to exercise the Lender Warrant on a net "cashless" basis at any time prior to its expiration.

The Lender, at its option, may elect to convert up to an aggregate principal amount of \$3.0 million into shares of the Company's common stock at any time after the effective date of the Second Amendment and prior to the full payment of the Term Loans at a conversion price of \$3.86 per share. The embedded conversion option met the derivative accounting scope exception since the embedded conversion option is indexed to the Company's own common stock and qualifies for classification within stockholders' equity.

The Company concluded that the Second Amendment was considered a debt modification for accounting purposes. The Company recognized additional debt issuance costs of \$0.2 million, final payment fees of \$0.9 million, and the fair value of the common stock warrant of \$0.4 million resulting from the Second Amendment as debt discount. These amounts are being combined with the unamortized debt discount before the Second Amendment and are being amortized over the remaining term of the Loan Agreement under the effective interest method.

For the three months ended September 30, 2022 and 2021, the Company recognized \$0.5 million and \$0.3 million of interest expense, respectively, including \$0.2 million and \$0.1 million of debt discount amortization in connection with the Loan Agreement, respectively. For the nine months ended September 30, 2022 and 2021 the Company recognized \$1.5 million and \$0.7 million of interest expense, respectively, including \$0.5 million and \$0.2 million of debt discount amortization in connection with the Loan Agreement, respectively. As of September 30, 2022 and December 31, 2021, the Company had an outstanding Term Loan of \$15.0 million and accrued interest of \$0.1 million.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Future minimum principal and interest payments under the Term Loan, including the final payment fee, as of September 30, 2022 are as follows (in thousands):

	September 30, 2022
Remaining in 2022	\$ 401
2023	5,866
2024	9,051
2025	3,910
Total principal and interest payments	19,228
Less interest and final payment fee	(4,228)
Total debt	\$ 15,000

Note 5. Fair Value of Financial Instruments

As of September 30, 2022, the Company's financial instruments consisted of cash and cash equivalents that are accounted for at cost, which approximates fair value. The following table summarizes the Company's financial instruments measured at fair value on a recurring basis as of December 31, 2021 (in thousands):

	Total	Fair Value Measurements At Reporting Date Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2021				
Assets:				
Commercial paper	\$ 16,987	\$ —	\$ 16,987	\$ —
U.S. government and agency securities	10,530	—	10,530	—
Total assets measured at fair value	\$ 27,517	\$ —	\$ 27,517	\$ —

Note 6. Short-Term Investments

As of September 30, 2022, the Company did not report any short-term investments. The following table summarizes short-term investments as of December 31, 2021 (in thousands):

	As of December 31, 2021			
	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
Commercial paper	\$ 16,991	\$ 1	\$ (5)	\$ 16,987
U.S. government and agency securities	10,531	—	(1)	10,530
Total short-term investments	\$ 27,522	\$ 1	\$ (6)	\$ 27,517

Note 7. Stockholders' Equity**Sales Agreement**

On October 4, 2021, the Company entered into a sales agreement (the "Sales Agreement") with SVB Leerink LLC ("SVB Leerink") to sell shares of common stock from time to time through an "at-the-market" equity offering program (the "ATM") under which SVB Leerink will act as the Company's agent. The Company has no obligation to sell any shares of common stock under the Sales Agreement and may at any time suspend solicitation and offers under the Sales Agreement. SVB Leerink will be entitled to compensation in an amount of up to 3% of the gross proceeds of any shares of common stock sold under the Sales Agreement. A maximum of \$50.0 million of shares of common stock may be sold under the Sales Agreement. The Company did not sell any shares of its common stock under the Sales Agreement during the nine months ended September 30, 2022. As of September 30, 2022, the

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Company may sell up to an additional \$27.3 million of shares of its common stock under the Sales Agreement. The Company is not able to sell shares under the Sales Agreement during the pendency of the proposed Merger with Equillum.

Equity Incentive Plan

In January 2015, the Company adopted the Metacrine, Inc. 2015 Equity Incentive Plan (as amended, the "2015 Plan"), which provides for the grant of incentive stock options, nonstatutory stock options, restricted stock awards, restricted stock unit awards, and stock appreciation rights to its employees, members of its board of directors, and consultants. In August 2020, the Company's Board of Directors approved the 2020 Equity Incentive Plan (the "2020 Plan"), which is the successor and continuation of the 2015 Plan. No additional awards may be granted under the 2015 Plan and all outstanding awards under the 2015 Plan remain subject to the terms of the 2015 Plan. As of September 30, 2022, there were 2,676,787 shares authorized and available for issuance under the 2020 Plan.

Recipients of incentive stock options are eligible to purchase shares of the Company's common stock at an exercise price equal to no less than the estimated fair market value of such stock on the date of grant. The maximum term of options granted under the 2015 and 2020 Plans (or collectively, the "Equity Plans") is ten years and, in general, the options issued under the Equity Plans vest over a four-year period from the vesting commencement date. The 2015 Plan allows for early exercise of stock options, which may be subject to repurchase by the Company at the lower of (i) the fair market value at the repurchase date or (ii) the original exercise price. The early exercise of stock options is not permitted under the 2020 Plan.

A summary of the Company's unvested shares and unvested stock liability is as follows (in thousands, except share data):

	Number of Unvested Shares	Unvested Stock Liability
Balance as of December 31, 2021	2,132	\$ 3
Vested shares	(2,132)	(3)
Balance as of September 30, 2022	—	\$ —

A summary of the Company's stock option activity is as follows (in thousands, except share and per share data):

	Number of Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value
Balance as of December 31, 2021	3,425,285	\$ 6.17	7.82	\$ 6
Granted	1,378,817	\$ 0.47		
Exercised	—	\$ —		
Cancelled	(972,529)	\$ 5.43		
Balance as of September 30, 2022	3,831,573	\$ 4.31	7.94	\$ 27
Vested and expected to vest at September 30, 2022	3,831,573	\$ 4.31	7.94	\$ 27
Exercisable as of September 30, 2022	1,420,946	\$ 6.54	6.51	\$ 1

The weighted average grant date fair value per share of stock option grants for the nine months ended September 30, 2022 and 2021 was \$0.33 and \$6.45, respectively. The total intrinsic value of stock options exercised during the nine months ended September 30, 2022 and 2021 was none and \$1.8 million, respectively.

The assumptions used in the Black-Scholes option pricing model to determine the fair value of stock option grants were as follows:

	Nine Months Ended September 30,	
	2022	2021
Risk-free interest rate	1.9% – 2.9%	0.6% – 1.1%
Expected volatility	81.8% – 87.5%	86.2% – 89.5%
Expected term (in years)	5.5 – 5.6	5.5 – 6.1
Expected dividend yield	0%	0%

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities similar to the expected term of the awards.

Expected volatility. Since the Company recently completed its IPO and does not have sufficient trading history for its common stock, the expected volatility assumption is based on volatilities of a peer group of similar companies in the biotechnology industry whose share prices are publicly available. The Company will continue to apply this process until a sufficient amount of historical information regarding the volatility of its own stock price becomes available.

Expected term. The expected term represents the period of time that options are expected to be outstanding. Because the Company does not have sufficient historical exercise behavior, it determines the expected life assumption using the simplified method, for employees, which is an average of the contractual term of the option and its vesting period. The expected term for nonemployee options is equal to the contractual term.

Expected dividend yield. The Company bases the expected dividend yield assumption on the fact that it has never paid cash dividends and has no present intention to pay cash dividends and, therefore, used an expected dividend yield of zero.

Restricted Stock Units

A summary of the Company's restricted stock units activity is as follows (in thousands, except share and per share amounts):

	Number of Outstanding Awards	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Balance as of December 31, 2021	468,500	\$ 4.09	\$ 314
Granted	1,263,317	\$ 0.47	
Released	(453,500)	\$ 4.09	
Cancelled	(15,000)	\$ 4.09	
Balance as of September 30, 2022	1,263,317	\$ 0.47	\$ 19
Vested and expected to vest as of September 30, 2022	1,263,317	\$ 0.47	\$ 19

In June 2021, the Company granted 359,100 restricted stock units to certain executives and employees that vest in full upon the achievement of a specified development milestone related to the Company's FXR program. The Company assesses the probability the development milestone will be achieved on a quarterly basis and recognizes stock-based compensation cost ratably over the requisite service period. 287,750 restricted stock units vested in April 2022 upon the achievement of the development milestone.

The fair value of restricted stock units that vested during the three and nine months ended September 30, 2022 was none and \$0.3 million, respectively.

Employee Stock Purchase Plan

In September 2020, the Company's Board of Directors and stockholders adopted and approved the ESPP. The ESPP permits eligible employees, who elect to participate in an offering under the ESPP, to contribute up to 15% of their eligible gross compensation towards the purchase of shares of common stock. Eligible employees can purchase up to 20,000 shares of common stock on a given purchase date. The price at which stock is purchased under the ESPP is equal to 85% of the fair market value of the Company's common stock on the commencement date of each offering period or the relevant purchase date, whichever is lower. Offerings under the ESPP are approximately two years in duration and consist of four purchase periods that are approximately six months in duration. The ESPP is considered a compensatory plan as defined by the authoritative guidance for stock-based compensation. As of September 30, 2022, there were 999,255 shares of common stock available for future issuance under the ESPP.

Stock-Based Compensation Expense

Stock-based compensation expense recognized for all equity awards has been reported in the unaudited condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
General and administrative	\$ 1,003	\$ 1,528	\$ 3,990	\$ 3,864
Research and development	79	626	374	1,396
Total stock-based compensation	\$ 1,082	\$ 2,154	\$ 4,364	\$ 5,260

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

As of September 30, 2022, unrecognized stock-based compensation expense was \$6.9 million, which is expected to be recognized over a remaining weighted average period of approximately 1.7 years.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following:

	September 30, 2022	December 31, 2021
Common stock options outstanding	3,831,573	3,425,285
Shares available for issuance under equity incentive plans	2,676,787	2,661,970
Restricted stock units outstanding	1,263,317	468,500
Shares available for issuance under the ESPP	999,255	583,605
Common stock warrant	154,240	154,240
Total common stock reserved for future issuance	<u>8,925,172</u>	<u>7,293,600</u>

Note 8. 401(k) Plan

The Company maintains a defined contribution 401(k) plan available to eligible employees. Employee contributions are voluntary and are determined on an individual basis, limited to the maximum amount allowable under federal tax regulations. The Company, at its discretion, may make certain matching contributions to the 401(k) plan. As of September 30, 2022, no contributions to the 401(k) plan have been made by the Company.

Note 9. Restructuring Charges

On February 10, 2022, the Company implemented a restructuring plan (the "Restructuring Plan") designed to reduce the Company's operating expenses, preserve cash and align its resources to support the ongoing clinical development of MET642 in inflammatory bowel disease. As part of the Restructuring Plan, the Company discontinued preclinical development of its hydroxysteroid dehydrogenase ("HSD") program and implemented a staff reduction of approximately 50%, primarily consisting of the Company's research organization. The Company recognized restructuring charges of none and \$0.9 million in the unaudited condensed consolidated statement of operations during the three and nine months ended September 30, 2022, respectively. Restructuring charges primarily consist of one-time payments relating to severance obligations and customary employee benefits in connection with the staff reduction. The accelerated vesting of certain equity awards and the third-party costs associated with the discontinuation of the Company's HSD program were immaterial during the three and nine months ended September 30, 2022. The Restructuring Plan was completed in April 2022. The successful implementation of the restructuring activities pursuant to the Restructuring Plan are subject to a number of assumptions, risks and uncertainties, and actual results may differ from the above-described estimates. The Company may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated with, the Restructuring Plan.

Note 10. Revenue Recognition**License Agreement with FL2022-001, Inc.**

On September 30, 2022, the Company entered into a License Agreement (the "License Agreement") with FL2022-001, Inc. ("Licensee"), a portfolio company of Foresite Labs, pursuant to which the Company granted Licensee an exclusive, royalty-bearing, sublicensable license to certain of its intellectual property rights to research, manufacture, develop and commercialize pharmaceutical products containing certain hydroxysteroid dehydrogenase inhibitors (collectively, the "Licensed Products") in all fields of use and on a worldwide basis. In addition, for a period of time, the Company has agreed that neither it nor its affiliates or sublicensees will directly or indirectly, engage in or conduct any research, development, manufacture, commercialization, use or other exploitation of pharmaceutical products that would compete with the Licensed Products, subject to certain exceptions related to products of an acquirer or its affiliates in connection with a change of control of the Company.

Under the terms of the License Agreement, Licensee made an upfront payment of \$1.25 million to the Company in October 2022. In addition, the Company is eligible to receive up to an aggregate of \$4.25 million in milestone payments upon the achievement of certain regulatory milestone events. The Company will also be entitled to royalties on tiers of annual net sales of Licensed Products at rates in the low single digits, on a Licensed Product-by-Licensed Product and country-by-country basis, until the expiration of the last patent covering such Licensed Product in such country.

The Company did not recognize license revenue during the three and nine months ended September 30, 2022 as it had not yet satisfied the performance obligations required under the License Agreement.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, or Quarterly Report, and the audited financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission, or SEC, on March 30, 2022, or our Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business and related financing, as well as our expectations, beliefs, plans, intentions and strategies related to our proposed merger with Equillum, Inc., including the expected closing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read the "Risk Factors" section of this Quarterly Report to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company currently focused on developing differentiated therapies for patients with gastrointestinal, or GI, diseases. Our most advanced program, MET642, targets the farnesoid X receptor, or FXR, which is central to modulating GI and liver diseases.

Prior to February 2022, we were developing another FXR agonist, MET409, for the treatment of non-alcoholic steatohepatitis, or NASH, a liver disease characterized by excess liver fat, inflammation and fibrosis. While we believe these two compounds demonstrate potential for differentiated treatments in both monotherapy and combination treatment for NASH, given recent clinical outcomes of our programs relative to competing programs, reduced investor sentiment in NASH, and the significant resources required to pursue further development in NASH, we elected to discontinue future development of our FXR program in NASH while prioritizing our resources and efforts toward the development of MET642 for the treatment of Ulcerative Colitis, or UC, one of the two primary types of Inflammatory Bowel Disease, or IBD. We were also developing small molecule inhibitors of HSD17 β 13 for the treatment of NASH. HSD17 β 13 is a genetically validated target for advanced liver disease. In April 2022, we completed a corporate restructuring plan, or Restructuring Plan, that resulted in the reduction of approximately 50% of our workforce, primarily consisting of our research organization, which consequently resulted in the discontinued development of our hydroxysteroid dehydrogenase, or HSD, program.

In September 2022, we entered into a License Agreement, or the HSD License Agreement, with a portfolio company of Foresite Labs, pursuant to which we granted the licensee an exclusive license to research, manufacture, develop and commercialize pharmaceutical products containing our proprietary HSD inhibitors in all fields of use and on a worldwide basis. We received an upfront payment of \$1.25 million in October 2022 in connection with our entry into the HSD License Agreement, and we are eligible to receive up to an aggregate of \$4.25 million in milestone payments upon the achievement of certain regulatory milestone events, and we will also be entitled to receive royalties on tiers of annual net sales of pharmaceutical products sold pursuant to the HSD License Agreement at rates in the low single digits until the expiration of the patent rights in each country sales are made.

We believe FXR plays a key role in the treatment of IBD, including UC. FXR is highly expressed by intestinal epithelial cells and plays a key role in healthy intestinal function by maintaining the epithelial barrier, reducing bacterial translocation into the intestinal wall and regulating the innate immune response. FXR-based therapies in IBD address multiple aspects of IBD pathogenesis without the immunosuppression inherent to other advanced-line therapies.

IBD is a significant global health issue and is thought to occur due to a maladaptive immune response to gut microbes. UC and Crohn's disease are the two primary types of IBD. Patients with IBD can suffer from abdominal pain and bloody diarrhea and also be at increased risk of colorectal cancer. The global incidence of IBD is increasing and as of 2015, it was estimated that there were 3.1 million people in the United States with IBD. Our first clinical investigation of FXR therapy in IBD will be focused on patients with UC.

We believe an oral, once-daily therapy with FXR agonists could be an attractive treatment option for UC patients that may prefer oral administration instead of injectable biologics that are cumbersome to administer chronically. In preclinical animal studies with our current and previous FXR agonist product candidates, we have observed statistically significant improvements in colon histology and at levels similar to that of a mouse antibody which targets IL-12/23. The IL-12/23 pathway is the target of current approved biologic therapies.

To date, we have devoted substantially all of our resources to organizing and staffing our company, business, planning, raising capital, researching, discovering and developing our pipeline in FXR and other drug targets and general and administrative support for these operations. We do not have any products approved for sale and have not generated any product sales. We have funded our operations primarily through the private placement of convertible preferred stock, the issuance of long-term debt, and the sale of common stock from our initial public offering, or IPO, and our at-the-market equity offering program, or ATM offering program. Through September 30, 2022, we have raised gross proceeds of approximately \$124.8 million from the issuance of convertible preferred stock, \$15.0 million under our K2 Loan Agreement (as defined below) and \$107.7 million from the sale of common stock from our IPO and our ATM offering program. As of September 30, 2022 and December 31, 2021, we had cash, cash equivalents, and short-term investments of \$52.8 million and \$76.4 million, respectively.

We have incurred net losses since our inception. Our net losses were \$24.7 million and \$48.7 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, we had an accumulated deficit of \$207.6 million. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials and preclinical studies and our expenditures on other development activities. We expect our expenses and operating losses will increase as MET642 or any future product candidates advance through clinical trials, and as we expand our clinical, regulatory, quality and manufacturing capabilities, incur significant commercialization expenses for marketing, sales, manufacturing and distribution, if we obtain marketing approval for MET642 or any future product candidate, and incur additional costs associated with operating as a public company.

We do not expect to generate any revenues from product sales unless and until we successfully complete development and obtain regulatory approval for one or more product candidates, which will not be for many years, if ever. Accordingly, until such time as we can generate significant revenue from sales of MET642 or any future product candidate, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, additional borrowings under the K2 Loan Agreement, strategic transactions, collaborations, and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and could force us to delay, reduce or terminate our development programs or other operations, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Proposed Merger with Equillium

On September 6, 2022, we entered into an Agreement and Plan of Merger, as amended on October 26, 2022, the Merger Agreement, with Equillium, Inc., a Delaware corporation, or Equillium, Equillium Acquisition Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Equillium, or Acquisition Sub, Triumph Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of Acquisition Sub, or Acquisition Sub II, and Triumph Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Acquisition Sub II, or Merger Sub, pursuant to which, among other matters, and subject to the satisfaction or waiver of certain closing conditions described in the Merger Agreement, Merger Sub will be merged with and into the Company, or the Merger, and the Company will continue as the surviving corporation and an indirect, wholly owned subsidiary of Equillium.

Pursuant to the Merger Agreement, each share of our common stock issued and outstanding immediately prior to the closing of the Merger, or the Closing, will be cancelled and converted into the right to receive consideration per share consisting of (i) the exchange ratio, or the Exchange Ratio, determined by dividing (x) (a) 125% of our net cash as of the Closing, by (b) the price per share of Equillium's common stock, par value \$0.0001 per share, or Equillium Common Stock, determined based on the 10 day trading volume weighted average price per share of Equillium Common Stock calculated 10 trading days prior to the date of the Closing, or the Closing Date, provided that the price per share of Equillium Common Stock shall be no less than \$2.70 and no more than \$4.50 by (y) the aggregate fully diluted shares of our common stock, plus (ii) any cash payable in lieu of fractional shares of Equillium Common Stock.

The consummation of the Merger is subject to certain closing conditions, including (i) our net cash being no less than \$23,000,000, (ii) the absence of certain legal impediments, (iii) the effectiveness of a registration statement on Form S-4 filed with the SEC on October 27, 2022, (iv) adoption of the Merger Agreement by the holders of a majority of our outstanding common stock at a meeting of our stockholders, and (v) approval of the issuance of shares of Equillium Common Stock in the Merger by the majority of the votes cast at a meeting of Equillium's stockholders (provided that a quorum exists). The Merger Agreement has been approved by our board of directors and Equillium's board of directors.

The Merger Agreement contains certain termination rights for both Equillium and us and further provides that, in connection with the termination of the Merger Agreement by us under certain circumstances, including termination by us to accept and enter into a definitive agreement with respect to a superior proposal, we must pay Equillium a termination fee of \$1.25 million. In connection with the termination of the Merger Agreement by Equillium under certain circumstances, including termination by Equillium to accept and enter into a definitive agreement with respect to a superior proposal, Equillium must pay us a termination fee of \$1.75 million.

Although we have entered into the Merger Agreement and expect to devote significant time and resources to successfully consummate the proposed Merger, there can be no assurances that we will be able to do so on a timely basis, or at all. Further, the consummation of the Merger may not deliver the anticipated benefits or maximize stockholder value. If, for any reason, the Merger is not consummated, we will reconsider our strategic alternatives and could pursue a variety of strategic alternatives similar to the Merger, including, but not limited to, a merger, sale, or other business combination, a strategic partnership with one or more parties, or the licensing, sale or divestiture of our programs, with the ultimate goal of identifying the opportunity that would, in the opinion of our board of directors, maximize stockholder value, including a liquidation of Metacrine and the distribution of any available cash.

We retained MTS Health Partners, L.P., or MTS Partners, as our financial advisor in connection with the Merger, and MTS Securities, LLC, an affiliate of MTS Partners, or MTS, performed a liquidation analysis of Metacrine based upon information provided to MTS by our management. MTS computed the total equity value of Metacrine in a liquidation to be approximately \$27.3 million, calculated as approximately \$55.5 million of cash as of June 30, 2022, less wind-down costs of approximately \$29.5 million, plus an assumed upfront cash value from the HSD License Agreement of \$1.25 million, as compared to our then-current market capitalization of approximately \$20.6 million. The analysis assumed a liquidation date of November 30, 2022, that all wind-down costs were paid in full, employees were severed by November 30, 2022, all employee-related restructuring and severance costs are paid in full, and, to be conservative, that no funds were retained in reserve for unknown or contingent liabilities. MTS estimated a liquidation value of approximately \$27.3 million to our stockholders in a potential liquidation, or \$0.58 per share.

Financial Operations Overview

Revenues

To date, we have not generated any revenues from the commercial sale of any products, and we do not expect to generate revenues from the commercial sale of any products for the foreseeable future, if ever. In the future, we may generate revenue pursuant to the HSD License Agreement in the form of milestone payments upon the achievement of certain regulatory milestone events and royalties on tiers of annual net sales at rates in the low single digits. In October 2022, we received a one-time upfront payment of \$1.25 million in connection with our entry into the HSD License Agreement.

Research and Development Expenses

To date, our research and development expenses have related primarily to discovery efforts and preclinical and clinical development of our product candidates. Research and development expenses are recognized as incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received.

Research and development expenses include:

- salaries, payroll taxes, employee benefits and stock-based compensation charges for those individuals involved in research and development efforts;
- external research and development expenses incurred under agreements with contract research organizations, or CROs, investigative sites and consultants to conduct our preclinical, toxicology and clinical studies;
- costs related to manufacturing our product candidates for clinical trials and preclinical studies, including fees paid to third-party manufacturers;
- laboratory supplies;
- costs related to compliance with regulatory requirements; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent, maintenance of facilities, insurance, equipment and other supplies.

The following table summarizes our research and development expenses allocated by program for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Third-party research and development expenses:				
FXR program	\$ 799	\$ 10,996	\$ 6,916	\$ 27,323
Other research programs	2	405	236	1,264
Total third-party research and development expenses	801	11,401	7,152	28,587
Unallocated expenses	521	2,671	3,159	7,710
Total research and development expenses	<u>\$ 1,322</u>	<u>\$ 14,072</u>	<u>\$ 10,311</u>	<u>\$ 36,297</u>

Unallocated expenses consist primarily of our internal personnel related costs, facility costs, and lab supplies.

Our Restructuring Plan, which we completed in April 2022, resulted in the reduction of approximately 50% of our workforce, primarily consisting of our research organization, and as a result, we will not incur research expenses for the foreseeable future. We expect our development expenses will fluctuate in the future as we review the development plan and timeline of our FXR program in IBD and depending on whether the proposed Merger is consummated. We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future clinical trials of MET642 or any future product candidate due to the inherently unpredictable nature of preclinical and clinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. We will need to raise substantial additional capital in the future if the proposed Merger with Equillium is not consummated. In addition, we cannot forecast whether MET642 or any future product candidate may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

Our development costs may vary significantly based on factors such as:

- per patient trial costs;
- the number and scope of preclinical studies;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;

- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the phase of development of the product candidate;
- the efficacy and safety profile of the product candidate; and
- the extent to which we collaborate with biopharmaceutical companies for the development and potential commercialization of the product candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance, and other administrative functions. Other significant costs include facility-related costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services, and insurance. We anticipate that our general and administrative expenses will increase in the future to support our development and other commercial activities if MET642 or any future product candidate receives marketing approval. We also expect that our general and administrative expenses will increase due to the transaction costs associated with the proposed Merger with Equillum and potential related litigation.

Restructuring Charges

Restructuring charges consist primarily of (i) one-time payments relating to severance obligations and other customary employee benefits and the acceleration of the vesting of certain equity awards in connection with the staff reduction conducted pursuant to our Restructuring Plan and (ii) third-party costs associated with the discontinuation of our HSD program. Refer to Note 9 in our unaudited condensed consolidated financial statements for further discussion.

Gain from Lease Termination and Asset Sale

Gain from lease termination and asset sale relates to the termination of our Corporate Lease (as defined below) in March 2022 and the sale of personal property to Belharra Therapeutics, Inc., or Belharra. Refer to Note 3 in our unaudited condensed consolidated financial statements for further discussion.

Total Other Income (Expense)

Total other income (expense) consists primarily of interest income from our cash, cash equivalents, and short-term investments and interest expense under our K2 Loan Agreement.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2022 and 2021

The following table summarizes our results of operations for the three and nine months ended September 30, 2022 and 2021:

(In thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Operating expenses:						
Research and development	\$ 1,322	\$ 14,072	\$ (12,750)	\$ 10,311	\$ 36,297	\$ (25,986)
General and administrative	3,842	4,007	(165)	12,736	11,695	1,041
Restructuring charges	—	—	—	902	—	902
Gain from lease termination and asset sale	—	—	—	(508)	—	(508)
Total operating expenses	5,164	18,079	(12,915)	23,441	47,992	(24,551)
Loss from operations	(5,164)	(18,079)	12,915	(23,441)	(47,992)	24,551
Other income (expense):						
Interest income	228	22	206	318	85	233
Interest expense	(550)	(252)	(298)	(1,475)	(743)	(732)
Other expense, net	(35)	(19)	(16)	(65)	(31)	(34)
Total other income (expense)	(357)	(249)	(108)	(1,222)	(689)	(533)
Net loss	\$ (5,521)	\$ (18,328)	\$ 12,807	\$ (24,663)	\$ (48,681)	\$ 24,018

Research and Development Expenses. Research and development expenses were \$1.3 million and \$14.1 million for the three months ended September 30, 2022 and 2021, respectively. The decrease in research and development expenses of \$12.8 million when comparing the three months ended September 30, 2022 and 2021 was primarily due to decreases of \$8.4 million in clinical trial expenses and \$1.4 million in manufacturing expenses related to our FXR program, \$1.6 million in personnel costs, including \$0.5 million in non-cash stock-based compensation, \$0.5 million in facilities, information technology, and laboratory supplies expenses, \$0.5 million in preclinical and toxicology expenses, and \$0.3 million in third-party medicinal chemistry expenses.

Research and development expenses were \$10.3 million and \$36.3 million for the nine months ended September 30, 2022 and 2021, respectively. The decrease in research and development expenses of \$26.0 million when comparing the nine months ended September 30, 2022 and 2021 was primarily due to decreases of \$16.6 million in clinical trial expenses and \$1.5 million in manufacturing expenses related to our FXR program, \$3.4 million in personnel costs, including \$1.0 million in non-cash stock-based compensation, \$2.3 million in preclinical and toxicology expenses, \$1.5 million in facilities, information technology, and laboratory supplies expenses, and \$0.6 million in third-party medicinal chemistry expenses.

General and Administrative Expenses. General and administrative expenses were \$3.8 million and \$4.0 million for the three months ended September 30, 2022 and 2021, respectively. The decrease in general and administrative expenses of \$0.2 million when comparing the three months ended September 30, 2022 and 2021 was primarily due to a decrease of \$1.0 million in personnel costs, including \$0.5 million in non-cash stock-based compensation, partially offset by an increase of \$0.8 million in consulting, professional services and other public company related expenses.

General and administrative expenses were \$12.7 million and \$11.7 million for the nine months ended September 30, 2022 and 2021, respectively. The increase in general and administrative expenses of \$1.0 million when comparing the nine months ended September 30, 2022 and 2021 was primarily due to increases of \$0.9 million in consulting, professional services and other public company related expenses and \$0.1 million in facilities and information technology expenses.

Restructuring Charges. Restructuring charges were none for each of the three months ended September 30, 2022 and 2021, and were \$0.9 million and none for the nine months ended September 30, 2022 and 2021, respectively. The increase in restructuring charges when comparing the nine months ended September 30, 2022 and 2021 was primarily related to one-time payments of severance obligations and other customary employee benefits made in connection with the staff reduction resulting from the Restructuring Plan. Refer to Note 9 in our unaudited condensed consolidated financial statements for further discussion.

Gain from Lease Termination and Asset Sale. Gain from lease termination and asset sale were none for each of the three months ended September 30, 2022 and 2021, and were \$0.5 million and none for the nine months ended September 30, 2022 and 2021, respectively. The increase in the gain from lease termination and asset sale when comparing the nine months ended September 30, 2022 and 2021 was primarily related to the termination of our Corporate Lease and sale of personal property to Belharra in March 2022. Refer to Note 3 in our unaudited condensed consolidated financial statements for further discussion.

Liquidity and Capital Resources

We have incurred net losses and negative cash flows from operations since our inception and anticipate we will continue to incur net losses for the foreseeable future. As of September 30, 2022 and December 31, 2021, we had cash, cash equivalents, and short-term investments of \$52.8 million and \$76.4 million, respectively.

Cash Flows

The following table sets forth a summary of the net cash flow activity for each of the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Net cash provided by (used in):		
Operating activities	\$ (24,383)	\$ (35,326)
Investing activities	28,224	26,757
Financing activities	1	1,205
Net increase (decrease) in cash and cash equivalents	<u>\$ 3,842</u>	<u>\$ (7,364)</u>

Operating Activities

Net cash used in operating activities was \$24.4 million and \$35.3 million for the nine months ended September 30, 2022 and 2021, respectively. The net cash used in operating activities during the nine months ended September 30, 2022 was primarily due to our net loss of \$24.7 million and \$4.6 million of non-cash charges, adjusted for \$4.3 million in changes in operating assets and liabilities. Non-cash charges for the nine months ended September 30, 2022 primarily consisted of \$4.4 million of stock-based compensation, \$0.5 million in debt amortization expense, and \$0.2 million in other non-cash charges, partially offset by a \$0.5 million gain from lease termination and asset sale related to the termination of our Corporate Lease.

Net cash used in operating activities was \$35.3 million for the nine months ended September 30, 2021 and was primarily due to our net loss of \$48.7 million, adjusted for \$6.5 million of non-cash charges and \$6.9 million from changes in operating assets and liabilities. Non-cash charges for the nine months ended September 30, 2021 primarily consisted of \$5.3 million of stock-based compensation, \$0.5 million of amortization on our right-of-use asset, \$0.3 million of amortization of premiums/discounts on investments, and \$0.4 million in other non-cash charges.

Investing Activities

Net cash provided by investing activities of \$28.2 million for the nine months ended September 30, 2022 was primarily due to sales and maturities of short-term investments of \$40.2 million and proceeds from asset sale of \$0.7 million, partially offset by purchases of short-term investments of \$12.7 million.

Net cash provided by investing activities of \$26.8 million for the nine months ended September 30, 2021 was primarily due to sales and maturities of short-term investments of \$65.9 million, partially offset by purchases of short-term investments of \$39.2 million.

Financing Activities

There was an immaterial amount of cash provided by financing activities for the nine months ended September 30, 2022.

Net cash provided by financing activities of \$1.2 million for the nine months ended September 30, 2021 was primarily due to \$1.1 million of proceeds from exercises of common stock options and \$0.1 million of proceeds from the issuance of shares from our employee stock purchase plan.

Loan Agreement

In August 2019, we borrowed \$10.0 million in the first tranche under a loan and security agreement, or the K2 Loan Agreement, with K2 HealthVentures Equity Trust LLC, or K2, which was subsequently amended in March 2020 and October 2021. In October 2021, we amended the K2 Loan Agreement and thereby replaced and superseded the \$10.0 million of existing term loan tranches with new term loan tranches that enable us to borrow up to an aggregate of \$45.0 million upon the achievement of certain milestones. We have borrowed \$15.0 million under the first tranche, or the 2021 Refinancing Term Loans, and currently have \$20.0 million in term loan tranches available to us upon the achievement of certain milestones under the terms of the K2 Loan Agreement.

Term loans under the K2 Loan Agreement bear interest at a floating annual rate equal to the greater of (i) the prime rate used by the lender plus 4.5% and (ii) 7.75%. The monthly payments on the 2021 Refinancing Term Loans are interest-only until July 1, 2023, and then subsequent to the interest-only period, the 2021 Refinancing Term Loans will be payable in equal monthly installments of principal plus accrued and unpaid interest, through April 1, 2025, the maturity date. We are required to make final fee payments equal to \$0.5 million on September 1, 2023 and 5.75% of the aggregate original principal amount of the 2021 Refinancing Term Loans at the maturity date. We may elect to prepay all, but not less than all, of the 2021 Refinancing Term Loans prior to the maturity date, subject to a prepayment fee of up to 3.0% of the then outstanding principal balance. After repayment, no term loan amounts may be borrowed again.

Our obligations under the K2 Loan Agreement are secured by a security interest in substantially all of our assets, other than our intellectual property. The K2 Loan Agreement includes customary affirmative and negative covenants and also includes standard events of default, including an event of default based on the occurrence of a material adverse event, and a default under any agreement with a third party resulting in a right of such third party to accelerate the maturity of any debt in excess of \$0.3 million. The negative covenants include, among others, restrictions on us transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying cash dividends or making other distributions, making investments, creating liens, selling assets and making any payment on subordinated debt, in each case subject to certain exceptions. Upon the occurrence and continuance of an event of default, the lender may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the K2 Loan Agreement. As of September 30, 2022, we were in compliance with all applicable covenants under the K2 Loan Agreement.

Sales Agreement

On October 4, 2021, we entered into a sales agreement, or the Sales Agreement, with SVB Leerink LLC, or SVB Leerink, to sell shares of common stock from time to time through our ATM offering program, under which SVB Leerink will act as our sales agent. We have no obligation to sell any shares of common stock under the Sales Agreement and may at any time suspend solicitation and offers under the Sales Agreement. SVB Leerink will be entitled to compensation in an amount of up to 3.0% of the gross proceeds of any shares of common stock sold under the Sales Agreement. A maximum of \$50.0 million of shares of common stock may be sold under the Sales Agreement. We did not sell any shares of our common stock under the Sales Agreement during the nine months ended September 30, 2022. As of September 30, 2022, we may sell up to an additional \$27.3 million of shares of our common stock under the Sales Agreement and pursuant to our ATM offering program, although we may not sell any shares under the Sales Agreement during the pendency of the proposed Merger with Equillum.

Material Cash Requirements

Other than transaction costs related to the proposed Merger, and the requirement under the Merger Agreement that we maintain a minimum net cash at the Merger Closing of \$23.0 million, our material cash requirements from known contractual obligations have not changed materially since our Annual Report.

On March 11, 2022, we entered into an Agreement for Termination of Lease and Voluntary Surrender of Premises, or Lease Termination Agreement, with ARE-SD Region No. 30, LLC, or Landlord, to accelerate the termination of the operating lease for our former corporate headquarters, or our Corporate Lease. Under the terms of the Lease Termination Agreement, our Corporate Lease would terminate on the later of March 31, 2022 and the date that Landlord notifies us that it has executed a lease agreement with a third party for the premises. On March 31, 2022, or the Lease Termination Date, Landlord notified us that our Corporate Lease had been terminated pursuant to the terms of the Lease Termination Agreement. Since the Lease Termination Date, we have had no further obligations under our Corporate Lease and have transitioned to a fully remote work environment and no longer maintain a corporate headquarters. We believe that a fully remote work environment will be adequate to meet our needs for the immediate future, and that we will be able to obtain access to suitable physical office space in the future to the extent necessary.

We believe that our existing cash, cash equivalents and short-term investments will be sufficient to meet our material cash requirements through at least the next twelve months based on our current operating plans. We expect to finance our long-term cash requirements and obligations beyond the next twelve months through a combination of existing cash and cash equivalents and equity offerings and debt financings, as well as business combinations, collaborations and other similar strategic alternatives. Our forecast of

the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong or change, and we could expend our capital resources sooner than we expect.

During the pendency of the proposed Merger, we are generally required to conduct our business in the ordinary course consistent with past practice, and preserve our business organization and material business relationships. Additionally, we are subject to a variety of operating covenants that impose liquidity and capitalization restrictions on the conduct of our business prior to the Closing. Unless we obtain Equillum's prior written consent (which shall not be unreasonably withheld, conditioned or delayed) and except (i) as expressly permitted or expressly contemplated by the Merger Agreement, (ii) as required by applicable laws or (iii) as set forth in the confidential disclosure letter we delivered to Equillum, we may not, among other things and subject to certain exceptions and aggregate limitations: pay any dividends, or repurchase, redeem or otherwise acquire shares of our common stock; issue additional shares of our common stock other than upon the exercise, settlement or vesting of outstanding equity-based awards granted under our equity incentive plans; increase the salary, compensation or benefits of our employees or hire, promote or terminate (without cause) any employee; acquire or sell, lease, license, encumber or dispose of any material properties, rights or assets; incur additional indebtedness; make certain additional capital expenditures; assign, transfer or license our intellectual property; amend, modify or enter into material contracts; or commence any clinical trial of any product candidate.

Without taking into account the proposed Merger, our future cash requirements will depend on many factors, including:

- the scope, rate of progress and costs of our drug discovery, preclinical development activities, laboratory testing and clinical trials for MET642 or any future product candidate;
- the number and scope of clinical programs we decide to pursue;
- the extent to which we collaborate with biopharmaceutical companies for the development and potential commercialization of MET642 or any future product candidates;
- the scope and costs of manufacturing for MET642 or any future product candidate and commercial manufacturing activities;
- the cost, timing and outcome of regulatory review of MET642 or any future product candidate;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- the terms and timing of any strategic transaction we may enter into;
- our efforts to enhance operational systems and our ability to attract, hire and retain qualified personnel, including personnel to support the development of MET642 or any future product candidate;
- the costs associated with being a public company;
- the timing of any milestone and royalty payments to The Salk Institute for Biological Studies, or other future licensors;
- the extent to which we acquire or in-license other product candidates and technologies; and
- the cost associated with commercializing MET642 or any future product candidate, if they receive marketing approval.

Without taking into account the proposed Merger, and until such time, if ever, as we can generate substantial product revenues to support our cost structure, we expect to finance our operations through a combination of equity offerings, debt financings, strategic transactions, license agreements, collaborations, and other similar arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, or other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. If we are unable to raise additional sufficient capital when needed, we may be required to:

- delay, reduce or eliminate our development programs or other operations;
- enter into strategic transactions or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves, or on terms that are less favorable than might otherwise be available;
- dispose of technology assets, or relinquish or license on unfavorable terms, our rights to technologies or any future product candidates that we otherwise would seek to develop or commercialize ourselves;
- pursue the sale of our company to a third party at a price that may result in a loss on investment for our stockholders; or
- file for bankruptcy or cease operations altogether.

Any of these events could have a material adverse effect on our business, operating results and prospects.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations are based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities in our unaudited condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and

events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 1 to our unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report, we believe the following accounting policies and estimates to be most critical to the preparation of our unaudited condensed consolidated financial statements.

Accrued Expenses

We make estimates of our accrued research and development expenses for services performed by our vendors in connection with research and development activities for which we have not yet been invoiced. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost.

We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses include the costs incurred for services performed by our vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to research and development activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid expense accordingly. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Stock-Based Compensation Expense

Stock-based compensation expense represents the cost of the grant date fair value of equity awards recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis. We estimate the fair value of all stock option grants using the Black-Scholes option pricing model and recognize forfeitures as they occur. Estimating the fair value of equity awards as of the grant date using valuation models, such as the Black-Scholes option pricing model, is affected by assumptions regarding a number of variables, including the fair value of the underlying common stock on the date of grant, the risk-free interest rate, the expected stock price volatility, the expected term of stock options, and the expected dividend yield. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. See Note 7 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report for information concerning certain of the specific assumptions we used in applying the Black-Scholes option pricing model to determine the estimated fair value of our stock options granted the three and nine months ended September 30, 2022 and 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer (Principal Executive Officer) and our Chief Business Officer (Principal Financial and Accounting Officer), have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and our Chief Business Officer have concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Business Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Quarterly Report, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

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 and our other filings with the SEC before making investment decisions regarding our common stock.

Summary Risk Factors

We may be unable, for many reasons, including those that are beyond our control, to implement our business strategy. In particular, risks associated with our business include:

- The Merger may not be completed on the terms or timeline currently contemplated, or at all. Our stockholders and Equillium's stockholders will be subject to a number of material risks if the Merger is not completed.
- The Merger may be completed even if certain events occur prior to the Closing Date that materially and adversely affect us and Equillium.
- The Exchange Ratio will not be determined until shortly prior to the Closing Date and our stockholders and Equillium's stockholders may not know the number of shares to be issued in the Merger or the Exchange Ratio at the time of the stockholder special meetings.
- We will need to obtain substantial additional funding to complete the development and any commercialization of MET642 and any future product candidates. If we are unable to raise this capital when needed, we may be forced to delay, reduce or eliminate our development programs or other operations.
- We are an early stage biopharmaceutical company with a very limited operating history. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. We have never generated any revenue from product sales and may never be profitable.
- Our activities to evaluate and pursue strategic alternatives may not result in any definitive transaction or enhance stockholder value, and may create a distraction for our management and uncertainty that may adversely affect our operating results and business.
- We are highly dependent on the success of our FXR program, which consists of our only product candidate MET642, which is in the early stage of development, and we may not be able to successfully obtain regulatory or marketing approval for, or successfully commercialize, MET642 for the treatment of UC.
- The trading price of our common stock may be volatile and fluctuate substantially or may decline regardless of our operating performance, which could result in substantial losses.
- MET642 is an FXR agonist, a class of drugs from which there are no approved therapies in the diseases for which we are currently pursuing clinical trials. This makes it difficult to predict the timing and costs of clinical development for this product candidate.
- We are very early in our development efforts and we have limited experience conducting clinical trials in humans.
- The development and commercialization of drug products is subject to extensive regulation, and we may not obtain regulatory approvals for MET642 for the treatment of UC, or any future product candidate.
- Any delays in the commencement or completion, or termination or suspension, of our clinical trials could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.
- If we experience delays or difficulties in enrolling patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.
- Adverse side effects or other safety risks associated with a product candidate could delay or preclude approval, cause us to suspend or discontinue clinical trials, abandon a product candidate, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.
- Our business could be adversely affected by the effects of health pandemics or epidemics, including the ongoing COVID-19 pandemic, and the impact of evolving macroeconomic conditions, and could cause significant disruption in the operations of third-party manufacturers, CROs and other third parties upon whom we rely.
- We face substantial competition, which may result in others discovering, developing or commercializing products more quickly or marketing them more successfully than us. If their product candidates are shown to be safer or more effective than ours, then our commercial opportunity will be reduced or eliminated.
- Our commercial success depends on our ability to obtain and maintain sufficient intellectual property protection for MET642 or any future product candidate and other proprietary technologies.

Investing in our common stock is speculative and involves a high degree of risk. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. This Quarterly Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. You should consider all of the risk factors described when evaluating our business. The risk factors set forth below that are marked with an asterisk () are new or contain changes to the similarly titled risk factors included in our Annual Report.*

Risk Factors

Risks Related to the Proposed Merger

The Merger may not be completed on the terms or timeline currently contemplated, or at all. Our Stockholders and Equillium's stockholders will be subject to a number of material risks if the Merger is not completed.*

The consummation of the Merger is subject to certain closing conditions, including (1) adoption of the Merger Agreement by the holders of a majority of our outstanding common stock at a meeting of our stockholders, (2) approval of the issuance of shares of Equillium Common Stock in the Merger by the majority of the votes cast at a meeting of Equillium's stockholders (provided that a quorum exists), (3) the effectiveness of the registration statement on Form S-4 filed with the SEC on October 27, 2022, (4) our net cash at the Closing being no less than \$23,000,000, (5) the absence of certain legal impediments, and (6) other customary closing conditions.

If the Merger is not completed for any reason, including the failure to complete the Merger by January 2, 2023 (or such later date to which such date may be extended in accordance with the terms of the Merger Agreement), the price of Equillium Common Stock and/or the price of our common stock may decline to the extent that the market price of Equillium Common Stock or our common stock, as applicable, reflects or previously reflected positive market assumptions that the Merger would be completed and the related benefits would be realized. In addition, we and Equillium have expended and will continue to expend significant management time and resources and have incurred and will continue to incur significant expenses due to legal, advisory, printing and financial services fees related to the Merger. These expenses must be paid regardless of whether the Merger is consummated. If the Merger is not consummated because the Merger Agreement is terminated, Equillium may be required under certain circumstances to pay us a termination fee of \$1,750,000 or we may be required under certain circumstances to pay Equillium a termination fee of \$1,250,000. There is no assurance that the Merger will be consummated. If the Merger is not timely completed, we may have to materially alter our respective business plans, including pausing and/or terminating current and planned clinical trials and the development of product candidates.

The Merger may be completed even if certain events occur prior to the Closing Date that materially and adversely affect us and Equillium.*

In general, either party can refuse to complete the Merger if there is a material adverse change affecting the other party between the signing date of the Merger Agreement and the Closing Date. However, certain types of changes do not permit either party to refuse to complete the Merger, even if such change could have a material adverse effect on Equillium or us, including, subject to certain exceptions, among others:

- changes or conditions generally affecting the industries in which we or Equillium operate;
- general economic or political conditions or securities, credit, financial or other capital markets conditions, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets and recession risks, in each case in the United States or any foreign jurisdiction;
- any failure, in and of itself, by us or Equillium to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period;
- the public announcement or pendency of the Merger;
- any change, in and of itself, in the market price or trading volume of our or Equillium's securities or in its credit ratings;
- any change in applicable law, regulation or U.S. generally accepted accounting principles;
- geopolitical conditions, the outbreak or escalation of hostilities, any acts of war, sabotage or terrorism, or any escalation, including potential disruptions from the Russia-Ukraine conflict;
- any hurricane, tornado, flood, earthquake or other natural disaster;
- any epidemic, pandemic or disease outbreak (including COVID-19) and any action by a governmental entity in response thereto;
- any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable law relating to the Merger Agreement or the transactions contemplated thereby;
- any adverse effects, adverse events or safety observations or reports of new side effects, adverse events or safety observations with respect to our or Equillium's product candidates that are not reasonably expected to materially affect the likelihood or timing of approval by the U.S. Food and Drug Administration, or the FDA;
- any change or modification to any development program of Equillium; or
- any taking of any action required pursuant to the Merger Agreement, or not required by the Merger Agreement but taken at the written request of the other party.

If one or more material adverse changes occur and we still complete the Merger, the stock price of the combined company following the Closing may suffer. This in turn may reduce the value of the shares of Equillium Common Stock to the stockholders of the combined company.

The Exchange Ratio will not be determined until shortly prior to the Closing Date and our stockholders and Equillium's stockholders may not know the number of shares to be issued in the Merger or the Exchange Ratio at the time of our respective special meetings of stockholders.*

In connection with the Merger, all of the issued and outstanding shares of our common stock will be cancelled and converted into the right to receive consideration per share consisting of (i) the Exchange Ratio, determined by dividing (x) (a) 125% of our net cash as of the Closing, divided by (b) the price per share of Equillium Common Stock determined based on the 10 day trading volume weighted average price per share of Equillium Common Stock calculated 10 trading days prior to the Closing, provided that in no event will the price per share of Equillium Common Stock be less than \$2.70 or greater than \$4.50 by (y) the aggregate amount of our fully diluted shares, plus (ii) any cash payable in lieu of fractional shares of Equillium Common Stock.

The Exchange Ratio is adjustable, as described above, and the price per share of Equillium Common Stock may be subject to change prior to, during and following the period during which the price per share of Equillium Common Stock is set for purposes of the Exchange Ratio. Changes in our net cash as of the Closing and the price of Equillium Common Stock prior to the Merger will each affect the market value of the Merger consideration that our stockholders actually receive upon the Closing. Stock price changes may result from a variety of factors (many of which are beyond our and Equillium's control), including the following factors:

- changes in our and Equillium's respective businesses, operations, financial position or prospects;
- changes in market assessments of the business, operations, financial position or prospects of either company or the combined company;
- manipulation to affect the Exchange Ratio leading up to the Closing Date;
- market assessments of the likelihood that the Merger will be completed;
- interest rates, general market, political and economic conditions and other factors generally affecting the price of Equillium Common Stock; and
- federal, state and local legislation, governmental regulation and legal developments affecting our business or the business of Equillium.

Under the Merger Agreement, there will be no adjustment to the Exchange Ratio for changes in the market price of Equillium Common Stock within 10 trading days of the Closing, and neither company is permitted to terminate the Merger Agreement or resolicit the vote of Equillium's stockholders or our stockholders solely because of changes in the market price of either company's stock.

Because the Merger will be completed after the date of the respective special stockholder meetings, if the special stockholder meeting occurs prior to the finalization of our net cash as of the Closing Date, or more than 10 trading days prior to the Closing Date, at the time of the applicable special stockholder meeting, our stockholders and Equillium's stockholders may not know the Exchange Ratio or the exact market value of the Equillium Common Stock that our stockholders will receive upon the Closing.

Failure to complete the Merger could negatively affect our stock price and our future business and financial results.*

If the Merger is not completed, our ongoing business may be adversely affected and we will be subject to several risks, including the following:

- the possibility that we may be required to pay Equillium a termination fee of \$1,250,000 under certain circumstances;
- the incurrence of costs and expenses relating to the proposed Merger, such as financing, legal, accounting, financial advisor, filing, printing and mailing fees and expenses;
- the possibility that we will be unable to find another potential strategic partner, advance our product candidates, and, as a result, elect to liquidate and dissolve our business;
- the possibility of a change in the trading price of our common stock to the extent current trading prices reflect a market assumption that the Merger will be completed;
- the possibility that we could suffer potential negative reactions from our employees, partners and vendors; and
- the possibility that we could suffer adverse consequences associated with our management's focus on the Merger instead of on pursuing other opportunities that could have been beneficial to us without realizing any of the benefits contemplated by the Merger.

In addition, if the Merger is not completed, we could be subject to litigation related to any failure to complete the Merger or to perform their respective obligations under the Merger Agreement.

If the Merger is not completed, we cannot assure you that these risks will not materialize and will not materially affect our business, financial results and stock price.

Our net cash on the Closing Date is subject to change, which could result in our stockholders owning a smaller percentage of the combined company and could even result in the closing conditions not being satisfied.*

For purposes of the Merger Agreement, our cash is subject to certain reductions, including, without limitation, certain short and long term liabilities, unpaid expenses related to the Merger, the purchase of a six-year tail to our directors and officers liability insurance

policy, or D&O insurance, and certain other unpaid obligations, including change of control payments, severance and similar payments payable to its current and former employees, the expected cost and expenses of liability arising from legal proceedings, payments in order to terminate certain agreements, and payments (up to the unpaid deductible) under D&O insurance reasonably expected to be paid in connection with legal proceedings. In the event the amount of our net cash on the Closing Date is less than anticipated, our stockholders could hold a significantly smaller portion of the combined company. Additionally, the Merger Agreement includes a closing condition that requires we deliver a minimum net cash of \$23.0 million on the Closing Date. In the event that our net cash falls below this threshold, Equillum would not be obligated to, but may in its sole discretion elect to, consummate the Merger, which would further reduce the portion of the combined company held by our stockholders.

Equillum has the right to pursue certain strategic transactions and to issue and sell equity and convertible securities subject to certain limitations, the occurrence of which may impact our stockholders' decisions to vote for our merger proposals at our special meeting of stockholders.

The Merger Agreement allows Equillum to issue, sell or agree to issue or sell shares of Equillum capital stock and/or other equity and convertible securities of Equillum that in the aggregate would not equal or exceed 20% of Equillum's outstanding capital stock, calculated as of the date of the Merger Agreement, without our consent. Any such issuance or sale of Equillum equity or convertible securities may result in our stockholders holding a smaller portion of the combined company. Additionally, in limited circumstances, Equillum may enter into and consummate a strategic transaction to exclusively license or sell, or grant an option to exclusively license or sell, certain of its assets, including Equillum's rights to develop, manufacture and commercialize EQ001 (*itolizumab*) without our consent. Should such a transaction occur, it is likely to materially impact Equillum's stock price and its current and future business plans.

Our stockholders and Equillum's stockholders will not be entitled to appraisal rights in the Merger.*

Appraisal rights are statutory rights that, if applicable under law, enable stockholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to stockholders in connection with the extraordinary transaction.

Under § 262(b) of the General Corporation Law of the State of Delaware, stockholders do not have appraisal rights if the shares of stock they hold, as of the record date for determination of stockholders entitled to vote at the meeting of stockholders to act upon a merger, are either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders. Notwithstanding the foregoing, appraisal rights are available if stockholders are required by the terms of a merger agreement to accept for their shares anything other than (a) shares of stock of the surviving corporation, (b) shares of stock of another corporation that will either be listed on a national securities exchange or held of record by more than 2,000 holders, (c) cash instead of fractional shares or (d) any combination of clauses (a) through (c).

Our shares are listed on The Nasdaq Capital Market and are expected to continue to be so listed on the record date for our special meeting of stockholders. Because holders of shares of our common stock will receive shares of Equillum Common Stock in the Merger and cash in lieu of fractional shares, holders of shares of our common stock will also not be entitled to appraisal rights in the Merger with respect to their shares of our common stock.

The Merger Agreement contains provisions that could discourage a potential competing acquiror or result in any competing proposal being at a lower price than it might otherwise be.*

The Merger Agreement contains "no-shop" provisions that, subject to limited exceptions, restrict our and Equillum's ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire all or a significant part of us or Equillum. In addition, the other party generally has an opportunity to offer to modify the terms of the proposed Merger in response to any competing acquisition proposals that may be made before its board of directors may withdraw or qualify its recommendation regarding the stockholder proposals relating to the Merger. In specified circumstances, we or Equillum may be required to pay a termination fee to the other party due to the termination of the Merger Agreement.

These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of us from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher value than that market value proposed to be received or realized in the Merger, or might result in a potential competing acquiror proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee or expenses that may become payable in certain circumstances.

If the Merger Agreement is terminated and we attempt to seek another business combination, there is no assurance that either we may be able to negotiate a transaction with another party on terms comparable or better than the terms of the Merger.

The pendency of the proposed Merger could adversely affect our business and operations and the business and operations of Equillum.*

In connection with the Merger, some of our prospective partners and some of Equillum's prospective partners may delay or defer decisions or reduce their level of business with either or both of us and Equillum, any of which could negatively affect our respective financials and business plans, regardless of whether the Merger is completed. In addition, due to certain operating covenants in the Merger Agreement, we and Equillum may each be unable, during the pendency of the Merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other

actions without the consent of the other party, even if such actions would prove beneficial. Any of these effects could adversely affect our or Equillum's respective businesses prior to the completion of the Merger. Moreover, the pursuit of the Merger and the preparation for the integration of the companies may place a significant burden on the management and personnel of both companies. The diversion of management's attention away from operations in the ordinary course could adversely affect our respective financial results and the advancement of our respective product candidates.

The market price of Equillum Common Stock may be affected by factors different from those that have historically affected the market price of our common stock, which will continue to fluctuate after the Merger.*

Upon completion of the Merger, holders of our common stock will become holders of Equillum Common Stock. Equillum's business differs from our business in certain respects, and, accordingly, the financial position or results of operations and/or cash flows of Equillum after the Merger, as well as the market price of shares of Equillum Common Stock, may be affected by factors different from those currently affecting our financial position, results of operations and/or cash flows. In addition, the stock market has recently experienced significant price and volume fluctuations which, if they continue to occur, could have a material adverse effect on the market for, or liquidity of, the Equillum Common Stock, regardless of Equillum's actual operating performance. As a result, the market price of shares of Equillum Common Stock may fluctuate significantly following completion of the Merger, and our stockholders could lose some or all of the value of their investment in Equillum Common Stock.

Equillum and Metacrine may be targets of securities class action and derivative lawsuits which could result in substantial costs and may delay or prevent the Merger from being completed.*

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims could result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our and Equillum's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the Merger, then that injunction may delay or prevent the Merger from being completed, which may adversely affect our and Equillum's respective business, financial position and results of operations.

The fairness opinions obtained by our board of directors from our financial advisor do not and will not reflect changes in circumstances after the date of such opinions.*

Our board of directors received written opinions from MTS dated September 2, 2022, or the September MTS Opinion, and October 19, 2022, or the October MTS Opinion and, together with the September MTS Opinion, the MTS Opinions, that as of such dates and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by MTS, as set forth in the MTS Opinions, the Exchange Ratio employed in the Merger pursuant to the Merger Agreement was fair to the holders of shares of our common stock (other than Excluded Shares (as defined in the MTS Opinions)), from a financial point of view. Changes in our operations or prospects, general market and economic conditions and other factors that may be beyond our control, and on which the MTS Opinions were based, may alter our value or the value of Equillum or the prices of shares of Equillum Common stock or our common stock by the time the Merger is completed. Except for the October MTS Opinion, we have not obtained, and do not expect to request, updated opinions from MTS. The MTS Opinions do not speak to any date other than the date of such opinion.

Directors and executive officers of Equillum and Metacrine have financial interests in the Merger that may be different from, or in addition to, those of other Equillum stockholders and our stockholders, which could have influenced their decisions to support or approve the Merger.*

In considering whether to approve the proposals at the special meetings, our stockholders should recognize that our and Equillum's directors and executive officers have interests in the Merger that may differ from, or that are in addition to, their interests as our stockholders and stockholders of Equillum. Our and Equillum's boards of directors were aware of these interests at the time each approved the Merger Agreement. These interests may cause our and Equillum's directors and executive officers to view the Merger differently than you may view it as a stockholder. The interests include, among others, severance benefits, continued indemnification and the right to accelerated vesting. For example, we previously entered into severance and bonus agreements with certain members of management that provide them with cash severance payments, certain health insurance coverage and the acceleration of their outstanding equity awards in the event their employment is terminated in connection with a change of control of our company.

Due to the Merger, Equillum's ability to use our net operating losses to offset future taxable income may be restricted and our net operating losses could expire or otherwise be unavailable.*

As of December 31, 2021, we had federal net operating loss carryforwards, which we refer to as NOLs, of approximately \$164.5 million. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-ownership change NOLs to offset future taxable income. As of December 31, 2021, we have not completed a Section 382 limitation study. If the Merger is completed, our existing NOLs may be subject to limitations. In addition, if Equillum undergoes any subsequent ownership change, its ability to utilize these NOLs would be limited.

The Merger is intended to be a taxable transaction and does not qualify as a “reorganization” for U.S. federal income tax purposes. Our U.S. stockholders will be required to recognize gain or loss for U.S. federal income tax purposes at the time of the exchange of their common stock for the merger consideration in the Merger.*

U.S. holders of our common stock will recognize gains or losses for U.S. federal income tax purposes on each share of our common stock surrendered in the Merger in an amount equal to the difference between (1) the fair market value of the merger consideration received in exchange for such surrendered share upon completion of the Merger and (2) the holder's basis in the share of our common stock surrendered. Any gain or loss recognized would be long-term capital gain or loss if the U.S. holder's holding period in a particular block of our common stock exceeds one year at the effective time of the Merger. Long-term capital gain of non-corporate U.S. holders (including individuals) is taxed at reduced U.S. federal income tax rates.

The following risk factors do not take into account our proposed Merger with Equillium and assume that we remain a stand-alone company except as otherwise noted.

Risks Related to Our Business and to the Discovery, Development and Regulatory Approval of MET642 and any Future Product Candidates

We will need to obtain substantial additional funding to complete the development and any commercialization of MET642 and any future product candidates. If we are unable to raise this capital when needed, we may be forced to delay, reduce or eliminate our development programs or other operations.*

Since our inception, we have used substantial amounts of cash to fund our operations. The development of biopharmaceutical product candidates is capital intensive. As MET642 or any future product candidate enters and advances through preclinical studies and clinical trials, we will need substantial additional funds to expand our clinical, regulatory, quality and manufacturing capabilities. In addition, the conflict between Russia and Ukraine may result in delays or increased costs for our Phase 2a proof-of-concept clinical trial of MET642 for the treatment of UC, which originally included several trial sites located in Russia and Ukraine. Due to the ongoing conflict, we plan to identify alternative and additional sites for the trial. We cannot be certain what the overall impact of this conflict will be on our ability to conduct and complete the clinical trial on schedule. In addition, if we obtain marketing approval for MET642 or any future product candidate, we expect to incur significant commercialization expenses for marketing, sales, manufacturing and distribution. We expect to continue to incur costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. Adequate additional financing may not be available to us on favorable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. If we are unable to raise sufficient capital when needed or on favorable terms, we could be forced to delay, reduce or eliminate our development programs, our commercialization plans or other operations, which could cause the price of our common stock to decline. Our future capital requirements will depend on many factors, including:

- the scope, rate of progress and costs of our drug discovery, preclinical development activities, laboratory testing, toxicology studies and clinical trials for MET642 and any future product candidates;
- the number and scope of clinical programs we decide to pursue;
- the extent to which we collaborate with biopharmaceutical companies for the development and potential commercialization of MET642 or any future product candidates;
- the scope and costs of manufacturing development and commercial manufacturing activities;
- the cost, timing and outcome of regulatory review of MET642 or any future product candidates;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the terms and timing of establishing and maintaining collaborations, licenses and other similar arrangements;
- the terms and timing of any strategic transaction we may enter into;
- our efforts to enhance operational systems and our ability to attract, hire and retain qualified personnel, including personnel to support the development of MET642 or any future product candidates;
- the costs associated with being a public company;
- the timing of any milestone and royalty payments to current or future licensors;
- the extent to which we acquire or in-license other future product candidates and technologies;
- the impact of widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the Russia-Ukraine conflict;
- the cost associated with commercializing MET642 or any future product candidates if they receive marketing approval; and
- the severity, duration, and impact of the ongoing COVID-19 pandemic, which may exacerbate the magnitude of the factors discussed above.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain

regulatory approval and achieve product sales. In addition, MET642 and any future product candidate, if approved, may not achieve commercial success.

Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for sale for many years, if at all. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations, including through a combination of equity offerings, debt financing, additional borrowings under the K2 Loan Agreement, strategic transactions, collaborations and other similar arrangements. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. If we are unable to raise sufficient capital when needed or on attractive terms, we may be required to:

- delay, reduce or eliminate our development programs or other operations;
- enter into strategic alliances or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves, or on terms that are less favorable than might otherwise be available;
- dispose of technology assets, or relinquish or license on unfavorable terms, our rights to technologies or any future product candidates that we otherwise would seek to develop or commercialize ourselves;
- pursue the sale of our company to a third party at a price that may result in a loss on investment for our stockholders; or
- file for bankruptcy or cease operations altogether.

Any of these events could have a material adverse effect on our business, operating results and prospects.

We are an early stage biopharmaceutical company with a very limited operating history. We have incurred net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future. We have never generated any revenue from product sales and may never be profitable.*

We are an early stage biopharmaceutical company with a very limited operating history that may make it difficult to evaluate the success of our business to date and to assess our future viability. We were incorporated in 2014 and commenced operations in 2015. To date, our operations have been limited to organizing and staffing our company, business planning, raising capital, researching, discovering and developing our pipeline in FXR and other drug targets, and general and administrative support for these operations. We have delayed clinical development efforts related to our planned Phase 2a proof-of-concept clinical trial of MET642 in UC until the completion of our review of strategic alternatives. We may experience delays in the commencement or completion of this trial, or potentially termination or suspension of the trial, which could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects. We have not yet demonstrated an ability to successfully complete any late stage clinical trials and have never completed the development of any product candidate. In October 2021, we discontinued future development of our FXR program for the treatment of non-alcoholic steatohepatitis, or NASH, and, in February 2022, we discontinued our other research and discovery programs. We have never generated any revenue from product sales and have incurred net losses each year since we commenced operations. For the nine months ended September 30, 2022 and 2021, our net losses were \$24.7 million and \$48.7 million, respectively. As of September 30, 2022, we had an accumulated deficit of \$207.6 million. We expect to incur increasing levels of operating losses over time as we execute our plan to continue our development activities, including the clinical development of MET642, and continue to incur the additional costs of operating as a public company. We expect that it will be several years, if ever, before we have a product candidate ready for potential regulatory approval and commercialization. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' deficit and working capital.

To become and remain profitable, we must develop and eventually commercialize a product with significant market potential. This will require us to be successful in a range of challenging activities, including completing preclinical studies and clinical trials of MET642 or any other future product candidate, obtaining marketing approval for these product candidates, manufacturing, marketing and selling those products for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in these activities and, even if we succeed in obtaining approval for and commercializing MET642 or any future product candidate, we may never generate revenues that are significant enough to achieve profitability. In addition, as a young business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown challenges. Furthermore, because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis and we will continue to incur substantial development and other expenditures to develop and market additional product candidates. Our failure to become and remain profitable would decrease the value of the company and could impair our ability to raise capital, maintain our development efforts, expand our business or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

We are highly dependent on the success of our FXR program, which consists of our only product candidate MET642, which is in the early stage of development, and we may not be able to successfully obtain regulatory or marketing approval for, or successfully commercialize, MET642 for the treatment of UC.

Our future success will depend entirely on our ability to successfully develop, obtain regulatory approval for, and then successfully commercialize our only product candidate, MET642, an FXR agonist for the treatment of UC, which may never occur. We have no significant product candidates in our pipeline other than MET642. In October 2021, we discontinued future development of our FXR program in NASH and in February 2022, we discontinued our other research and discovery programs. In addition, we have

delayed clinical development efforts related to our planned Phase 2a proof-of-concept clinical trial of MET642 in UC until the completion of our review of strategic alternatives. We currently generate no revenues from sales of any drugs and we may never be able to develop or commercialize a marketable drug.

Before we can market and sell a drug in the United States or foreign jurisdictions, we will need to commence and complete additional clinical trials, manage clinical, preclinical and manufacturing activities, obtain necessary regulatory approvals from the FDA and from similar foreign regulatory agencies in other jurisdictions, obtain manufacturing supply, build a commercial organization or enter into a marketing collaboration with a third party, and in some jurisdictions, obtain reimbursement authorization, among other things. We cannot assure you that we will be able to successfully complete the necessary clinical trials and/or obtain regulatory approvals and develop sufficient commercial capabilities for MET642 or any future product candidates. We have not submitted an NDA to the FDA, or similar drug approval filings to comparable foreign authorities, for any product candidate. Further, a product candidate may not receive regulatory approval even if it is successful in clinical trials. If we do not receive regulatory approvals, our business, prospects, financial condition and results of operations will be adversely affected. Even if we obtain regulatory approvals, we may never generate significant revenues from any commercial sales of a marketable drug. If MET642 or any other future product candidate is approved and we fail to successfully commercialize it, we may be unable to generate sufficient revenues to sustain and grow our business and our business, prospects, financial condition and results of operations will be adversely affected.

MET642 is an FXR agonist, a class of drugs from which there are no approved therapies in the diseases for which we are currently pursuing clinical trials. This makes it difficult to predict the timing and costs of clinical development for this product candidate.

Historically, we have concentrated our product development efforts on our FXR agonists, MET409 and MET642, for the treatment of NASH. In October 2021, we discontinued future development of our FXR program in NASH and elected to focus our efforts and resources on developing MET642 in UC and our future success depends on the successful development of our therapeutic approach to this disease. To date, no FXR agonists have been approved for the treatment of UC. The regulatory approval process for a novel product candidate such as ours can be more expensive and take longer than for other, better known or extensively studied pharmaceutical or other product candidates. Such evolution may impact our future clinical trial designs, including trial size and approval endpoints, in ways that we cannot predict today. As we advance MET642 or any future product candidate, we will be required to consult with the FDA and equivalent foreign authorities and comply with applicable guidelines. The FDA and equivalent foreign authorities may require that we perform additional studies beyond those that we currently expect. As a result, our expenses could increase materially beyond what we currently anticipate, and the timing of any potential product approval may be delayed. As an example, the FDA has suggested, and we have agreed, to include scans and other blood tests with respect to our Phase 2a clinical trial of MET642 in NASH which resulted in increases to our anticipated study costs. Delay or failure to obtain, or unexpected costs in obtaining, the regulatory approval necessary to bring a potential product to market could decrease our ability to generate sufficient revenue to maintain our business.

The terms of the K2 Loan Agreement place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our operating and financial flexibility.*

In August 2019, we entered into the K2 Loan Agreement. We borrowed \$10.0 million in the first tranche under the K2 Loan Agreement and borrowed an additional \$5.0 million in connection with the October 2021 amendment. Our obligations under the K2 Loan Agreement are secured by a security interest in substantially all of our assets, other than our intellectual property. The K2 Loan Agreement includes customary affirmative and negative covenants, as well as standard events of default, including an event of default based on the occurrence of a material adverse event. The negative covenants include, among others, restrictions on us transferring collateral, incurring additional indebtedness, engaging in mergers or acquisitions, paying cash dividends or making other distributions, making investments, creating liens, selling assets and making any payment on subordinated debt, in each case subject to certain exceptions. These restrictive covenants could limit our flexibility in operating our business and our ability to pursue business opportunities that we or our stockholders may consider beneficial. In addition, K2 could declare a default upon the occurrence of any event that it interprets could have material adverse effect, as defined in the K2 Loan Agreement. Upon the occurrence and continuance of an event of default, K2 may declare all outstanding obligations immediately due and payable and take such other actions as set forth in the K2 Loan Agreement. Any declaration by K2 of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. We may not have enough available cash or be able to raise additional funds through equity or debt financings to repay these outstanding obligations at the time any event of default occurs. Further, if we raise any additional capital through debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

We are very early in our development efforts and we have limited experience conducting clinical trials in humans.*

We are early in our development efforts and we have limited experience conducting clinical trials in humans and have not yet conducted any clinical trials in UC. To date, MET642 has been evaluated for safety in 64 patients in a 14-day Phase 1 clinical trial and up to 190 patients in a 16-week Phase 2a clinical trial. The longer-term toxicity is unknown. We have completed a nine-month non-human primate Good Laboratory Practice, or GLP, toxicology study for MET642 to support longer-term clinical trials, and based on the preliminary findings from such study, we are planning to conduct an additional long-term animal toxicology study to support future longer-term clinical trials in the UC indication. We have delayed clinical development efforts related to our planned Phase 2a proof-of-concept clinical trial of MET642 in UC until the completion of our review of strategic alternatives. Adverse safety and toxicology findings may emerge as we review the findings from this study and as we conduct additional studies. The FDA may also require additional studies after their review of safety and toxicology findings.

In addition, success in early clinical trials does not mean that later clinical trials will be successful. For instance, the results of our completed Phase 1b proof-of-concept clinical trial of MET409 (a previous product candidate) in NASH patients and preliminary and interim results of our Phase 2a proof-of-concept clinical trials of MET642 in NASH may not be predictive of the results of any future clinical trial, including for other indications such as UC. Furthermore, our future clinical trials will need to demonstrate sufficient safety and efficacy in larger patient populations for approval by regulatory authorities. Companies frequently suffer significant setbacks in later-stage clinical trials, even after earlier clinical trials have shown promising results, and we cannot be certain that we will not face similar setbacks. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products. In addition, only a small percentage of drugs under development result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

To date, we have had only limited interactions with the FDA regarding our plans for our MET642 clinical trials. We may not learn of certain information or the amount or type of data that the FDA may require for approval of our product candidates until after we have additional interactions with the FDA, including after their review of safety and toxicology findings. As an example, the FDA has suggested, and we have agreed, to include scans and other blood tests with respect to our Phase 2a clinical trial of MET642 in NASH which resulted in increases to our anticipated study costs. In part because of our limited infrastructure, experience conducting clinical trials as a company and regulatory interactions, we cannot be certain that our clinical trials will be initiated on time, that our planned clinical trials will be completed on time, if at all, that our planned development programs would be acceptable to the FDA or other comparable foreign regulatory authorities, or that, if approval is obtained, such product candidates can be successfully commercialized.

Our ability to generate product revenues, which we do not expect will occur for many years, if ever, will depend heavily on our ability to successfully complete the above activities and any other activities required for the successful development and eventual commercialization of MET642 or any future product candidate. The success of MET642 or any future product candidate will further depend on factors such as:

- completion of preclinical studies, including ongoing and future long-term toxicology studies;
- initiation of our planned Phase 2a proof-of-concept clinical trial of MET642 for the treatment of UC;
- authorization by the FDA to proceed with clinical trials under Investigational New Drug Applications or similar regulatory authorizations by comparable foreign regulatory authorities for our future clinical trials;
- successful enrollment in, and completion of, clinical trials with favorable results;
- demonstrating safety and efficacy to the satisfaction of applicable regulatory authorities;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing manufacturing capabilities or arrangements with third-party manufacturers for clinical supply and, if and when approved, for commercial supply;
- establishing sales, marketing and distribution capabilities and launching commercial sales of our products, if and when approved, whether alone or in combination with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for MET642 or any future product candidate;
- maintaining a continued acceptable safety profile of any product following approval; and
- disruptions or difficulties, or other restrictions, in initiating, enrolling, conducting or completing trials due to the ongoing COVID-19 pandemic or the impact of widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the conflict between Russia and Ukraine, or other unforeseen events.

If we do not achieve one or more of these factors in a timely manner, we could experience significant delays or an inability to successfully obtain marketing approval and commercialize MET642 or any future product candidate, which would materially harm our business.

The development and commercialization of drug products is subject to extensive regulation, and we may not obtain regulatory approvals for MET642 for the treatment of UC, or any future product candidate.*

The clinical development, manufacturing, labeling, packaging, storage, recordkeeping, advertising, promotion, export, import, marketing and distribution and other possible activities relating to MET642 as well as any future product candidate that we may develop are subject to extensive regulation in the United States and foreign jurisdictions. Marketing approval of drug candidates in the United States requires the submission of an NDA to the FDA and we are not permitted to market any product candidate in the United States until we obtain approval from the FDA of an NDA for that product. An NDA must be supported by extensive clinical and preclinical data, as well as extensive information regarding pharmacology, chemistry, manufacturing and controls.

Regulatory approval of an NDA is not guaranteed, and the approval process is an expensive and uncertain process that may take several years. The FDA and foreign regulatory entities also have substantial discretion in the approval process. The number and types of preclinical studies and clinical trials that will be required for NDA approval varies depending on the product candidate, the disease or the condition that the product candidate is designed to treat and the regulations applicable to any particular product candidate. Despite the time

and expense associated with preclinical studies and clinical trials, failure can occur at any stage. The results of preclinical and early clinical trials of our product candidates and other products with the same mechanism of action may not be predictive of the results of our clinical trials. In particular, while we have conducted certain preclinical studies of MET642 and a Phase 1 clinical trial of MET642, we do not know whether MET642 will perform in current and future clinical trials as it has performed in these prior studies, including for other indications such as IBD, including UC. For example, in preclinical animal studies with our current and former FXR agonist product candidates, we have observed improvement in colon inflammation on a level similar to a mouse antibody which targets IL-12/23, but there is no guarantee that a similar improvement will be observed in our clinical trials.

Clinical trial failure may result from a multitude of factors including flaws in trial design, dose selection, placebo effect, patient enrollment criteria and failure to demonstrate favorable safety or efficacy traits, and failure in clinical trials can occur at any stage. Companies in the biopharmaceutical industry frequently suffer setbacks in the advancement of clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Based upon negative or inconclusive results, we may decide, or regulators may require us, to conduct additional clinical trials or preclinical studies. The ongoing conflict between Russia and Ukraine may result in delays or increased costs for our Phase 2a proof-of-concept clinical trial of MET642 for the treatment of UC because several trial sites were originally located in Russia and Ukraine. Due to the ongoing conflict, we plan to identify alternative and additional sites for the trial. We cannot be certain what the overall impact of this conflict will be on our ability to conduct and complete the clinical trial on schedule. In addition, data obtained from clinical trials are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may further delay, limit or prevent marketing approval. Furthermore, as more product candidates within a particular class of drugs proceed through clinical development to regulatory review and approval, the amount and type of clinical data that may be required by regulatory authorities may increase or change.

The FDA and similar foreign authorities could delay, limit or deny approval of a product candidate for many reasons, including because they:

- may not deem MET642 or any future product candidate to be adequately safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use;
- may not agree that the data collected from clinical trials of MET642 or any future product candidate are acceptable or sufficient to support the submission of an NDA or other submission or to obtain regulatory approval in the United States or elsewhere, and such authorities may impose requirements for additional preclinical studies or clinical trials;
- may determine that adverse events experienced by participants in our clinical trials represents an unacceptable level of risk;
- may determine that population studied in the clinical trial may not be sufficiently broad or representative to assure safety in the full population for which we seek approval;
- may not accept clinical data from trials which are conducted at clinical facilities or in countries where the standard of care is potentially different from that of the United States;
- may disagree regarding the formulation, labeling and/or the specifications of MET642 or any future product candidate;
- may not approve the manufacturing processes or facilities associated with MET642 or any future product candidate;
- may change approval policies or adopt new regulations; or
- may not accept a submission due to, among other reasons, the content or formatting of the submission.

Further, our planned clinical trials do or will contain and rely upon endpoints that require subjective assessments from patients and subject us to a substantial risk of “placebo effect” which is a well-known risk in clinical trials evaluating therapeutics for IBD, including UC. While a drug candidate may show clinical activity or therapeutic benefit, a high placebo effect in a clinical trial will make it difficult to ascertain that benefit or to show a statistically significant effect of the drug candidate as compared to the control arm and may ultimately cause a clinical trial to fail.

In the past we have used agents in combination with previous product candidates, including MET409, for clinical trials, and we may do so again in future clinical trials. Even if any product candidate we develop were to receive marketing approval or be commercialized for use in combination with other existing therapies, we would continue to be subject to the risks that the FDA or similar regulatory authorities outside of the United States could revoke approval of the therapy used in combination with MET642 or any future product candidate. There is also a risk that safety, efficacy, manufacturing or supply issues could arise with the antidiabetic agent that is used in the combination therapy. This could result in our own products being removed from the market or being less successful commercially.

Generally, public concern regarding the safety of drug products could delay or limit our ability to obtain regulatory approval, result in the inclusion of unfavorable information in our labeling, or require us to undertake other activities that may entail additional costs.

If we experience delays in obtaining approval or if we fail to obtain approval of MET642 or any future product candidate, the commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired which would adversely affect our business, prospects, financial condition and results of operations.

Any delays in the commencement or completion, or termination or suspension, of our clinical trials could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.*

Before obtaining marketing approval from regulatory authorities for the sale of a product candidate, we must complete preclinical development and extensive clinical studies to demonstrate the safety and efficacy of the product candidate in humans. Clinical testing is expensive, time consuming and uncertain as to outcome. In addition, we may rely in part on preclinical, clinical and quality data generated by CROs and other third parties for regulatory submissions for MET642 or any future product candidate. While we have or will have agreements governing these third parties' services, we have limited influence over their actual performance. If these third parties do not make data available to us, or, if applicable, make regulatory submissions in a timely manner, in each case pursuant to our agreements with them, our development programs may be significantly delayed and we may need to conduct additional studies or collect additional data independently. In either case, our development costs would increase.

The FDA or comparable foreign regulatory authorities may require that we perform additional studies beyond those that we currently expect. As an example, the FDA has suggested, and we have agreed, to include scans and other blood tests with respect to our Phase 2a clinical trial of MET642 in NASH which resulted in increases to our anticipated study costs. As a result, our expenses could increase materially beyond what we currently anticipate, and the timing of any potential product approval may be delayed. Any such delays in the commencement or completion of our ongoing and planned clinical trials for MET642 or any future product candidate could significantly affect our product development costs. We do not know whether our planned trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- the FDA or comparable foreign regulatory authorities disagreeing as to the design or implementation of our clinical studies;
- obtaining regulatory authorizations to commence a trial or reaching a consensus with regulatory authorities on trial design;
- any failure or delay in reaching an agreement with CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining approval from one or more Institutional Review Boards, or IRBs;
- IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional subjects, or withdrawing their approval of the trial;
- changes to clinical trial protocol;
- clinical sites deviating from trial protocol or dropping out of a trial;
- manufacturing sufficient quantities of a product candidate or obtaining sufficient quantities of combination therapies for use in clinical trials;
- subjects failing to enroll or remain in our trial at the rate we expect, or failing to return for post-treatment follow-up;
- subjects choosing an alternative treatment for the indication for which we are developing MET642 or any future product candidate, or participating in competing clinical trials;
- lack of adequate funding to continue the clinical trial;
- subjects experiencing severe or unexpected drug-related adverse effects;
- occurrence of serious adverse events in trials of the same class of agents conducted by other companies;
- selection of clinical end points that require prolonged periods of clinical observation or analysis of the resulting data;
- a facility manufacturing MET642 or any future product candidate or any of their components being ordered by the FDA or comparable foreign regulatory authorities to temporarily or permanently shut down due to violations of the FDA's current good manufacturing practices, or cGMP, regulations or other applicable requirements, or infections or cross-contaminations of product candidates in the manufacturing process;
- any changes to our manufacturing process that may be necessary or desired;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical trial protocol Good Clinical Practices, or GCPs, or other regulatory requirements;
- third-party contractors not performing data collection or analysis in a timely or accurate manner;
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications; or
- disruptions caused by man-made or natural disasters, or public health pandemics or epidemics or other business interruptions, including the ongoing COVID-19 pandemic or the impact of widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the conflict between Russia and Ukraine.

For example, the ongoing conflict between Russia and Ukraine may result in delays or increased costs for our Phase 2a proof-of-concept clinical trial of MET642 for the treatment of UC because several trial sites were originally located in Russia and Ukraine. Due to the ongoing conflict, we plan to identify alternative and additional sites for the trial. We cannot be certain what the overall impact of this conflict will be on our ability to conduct and complete the clinical trial on schedule.

We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a Data Safety Monitoring Board for such trial or by the FDA or comparable foreign regulatory authorities. IRBs, Data Safety Monitoring Boards or the FDA may impose a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or comparable foreign regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. In addition, changes in regulatory requirements and policies may occur, and we may need to amend clinical trial protocols to comply with these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial.

Further, conducting clinical trials in foreign countries (such as our Phase 1 clinical trial of MET409 conducted in the Netherlands and our Phase 1 clinical trial of MET642 conducted in Australia) presents additional risks that may delay completion of our clinical trials. These risks include the failure of enrolled patients in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes, as well as political and economic risks relevant to such foreign countries. Moreover, certain of our scientific advisors or consultants who receive compensation in connection with such services are likely to be investigators for our future clinical trials. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authority may conclude that our financial relationships with principal investigators, some of whom we engage as consultants, have created a conflict of interest or otherwise affected interpretation of the study. The FDA or comparable foreign regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or comparable foreign regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our current or future product candidates. If we experience delays in the completion of, or termination of, any clinical trial of a product candidate, the commercial prospects of such product candidate will be harmed, and our ability to generate product revenues from any of the product candidates will be delayed. Moreover, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues.

In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. We may make formulation or manufacturing changes to a product candidate, in which case we may need to conduct additional preclinical studies to bridge the modified product candidate to earlier versions. Any delays to our clinical trials that occur as a result could shorten any period during which we may have the exclusive right to commercialize our product candidates and our competitors may be able to bring products to market before we do, and the commercial viability of MET642 or any future product candidate could be significantly reduced. Any of these occurrences may harm our business, financial condition and prospects significantly.

If we experience delays or difficulties in enrolling patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.*

We may not be able to initiate or continue clinical trials for MET642 or any future product candidate if we are unable to identify and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or analogous regulatory authorities outside the United States. In addition, some of our competitors may have ongoing clinical trials for product candidates that would treat the same indications as MET642 or any future product candidate, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates. This is acutely relevant for our development of MET642 for the treatment of patients with IBD (including UC), diseases for which there are significant competition for clinical trial subjects. There is also a reluctance in the biopharmaceutical industry to expose patients to placebo treatment given the availability of multiple approved therapies, which has recently led to low rates of patient recruitment for participation in IBD clinical trials, particularly with respect to enrollment of Phase 2a and 2b proof-of-concept studies. Additionally, long timelines, invasive procedures, and changing regulatory recommendations have led to increased burdens for patients, investigators, and industry sponsors, causing declines in patient enrollment.

Patient enrollment is also affected by other factors, including:

- severity of the disease under investigation;
- invasive procedures required to obtain evidence of drug performance during the clinical trial;
- availability and efficacy of approved medications for the disease under investigation;
- eligibility criteria for the trial in question;
- perceived risks and benefits of the product candidate under study;
- efforts to facilitate timely enrollment in clinical trials;
- reluctance of physicians to encourage patient participation in clinical trials;
- the ability to monitor patients adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective patients; and
- disruptions caused by man-made or natural disasters, or public health pandemics or epidemics, or other business interruptions, including the ongoing COVID-19 pandemic or the impact of widespread macroeconomic uncertainties, including

labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the conflict between Russia and Ukraine.

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 MET642 or any future product candidate, which would cause the value of our company to decline and limit our ability to obtain additional financing.

Adverse side effects or other safety risks associated with a product candidate could delay or preclude approval, cause us to suspend or discontinue clinical trials, abandon a product candidate, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.*

As is the case with pharmaceuticals generally, it is likely that there may be side effects and adverse events associated with the use of MET642 or any future product candidate. Results of our clinical trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Undesirable side effects caused by MET642 or any future product candidate, used as a monotherapy or in combination with another medication, could result in the delay, suspension or termination of clinical trials by us, the FDA or other regulatory authorities for a number of reasons. If we elect or are required to delay, suspend or terminate any clinical trial of any product candidate that we develop, the commercial prospects of such product candidate will be harmed and our ability to generate product revenues from any such product candidate will be delayed or eliminated. Serious adverse events observed in clinical trials could hinder or prevent market acceptance of the product candidate at issue. Any of these occurrences may harm our business, prospects, financial condition and results of operations significantly.

Moreover, if a product candidate becomes associated with undesirable side effects in clinical trials or has characteristics that are unexpected, we may elect to abandon its development or limit its development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective, which may limit the commercial expectations for the product candidate if approved. We may also be required to modify our study plans based on findings in our clinical trials. Many compounds that initially showed promise in early stage testing have later been found to cause side effects that prevented further development of the compound. In addition, regulatory authorities may draw different conclusions or require additional testing to confirm these determinations.

It is possible that, as we test MET642 or any future product candidate in larger, longer and more extensive clinical trials including with different dosing regimens, or if its use becomes more widespread following regulatory approval, illnesses, injuries, discomforts and other adverse events that were observed in earlier trials, as well as conditions that did not occur or went undetected in previous trials, will be reported by subjects. If such side effects become known later in development or upon approval, if any, such findings may harm our business, financial condition and prospects significantly.

In addition, if MET642 or any future product candidate 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:

- regulatory authorities may withdraw approvals of such product;
- we may be required to recall a product or change the way such product is administered to patients;
- regulatory authorities may require additional warnings on the label, such as a “black box” warning or a contraindication;
- we may be required to implement a Risk Evaluation and Mitigation Strategy, or REMS, or create a medication guide outlining the risks of such side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients;
- the product could become less competitive; 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.

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

From time to time, we may publicly disclose interim, topline or preliminary data from our clinical studies, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the topline results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary or interim data we previously published. As a result, topline data should be viewed with caution until the final data are available. From time to time, we may also disclose interim data from our clinical studies. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects and disclosure

of interim data by us or by our competitors could result in volatility in the price of our common stock. For additional discussion of the risk of volatility in our stock price, see “—Risks Related to our Common Stock.”

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product, product candidate or our business. If the topline data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, MET642 or any future product candidate may be harmed, which could harm our business, operating results, prospects or financial condition.

We have completed a Phase 1 clinical trials in the Netherlands and Australia, and may conduct additional clinical trials of product candidates outside of the United States. However, the FDA and other foreign equivalents may not accept data from such trials, in which case our development plans will be delayed, which could materially harm our business.

In 2019, we completed a Phase 1 clinical trial for MET409 in the Netherlands and, in December 2020, we completed a Phase 1 clinical trial of MET642 in Australia.

Although the FDA and foreign equivalents may accept data from clinical trials conducted entirely outside the United States and not under an IND, acceptance of such study data is generally subject to certain conditions. For example, the FDA requires the clinical trial to have been conducted in accordance with GCPs, and the FDA must be able to validate the data from the clinical trial through an onsite inspection if it deems such inspection necessary. In addition, when studies are conducted only at sites outside of the United States, the FDA generally does not provide advance comment on the clinical protocols for the studies, and therefore there is an additional potential risk that the FDA could determine that the study design or protocol for a non-U.S. clinical trial was inadequate, which would likely require us to conduct additional clinical trials. Conducting clinical trials outside the United States also exposes us to additional risks, including risks associated with:

- additional foreign regulatory requirements;
- foreign exchange fluctuations;
- compliance with foreign manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research; and
- diminished protection of intellectual property in some countries.

Even if MET642 or any future product candidate receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, hospitals, healthcare payors and others in the medical community necessary for commercial success.

If MET642 or any future product candidate receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, healthcare payors and others in the medical community. If MET642 or any future product candidate does not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of MET642 or any future product candidate, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and potential advantages compared to alternative treatments;
- our ability to offer our therapies for sale at competitive prices;
- convenience and ease of administration compared to alternative 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;
- potential product liability claims;
- the timing of market introduction of our products as well as competitive drugs;
- the effectiveness of our or any of our potential future sales and marketing strategies;
- publicity relating to the product;
- sufficient third-party coverage and adequate reimbursement;
- the willingness of patients to pay all, or a portion of, out-of-pocket costs associated with the product in the absence of sufficient third-party coverage and adequate reimbursement; and
- the prevalence and severity of any side effects.

We currently have no marketing and sales organization and have no experience as a company in commercializing products, and we may have to invest significant resources to develop these capabilities. If we are unable to establish marketing and sales capabilities or enter into agreements with third parties to market and sell MET642 or any future product candidate, we may not be able to generate product revenue.

We have no internal sales, marketing or distribution capabilities, nor have we commercialized a product. If MET642 or any future product candidate ultimately receives regulatory approval, we may not be able to effectively market and distribute the product candidate. We may have to seek collaborators, especially for marketing and sales outside of the United States, or invest significant amounts of financial and management resources to develop internal sales, distribution and marketing capabilities, some of which will be committed prior to any confirmation that our product candidates will be approved, if at all. We may not be able to enter into collaborations or hire consultants or external service providers to assist us in sales, marketing and distribution functions on acceptable financial terms, or at all. In addition, our product revenues and our profitability, if any, may be lower if we rely on third parties for these functions than if we were to market, sell and distribute any products that we develop ourselves. We likely will have little control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively. Even if we determine to perform sales, marketing and distribution functions ourselves, we could face a number of additional related risks, including:

- we may not be able to attract and build an effective marketing department or sales force;
- the cost of establishing a marketing department or sales force may exceed our available financial resources and the revenue generated by our product candidates that we may develop, in-license or acquire; and
- our direct sales and marketing efforts may not be successful.

Even if we receive regulatory approval for MET642 or any future product candidate, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense. Additionally, MET642 or any future product candidate, if approved, could be subject to labeling and other restrictions and market withdrawal and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our product.*

Any regulatory approvals that we receive for MET642 or any future product candidate may also be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials, and surveillance to monitor the safety and efficacy of the product candidate. In addition, if the FDA or a comparable foreign regulatory authority approves MET642 or any future product candidate, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion, import, export and recordkeeping for the product will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and GCPs, for any clinical trials that we conduct post-approval. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, undesirable side effects caused by the product, problems encountered by our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, either before or after product approval, may result in, among other things:

- restrictions on the marketing or manufacturing of the product;
- requirements to include additional warnings on the label;
- requirements to create a medication guide outlining the risks to patients;
- withdrawal of the product from the market;
- voluntary or mandatory product recalls;
- requirements to change the way the product is administered or for us to conduct additional clinical trials;
- fines, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or our strategic partners, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products;
- injunctions or the imposition of civil or criminal penalties; and
- harm to our reputation.

Additionally, if MET642 or any future product candidate receives marketing approval, the FDA could require us to adopt an REMS to ensure that the benefits of the therapy outweigh its risks, which may include, among other things, a medication guide outlining the risks for distribution to patients and a communication plan to healthcare practitioners. Any of these events could prevent us from achieving or maintaining market acceptance of the product or the particular product candidate at issue and could significantly harm our business, prospects, financial condition and results of operations.

In addition, if MET642 or any future product candidate is approved, our product labeling, advertising and promotion will be subject to regulatory requirements and continuing regulatory review. The FDA strictly regulates the promotional claims that may be made about drug products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. If we receive marketing approval for a product candidate, physicians may nevertheless prescribe it to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant sanctions. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

The FDA's policies may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of MET642 or any future product candidate. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. 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 achieve or sustain profitability, which would adversely affect our business, prospects, financial condition and results of operations.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we will need to focus MET642 or any future product candidate on the potential treatment of certain indications. For example, for MET642, we only have one clinical trial planned for the treatment of UC, although we have delayed clinical development efforts related to this trial until the completion of our review of strategic alternatives. We discontinued the pursuit of NASH opportunities with MET642, MET409 and HSD17b13 that later may prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current or potential future development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may also relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

Even if we obtain FDA approval of MET642 or any future product candidate, we may never obtain approval or commercialize such product outside of the United States, which would limit our ability to realize their full market potential.

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

Our business could be adversely affected by the effects of health pandemics or epidemics, including the ongoing COVID-19 pandemic and the impact of evolving macroeconomic uncertainties, and could cause significant disruption in the operations of third-party manufacturers, CROs and other third parties upon whom we rely.*

Our business could be adversely affected by the effects of health pandemics or epidemics, including the ongoing COVID-19 pandemic, and could cause significant disruption in the operations of third-party manufacturers, CROs and other third parties upon whom we rely. The COVID-19 pandemic has resulted in governments implementing numerous containment measures, such as travel bans and restrictions, particularly quarantines, stay-at-home orders and business limitations and shutdowns.

We are following, and plan to continue to follow, recommendations from federal, state and local governments regarding workplace policies, practices and procedures. Any stay-at-home order and remote work policies may negatively impact productivity, increase risks associated with cybersecurity, disrupt our business and delay our clinical programs and timelines, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course. These and similar, and perhaps more severe, disruptions in our operations could negatively impact our business, operating results, and financial condition.

In addition, our Corporate Lease terminated on March 31, 2022, at which point we transitioned to a fully remote work environment and no longer maintain a corporate headquarters. Having a fully remote work environment may make it more difficult for us to preserve our corporate culture and our employees may have decreased opportunities to collaborate in meaningful ways. Further, we cannot guarantee that having a fully remote work environment will not have a negative impact on employee morale and productivity. Any failure to preserve our corporate culture and foster collaboration could harm our future success, including our ability to retain and recruit personnel, innovate and operate effectively, and execute on our business strategy.

Quarantines, stay-at-home and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases, may impact personnel at third-party manufacturing facilities or the availability or cost of materials, which would disrupt our supply chain. In particular, some of our suppliers of certain materials used in the production of MET642, our only current product candidate, are located in Europe, where there have been government-imposed quarantines. While many of these materials may be obtained by more than one supplier, restrictions resulting from the COVID-19 pandemic may disrupt our supply chain or limit our ability to obtain sufficient materials for MET642 or any future product candidate.

In addition, our clinical trials may be affected by the COVID-19 pandemic. Clinical site initiation and patient enrollment may be delayed due to prioritization of hospital resources toward the COVID-19 pandemic. Some patients may not be able or willing to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain patients, principal investigators and site staff (who as healthcare providers may have heightened exposure to COVID-19) may be hindered, which would adversely affect our clinical trial operations. Disruptions or restrictions on our ability to travel to monitor data from our clinical trials, or to conduct clinical trials, or the ability of patients enrolled in our studies to travel, or the ability of staff at study sites to travel, as well as temporary closures of our facilities or the facilities of our clinical trial partners and their contract manufacturers, would negatively impact our clinical trial activities. In addition, we rely on independent clinical investigators, CROs and other third-party service providers to assist us in managing, monitoring and otherwise carrying out our preclinical studies and clinical trials, including the collection of data from our clinical trials, and the outbreak may affect their ability to devote sufficient time and resources to our programs or to travel to sites to perform work for us. Similarly, our preclinical trials could be delayed and/or disrupted by the COVID-19 pandemic. As a result, the expected timeline for data readouts of our preclinical studies and clinical trials and certain regulatory filings may be negatively impacted, which would adversely affect our ability to obtain regulatory approval for and to commercialize our product candidates, increase our operating expenses and have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, the COVID-19 pandemic may cause interruption or delays in the operation of the FDA or other regulatory authorities which could negatively affect our planned clinical trials.

In addition to the ongoing COVID-19 pandemic, global economic and business activities continue to face widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the Russia-Ukraine conflict. We continue to actively monitor the impact of these macroeconomic factors on our results of operations, financial condition and cash flows. The extent of the impact of these factors on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected timeframe, will depend on future developments, which are uncertain and cannot be predicted; however, any continued or renewed disruption resulting from these factors could negatively impact our business.

The ultimate impact of the ongoing COVID-19 pandemic or a similar health pandemic or epidemic is highly uncertain and subject to change. As global economic conditions recover from the COVID-19 pandemic, business activity may not recover as quickly as anticipated and it is not possible at this time to estimate the full extent of potential delays or impacts on our business, our clinical trials, healthcare systems or the global economy as a whole. These effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely. To the extent the COVID-19 pandemic adversely affects our operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

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

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

Major, currently-marketed IBD therapies include, but are not limited to, infliximab (marketed as Remicade by Janssen Biotech, Inc.), adalimumab (marketed as Humira by Pfizer, Inc.), vedolizumab (marketed as Entyvio by Takeda Pharmaceuticals, Inc.), ustekinumab (marketed as Stelara by Janssen Biotech, Inc.) and tofacitinib (marketed as Xeljanz by Pfizer, Inc.), and we are aware of several companies with development programs in this indication, including, but not limited to, Abbvie Inc., Janssen Pharmaceuticals, Inc., Pfizer, Inc. and Takeda Pharmaceuticals, Inc.

Several companies have active research and development programs on FXR and are further along in development than we are with MET642. Our commercial opportunity could be substantially limited in the event that our competitors develop and commercialize products that are more effective, safer, less toxic, more convenient or cheaper than our comparable product. In geographies that are critical to our commercial success, competitors may also obtain regulatory approvals before us, resulting in our competitors building a strong market position in advance of our product's entry. We believe the competitive factors that will determine the success of our programs will be the efficacy, safety, pricing and reimbursement and convenience of MET642 or any future product candidate.

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

Many of our competitors, such as large pharmaceutical and biotechnology companies like Arena Pharmaceuticals, Inc. (which was acquired by Pfizer Inc. in March 2022), Gossamer Bio, Inc., Prometheus Biosciences, Inc., and Protagonist Therapeutics, Inc. have longer operating histories and significantly greater financial resources and expertise in research and development, manufacturing, preclinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do.

Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and subject enrollment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The key competitive factors affecting the success of all of our programs are likely to be their efficacy, safety, convenience and availability of coverage and reimbursement. If we are not successful in developing, commercializing and achieving higher levels of reimbursement than our competitors, we will not be able to compete against them and our business would be materially harmed.

If the market opportunities for any product that we or our strategic partners develop are smaller than we believe they are, our revenue may be adversely affected and our business may suffer.

We are focused on the development of treatments for GI diseases. Our projections of addressable patient populations that have the potential to benefit from treatment with MET642 or any future product candidate are based on estimates. These estimates have been derived from a variety of sources, including the scientific literature, surveys of clinics, patient foundations or market research, and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these diseases. The number of patients may turn out to be lower than expected. If any of our estimates are inaccurate, the market opportunities for MET642 or any future product candidate could be significantly diminished and have an adverse material impact on our business.

Risks Related to Manufacturing and Our Reliance on Third Parties

We contract with third parties for the manufacturing and supply of product candidates for use in preclinical testing and clinical trials, which supply may become limited or interrupted or may not be of satisfactory quality and quantity.*

We do not have any manufacturing facilities. We rely, and expect to continue to rely, on third parties for the manufacture of product candidates for preclinical and clinical testing, as well as for commercial supply if MET642 or any future product candidate is approved. We currently do not have long-term agreements with any of our third-party manufacturers and do not have any contractual relationships for the manufacture of commercial supplies of any product candidate, or product, if approved. This reliance increases the risk that we will not have sufficient quantities of MET642 or any future product candidates, or products, if approved, or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts. This could be particularly problematic where we rely on a single-source supplier, as is currently the case for the manufacture of the drug substance and the drug product for MET642. In addition, if we were to experience an unexpected loss of supply of MET642 or any future product candidate for any reason, including as a result of manufacturing, supply or storage issues, our business would be harmed, and we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials.

Furthermore, all entities involved in the preparation of therapeutics for clinical trials or commercial sale, including our existing contract manufacturers for MET642 and any future product candidate, are subject to extensive regulation. Components of a finished therapeutic product approved for commercial sale or used in clinical trials must be manufactured in accordance with cGMP requirements. 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 MET642 or any future product candidate that may not be detectable in final product testing. We or our contract manufacturers must supply all necessary documentation in support of an NDA on a timely basis and must adhere to the FDA's GLP regulations and cGMP regulations enforced by the FDA through its facilities inspection program. Comparable foreign regulatory authorities may require compliance with similar requirements. The facilities and quality systems of our third-party contractor manufacturers must pass a pre-approval inspection for compliance with the applicable regulations as a condition of marketing approval of MET642 or any future product candidate. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMP regulations, but we are nevertheless responsible for their failures to comply with applicable laws and regulations, including cGMP.

In the event that any of our manufacturers fails to comply with such requirements or to perform its obligations to us in relation to quality, timing or otherwise, or if our supply of components or other materials becomes limited or interrupted for other reasons, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third party, which we may not be able to do so on commercially reasonable terms, if at all. Further, we may be unable to use the product produced by that manufacturer, or if the manufacturer has manufactured product for our commercial sale, if and when we obtain approval, we could be subject to a recall of such product.

Any replacement of our manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. In some cases, the technical skills or technology required to manufacture MET642 or any future product candidate may be unique or proprietary to the original manufacturer and we may have difficulty transferring such skills or technology to

another third party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture a product candidate. The process of changing manufacturers is extensive and time consuming and could cause delays or interruptions in our drug development. Further, if we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

Our or a third party's failure to execute on our manufacturing requirements, to do so on commercially reasonable terms and comply with cGMP could adversely affect our business in a number of ways, including:

- an inability to initiate or continue clinical trials of MET642 or any future product candidate under development;
- delay in submitting regulatory applications, or receiving marketing approvals, for a product candidate;
- subjecting third-party manufacturing facilities or our manufacturing facilities to additional inspections by regulatory authorities;
- requirements to cease development or to recall batches of MET642 or any future product candidate; and
- in the event of approval to market and commercialize MET642 or any future product candidate, an inability to meet commercial demands for such product candidates.

In order to conduct later-stage clinical trials of MET642 or any future product candidate we will need to manufacture them in large quantities. We, or our manufacturing partners, may be unable to successfully increase the manufacturing capacity for any of a product candidate in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities. If we or our manufacturing partners are unable to successfully scale up the manufacture of a product candidate in sufficient quality and quantity, the development, testing and clinical trials of that product candidate may be delayed or become infeasible, and marketing approval or commercial launch of any resulting product may be delayed or not obtained, which could significantly harm our business.

Additionally, our third-party manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes, or unstable political environments, or health pandemics or epidemics such as the ongoing COVID-19 pandemic, or as a result of the impact of widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the conflict between Russia and Ukraine. For example, many of our raw materials for manufacture of MET642 are produced in Europe, which could impact our ability to manufacture and supply material for clinical and commercial supply. If our contract manufacturers were to encounter any manufacturing difficulties or delays due to these factors, our ability to provide MET642 or any future product candidate to patients in clinical trials, or to provide product for treatment of patients if and when approved, would be jeopardized.

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

We do not have the ability to conduct all aspects of our preclinical testing or clinical trials ourselves. As a result, we are, and expect to remain, dependent on third parties to conduct our ongoing and planned clinical trials of MET642 or any future product candidate, and any future preclinical and clinical trials of any other product candidates. The timing of the initiation and completion of these trials will therefore be partially controlled by such third parties and may result in delays to our development programs. Specifically, we expect CROs, clinical investigators, and consultants to play a significant role in the conduct of these trials and the subsequent collection and analysis of data. However, we will not be able to control all aspects of their activities. Nevertheless, we are responsible for ensuring that each clinical trial is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs and other third parties does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with GCP requirements, 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 any product candidates in clinical development. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, clinical trial investigators and clinical trial sites. If we or any of our CROs or clinical trial sites fail to comply with applicable GCP requirements, the data generated in our clinical trials may be deemed unreliable, and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to stop and/or repeat clinical trials, which would delay the marketing approval process.

There is no guarantee that any such CROs, clinical trial investigators or other third parties on which we rely will devote adequate time and resources to our development activities or perform as contractually required. If any of these third parties fail to meet expected deadlines, adhere to our clinical protocols or meet regulatory requirements, otherwise performs in a substandard manner, or terminates its engagement with us, the timelines for our development programs may be extended or delayed or our development activities may be suspended or terminated. If our clinical trial site terminates for any reason, we may experience the loss of follow-up information on subjects enrolled in such clinical trial unless we are able to transfer those subjects to another qualified clinical trial site, which may be difficult or impossible. In addition, clinical trial investigators for our clinical trial may serve as scientific advisors or consultants to us from time to time and may receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, or the FDA or comparable foreign regulatory authorities concludes that the financial relationship may have affected the interpretation of the trial, the integrity of the data generated at the applicable clinical trial site may be questioned and the utility of the clinical trial itself may be jeopardized, which could

result in the delay or rejection of any marketing application we submit by the FDA or any comparable foreign regulatory authority. Any such delay or rejection could prevent us from commercializing MET642 or any future product candidate.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors for whom they may also be conducting clinical trials or other drug development activities that could harm our competitive position. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for MET642 or any future product candidate and will not be able to, or may be delayed in our efforts to, successfully commercialize our products.

Even if we receive marketing approval, we may not be able to successfully commercialize MET642 or any future product candidate due to unfavorable pricing regulations or third-party coverage and reimbursement policies, which could make it difficult for us to sell our product candidates profitably.

Obtaining coverage and reimbursement approval for a product from a government or other third-party payor is a time consuming and costly process that could require us to provide supporting scientific, clinical and cost effectiveness data for the use of our products to the payor. There may be significant delays in obtaining such coverage and reimbursement for newly approved products, and coverage may be more limited than the purposes for which the product is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for coverage and reimbursement does not imply that a product will be paid for in all cases or at a rate that covers our costs, including research, development, intellectual property, manufacture, sale and distribution expenses. Interim reimbursement levels for new products, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the product and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost products and may be incorporated into existing payments for other services. Net prices for products may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors, by any future laws limiting drug prices and by any future relaxation of laws that presently restrict imports of product from countries where they may be sold at lower prices than in the United States.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting reimbursement policies, but also have their own methods and approval process apart from Medicare coverage and reimbursement determinations.

Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a product is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

We cannot be sure that coverage and reimbursement will be available for any product that we commercialize and, if coverage and reimbursement are available, what the level of reimbursement will be. Obtaining reimbursement for our products may be particularly difficult because of the higher prices often associated with branded therapeutics and therapeutics administered under the supervision of a physician. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Reimbursement may impact the demand for, and the price of, any product for which we obtain marketing approval. Assuming we obtain coverage for a given product by a third-party payor, the resulting reimbursement payment rates may not be adequate or may require co-payments that patients find unacceptably high. Patients who are prescribed medications for the treatment of their conditions, and their prescribing physicians, generally rely on third-party payors to reimburse all or part of the costs associated with those medications. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover all or a significant portion of the cost of our products. Therefore, coverage and adequate reimbursement is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new products when more established or lower cost therapeutic alternatives are already available or subsequently become available.

We expect to experience pricing pressures in connection with the sale of MET642 or any future product candidate due to the trend toward managed healthcare, the increasing influence of health maintenance organizations, and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription medicines, medical devices and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the successful commercialization of new products. Further, the adoption and implementation of any future governmental cost containment or other health reform initiative may result in additional downward pressure on the price that we may receive for any approved product.

Outside of the United States, many countries require approval of the sale price of a product before it can be marketed and the pricing review period only begins after marketing or product licensing approval is granted. To obtain reimbursement or pricing approval in some of these countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of MET642 or any future

product candidate to other available therapies. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product candidate in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues, if any, we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in MET642 or any future product candidate, even if such product candidates obtain marketing approval.

We may wish to acquire rights to future assets through in-licensing or may attempt to form collaborations in the future with respect to MET642 or any future product candidate, but may not be able to do so, which may cause us to alter or delay our development and commercialization plans.

The development and potential commercialization of MET642 or any future product candidate will require substantial additional capital to fund expenses. We may, in the future, decide to collaborate with biopharmaceutical companies for the development and potential commercialization of product candidates. We will face significant competition in seeking appropriate collaborators. We may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy. If and when we collaborate with a third party for development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. Our ability to reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the following:

- the design or results of clinical trials;
- the likelihood of approval by the FDA or comparable foreign regulatory authorities;
- the potential market for the product candidate;
- the costs and complexities of manufacturing and delivering such product candidate to patients;
- the potential of competing products;
- the existence of uncertainty with respect to our ownership of technology or other rights, which can exist if there is a challenge to such ownership without regard to the merits of the challenge; and
- industry and market conditions generally.

The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under any license agreements from entering into agreements on certain terms or at all with potential collaborators. Collaborations are complex and time consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators and changes to the strategies of the combined company. As a result, we may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of such product candidate, reduce or delay one or more of our other development programs, delay the potential commercialization or reduce the scope of any planned sales or marketing activities for such product candidate, or increase our expenditures and undertake development, manufacturing or commercialization activities at our own expense. If we elect to increase our expenditures to fund development, manufacturing or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop MET642 or any future product candidate or bring it to market and generate product revenue. Even if we are successful in our efforts to establish such collaborations, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such collaborations if, for example, development approval of a product candidate is delayed, the safety of a product candidate is questioned or sales of an approved product candidate are unsatisfactory.

Risks Related to Our Intellectual Property

Our commercial success depends on our ability to obtain and maintain sufficient intellectual property protection for MET642 or any future product candidate and other proprietary technologies.*

Our commercial success depends in large part on our ability to obtain and maintain patent and other intellectual property protection in the United States and various foreign jurisdictions such as Europe, China, and Japan with respect to MET642 or any future product candidate, proprietary technologies, and their uses, and the manufacture and formulation thereof, that we develop. If we are unable to obtain and maintain patent protection with respect to MET642 or any future product candidate, proprietary technologies, and their uses, our business, financial condition, results of operations and prospects could be materially harmed. Given that the development of MET642 or any future product candidate, proprietary technologies, and their uses is at an early stage, our intellectual property portfolio with respect to certain aspects of our product candidates and proprietary technologies is also at an early stage.

We generally seek to protect our proprietary position by filing patent applications in the United States, Europe, China, Japan and other foreign jurisdictions related to our product candidates, proprietary technologies and their uses which are important to our business. Our pending and future patent applications cannot be enforced against third parties practicing the technology claimed in such patent applications unless, and until, patents issue from such patent applications, and then only to the extent the issued claims cover the technology. There can be no assurance that our patent applications will result in patents being issued or that issued patents will

afford sufficient protection against competitors with similar technology, nor can there be any assurance that the patents issued will not be infringed, designed around or invalidated by third parties. Even issued patents may later be found invalid or unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. The degree of future protection for our proprietary rights is uncertain. Only limited protection may be available and may not adequately protect our rights or permit us to gain or keep any competitive advantage. This failure to obtain the intellectual property rights relating to MET642 or any future product candidate could have a material adverse effect on our financial condition and results of operations.

The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our potential future collaborators will be successful in protecting MET642 or any future product candidate by obtaining and defending patents. Obtaining and enforcing patents is expensive and time consuming, and we may not be able to file and prosecute all necessary or desirable patent applications, or maintain and/or enforce patents that may issue based on our 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 development results before it is too late to obtain patent protection.

Although we enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of our development output, such as our employees, corporate collaborators, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, independent contractors, advisors and other third parties, any of these parties may breach these agreements and disclose such results before a patent application is filed, thereby jeopardizing our ability to seek adequate patent protection.

If the scope of any patent protection we obtain is not sufficiently broad, or if we lose any of our patent protection, our ability to prevent our competitors from commercializing similar or identical product candidates would be adversely affected.*

The patent position of biopharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation, resulting in court decisions, including U.S. Supreme Court decisions, that have increased uncertainties as to the ability to enforce patent rights in the future. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States, or vice versa.

Further, we may not be aware of all third-party intellectual property rights potentially relating to our product candidates, or their intended uses, and as a result the potential impact of such third-party intellectual property rights upon the patentability of our own patents and patent applications, as well as the potential impact of such third-party intellectual property upon our freedom to operate, is highly uncertain. Because patent applications are maintained as confidential for a certain period of time (for example, patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all), until the relevant patents and patent applications are published, we may be unaware of third-party patents that may be infringed by commercialization of MET642 or any future product candidate, and we cannot be certain that we were the first to file a patent application related to a product candidate or technology. Moreover, because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that our product candidates may infringe. In addition, identification of third-party patent rights that may be relevant to our technology is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases, and the difficulty in assessing the meaning of patent claims. There is also no assurance that there is not prior art of which we are aware, but which we do not believe is relevant to our business, which may, nonetheless, ultimately be found to limit our ability to make, use, sell, offer for sale or import our products that may be approved in the future, or impair our competitive position. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon their patents. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Our patents or pending patent applications may be challenged in the courts or patent offices in the United States, Europe, China, Japan, and other foreign jurisdictions. For example, we may be subject to a third-party pre-issuance submission of prior art to the United States Patent and Trademark Office, or USPTO, or become involved in post-grant review procedures, derivations, reexaminations, or inter parties review proceedings, in the United States or oppositions or similar proceedings in foreign jurisdictions, challenging our patent rights. The legal threshold for initiating such proceedings may be low, so that even proceedings with a low probability of success might be initiated. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our intellectual property may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

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

As the biopharmaceutical industry expands and more patents are issued, the risk increases that MET642 or any future product candidate may be subject to claims of infringement of the patent rights of third parties. There can be no assurance that our operations do not, or will not in the future, infringe existing or future third-party patents. Identification of third-party patent rights that may be relevant to our operations is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. We cannot guarantee that any of our patent searches or analyses, including the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete

or thorough, nor can we be certain that we have identified each and every third-party patent and pending application in the United States and abroad that is relevant to our operations or necessary for the commercialization of our product candidates in any jurisdiction.

Numerous U.S. and foreign patents and pending patent applications exist in our market that are owned by third parties. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in patent portfolios and competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make, use and sell our products. We do not always conduct independent reviews of third-party pending patent applications and patents. Patent applications in the United States and elsewhere are typically published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Certain U.S. applications that will not be filed outside the United States can remain confidential until patents issue. In addition, patent applications in the United States and elsewhere can be pending for many years before issuance, or unintentionally abandoned patents or patent applications can be revived. Furthermore, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our technologies, our products or the use of our products. As such, there may be third-party pending patent applications or recently revived third-party patents of which we are unaware. These patent applications may later result in issued patents that, or the revival of these previously abandoned patents, will prevent, limit or otherwise interfere with our ability to make, use or sell our products.

The scope of a patent claim is determined by an interpretation of the relevant law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent claim may be incorrect, which may negatively impact our ability to market our products. We may incorrectly determine that our products are not covered by a third-party patent or may incorrectly predict whether a third party's pending application will issue with claims of relevant scope. 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 MET642 or any future product candidate. Our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our products.

We cannot provide any assurances that third-party patents do not exist which might be enforced against our current technology, product candidates, their respective methods of use, manufacture and formulations thereof, and could result in either an injunction prohibiting our manufacture or future sales, or, with respect to our future sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties, which could be significant.

We cannot ensure that patent rights relating to inventions described and claimed in our pending patent applications will be issued or that patents based on our patent applications will not be challenged and rendered invalid and/or unenforceable.*

As of September 30, 2022, we have patent applications and patents in our portfolio relating to our prior research programs, and one issued United States patent and patent applications relating to MET642 that are pending at the patent offices in the United States, Europe, China, Japan, and other foreign jurisdictions. However, we cannot predict:

- if and when patents may be issued based on our patent applications;
- the scope of protection of any patent issuing based on our patent applications;
- whether the claims of any patent issuing based on our patent applications will provide protection against competitors;
- whether or not third parties will find ways to invalidate or circumvent our patent rights;
- whether or not others will obtain patents claiming aspects similar to those covered by our patents and patent applications;
- whether we will need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose;
- whether the patent applications that we own or in-license will result in issued patents with claims that cover MET642 or any future product candidate or uses thereof; and/or
- whether we may experience patent office interruption or delays to our ability to timely secure patent coverage to MET642 or any future product candidate.

Although we currently have one issued United States patent with claims to MET642, we cannot be certain that the claims in our pending patent applications will be considered patentable by the USPTO or by patent offices in foreign countries. One aspect of the determination of patentability of our inventions depends on the scope and content of the "prior art," information that was or is deemed available to a person of skill in the relevant art prior to the priority date of the claimed invention. There may be prior art of which we are not aware that may affect the patentability of our patent claims or, if issued, affect the validity or enforceability of a patent claim relevant to our business. There is no assurance that there is not prior art of which we are aware, but which we do not believe is relevant to our business, which may, nonetheless, ultimately be found to limit our ability to make, use, sell, offer for sale or import our products that may be approved in the future, or impair our competitive position. Even if the patents do issue based on our patent applications, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, patents in our portfolio may not adequately exclude third parties from practicing relevant technology or prevent others from designing around our claims. If the breadth or strength of our intellectual property position with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop and threaten our ability to commercialize our product candidates. In the event of litigation or administrative proceedings concerning any of our issued patents, we cannot be certain that the claims in any of our issued patents will be considered valid by courts in the United States or foreign countries.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing MET642 or any future product candidate.*

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell MET642 or any future product candidate without infringing the intellectual property and other proprietary rights of third parties. Third parties may allege that we have infringed or misappropriated their intellectual property. Litigation or other legal proceedings relating to intellectual property claims, with or without merit, is unpredictable and generally expensive and time consuming and, even if resolved in our favor, is likely to divert significant resources from our core business, including distracting our technical and management personnel from their normal responsibilities, and there may be additional delays in such litigation or other legal proceedings due to the ongoing COVID-19 pandemic. Such litigation or other legal proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or other legal proceedings. Some of our competitors may be able to sustain the costs of such litigation or other legal proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other legal proceedings could have a material adverse effect on our ability to compete in the marketplace.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other legal proceedings regarding intellectual property rights with respect to MET642 or any future product candidate. Third parties may assert infringement claims against us based on existing or future intellectual property rights. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The scope of patent claims is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our product candidates, or methods of use either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity of third-party patent claims may be difficult and uncertain. Even if we are successful in these legal proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in defending our rights in these legal proceedings, which could have a material adverse effect on our business and operations. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product candidate or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing product candidate. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing MET642 or any future product candidate or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.*

Competitors may infringe our patents, trademarks, copyrights or other intellectual property that relate to any future research programs and product candidates, their respective methods of use, manufacture and formulations thereof. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent that we own or have licensed is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of our patents is upheld, the court will construe the claims of our patents narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention at issue. An adverse outcome in a litigation or proceeding involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement by competitors, a court may decide not to grant an injunction against further infringing activity by competitors and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. Moreover, we cannot assure you that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such infringement claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Because of the expense and uncertainty of litigation, we may not be in a position to enforce our intellectual property rights against third parties.

Because of the expense and uncertainty of litigation, we may conclude that even if a third party is infringing any one of our issued patents or other intellectual property rights, the risk-adjusted cost of bringing and enforcing such an infringement claim or action may be too high or not in the best interest of our company or our stockholders. In such cases, we may decide that the more prudent course of action is to simply monitor the situation or initiate or seek some other non-litigious action or solution.

Intellectual property litigation may lead to unfavorable publicity that harms our reputation and causes the market price of our common stock to decline.

During the course of any intellectual property litigation, there could be public announcements of the initiation of the litigation as well as results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our existing products, programs or intellectual property could be diminished. Accordingly, the market price of shares of our common stock may decline. Such announcements could also harm our reputation or the market for our future products, which could have a material adverse effect on our business.

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

Patents are of national or regional effect, and although we currently have one issued United States patent for our sole product candidate MET642 and pending patent applications in the United States, Europe, China, Japan and other foreign jurisdictions for MET642, filing, prosecuting and defending patents on any future research programs and 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. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or from selling or importing products made using our inventions in and 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, further, may export otherwise infringing products to territories where we have patent protection, but where enforcement is not as strong as that in the United States. These competitor products may compete with our product candidates, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Various companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of many countries do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary intellectual property rights. As an example, European applications will soon have the option, upon grant of a patent, of becoming a Unitary Patent which will be subject to the jurisdiction of the Unitary Patent Court, or UPC. The option of a Unitary Patent will be a significant change in European patent practice. As the UPC is a new court system, there is no precedent for the court, increasing the uncertainty.

Various countries outside the United States have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. As a result, a patent owner may have limited remedies in certain circumstances, which could materially diminish the value of such patent. If we are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected. 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.

Further, the standards applied by the USPTO and foreign patent offices in granting patents are not always applied uniformly or predictably. As such, we do not know the degree of future protection that we will have on our technologies, products and product candidates. While we will endeavor to try to protect our technologies, products and product candidates with intellectual property rights such as patents, as appropriate, the process of obtaining patents is time consuming, expensive and unpredictable.

Geo-political actions in the United States and in foreign countries could increase the uncertainties and costs surrounding the prosecution or maintenance of our patent applications or those of any current or future licensors and the maintenance, enforcement or defense of our issued patents or those of any current or future licensors. For example, the United States and foreign government actions related to Russia's invasion of Ukraine may limit or prevent filing, prosecution and maintenance of patent applications in Russia. Government actions may also prevent maintenance of issued patents in Russia. These actions could result in abandonment or lapse of our patents or patent applications, resulting in partial or complete loss of patent rights in Russia. If such an event were to occur, it could have a material adverse effect on our business. In addition, a decree was adopted by the Russian government in March 2022, allowing Russian companies and individuals to exploit inventions owned by patentees from that have citizenship or nationality in, are registered in, or have predominately primary place of business or profit-making activities in the United States and other countries that Russia has deemed unfriendly without consent or compensation. Consequently, we would not be able to prevent third parties from practicing our inventions in Russia or from selling or importing products made using our inventions in and into Russia. Accordingly, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law in the United States. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. In particular, under the Leahy-Smith Act, the United States transitioned in March 2013 to a “first inventor to file” system in which, assuming that other requirements of patentability are met, the first inventor to file a patent application will be entitled to the patent regardless of whether a third party was first to invent the claimed invention. A third party that files a patent application in the USPTO after March 2013 but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application, including with respect to any delays due to the ongoing COVID-19 pandemic. Furthermore, our ability to obtain and maintain valid and enforceable patents depends on whether the differences between our technology and the prior art allow our technology to be patented over the prior art. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we were the first to either file any patent application related to our product candidates or invent any of the inventions claimed in our patents or patent applications.

The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent with the use of USPTO administered post-grant proceedings, including post-grant review, *inter partes* review and derivation proceedings. An adverse determination in any such submission or proceeding could reduce the scope or enforceability of, or invalidate, our patent rights, which could adversely affect our competitive position. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a United States district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a United States district court action. Thus, 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, financial condition, results of operations and prospects.

Changes in patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect MET642 or any future product candidate.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents relating to any future research programs and MET642 or any future product candidate. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws, rules and regulations in the United States and other countries could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. We cannot predict the breadth of claims that may be issued or enforced in our patents or in third-party patents. In addition, the U.S. Congress or foreign legislative bodies may pass patent reform legislation that is unfavorable to us.

Depending on decisions by the U.S. Congress, the U.S. federal courts, the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents or patents we might obtain in the future. For example, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained.

Depending on future actions by the U.S. Congress, the U.S. federal courts, the USPTO, or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or patent applications will be required to be paid to the USPTO and various foreign patent agencies at various stages over the lifetime of our patents and/or patent applications. We have systems in place to remind us to pay these fees, and we rely on our outside patent annuity service to pay these fees when due. In addition, the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply with these provisions. 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, including as a result of failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If such an event were to occur, including with respect to the patents and patent applications covering any future research programs and product candidates, as well as their respective methods of use,

manufacture and formulations thereof, it could have a material adverse effect on our business, as for example, competitors might be able to enter the market earlier than would otherwise have been the case.

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

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

Patent terms may be inadequate to protect our competitive position on MET642 or any future product candidate for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. Even if patents covering MET642 or any future product candidate are obtained, once the patent life has expired for a product, we may be open to competition from generic products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

If we do not obtain patent term extension for MET642 or any future product candidate, our commercial success may be materially harmed.

A patent term extension based on regulatory delay may be available in the United States. Depending upon the timing, duration and specifics of FDA marketing approval of MET642 or any future product candidate, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, only a single patent can be extended for each FDA-approved product as compensation for the patent term lost during the FDA regulatory review process, and any patent can be extended only once, for a single product. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only those claims covering such approved drug product, a method for using it or a method for manufacturing it may be extended. Moreover, the scope of protection during the period of the patent term extension does not extend to the full scope of the claim, but instead only to the scope of the product as approved. Patent term extension may also be available in certain foreign countries upon regulatory approval of our product candidates. Laws governing analogous patent term extensions in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Additionally, we may not receive an extension if we fail to apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration, and our revenue could be reduced, possibly materially. Further, if this occurs, our competitors may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We have registered trademarks with the appropriate agencies in the United States, Europe, and China. Our future trademarks or trade names may be challenged, infringed, circumvented or declared generic or descriptive determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may receive rejections. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names.

Moreover, any name we have proposed to use with MET642 or any future product candidate in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. Similar requirements exist in Europe. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. If the FDA (or an equivalent administrative body in a foreign jurisdiction) objects to any of our proposed proprietary product names, it may be required to expend significant additional resources in an effort to identify a suitable substitute name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. Furthermore, in many countries, owning and maintaining a trademark registration may not provide an adequate defense against a subsequent infringement claim asserted by the owner of a senior trademark. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. If we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to make product candidates that are similar to ours but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we or our future licensors or collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or have exclusively licensed;
- we or our future licensors or collaborators might not have been the first to file patent applications covering certain of our inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications will not lead to issued patents;
- issued patents that we own or have exclusively licensed may be held invalid or unenforceable, as a result of legal challenges by our competitors;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;
- we cannot predict the scope of protection of any patent issuing based on our patent applications, including whether the patent applications that we own or in-license will result in issued patents with claims that cover our product candidates or uses thereof in the United States or in other foreign countries;
- the claims of any patent issuing based on our patent applications may not provide protection against competitors or any competitive advantages, or may be challenged by third parties;
- if enforced, a court may not hold that our patents are valid, enforceable and infringed;
- we may need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose;
- we may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property;
- we may fail to adequately protect and police our trademarks and trade secrets; and
- the patents of others may have an adverse effect on our business including if others obtain patents claiming subject matter similar to or improving that covered by our patents and patent applications.

Should any of these events occur, they could significantly harm our business, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.*

In addition to seeking patent protection for MET642 or any future product candidate, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. Elements of our product candidates, including processes for their preparation and manufacture, may involve proprietary know-how, information or technology that is not covered by patents, and thus for these aspects we may consider trade secrets and know-how to be our primary intellectual property. Any disclosure, either intentional or unintentional, by our employees, the employees of third parties with whom we share our facilities or third-party consultants and vendors that we engage to perform research, clinical trials or manufacturing activities, or misappropriation by third parties (such as through a cybersecurity breach) of our trade secrets or proprietary information could enable competitors to duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

Trade secrets and unpatented know-how can be difficult to trace, protect and enforce. We require our employees to enter into written employment agreements containing provisions of confidentiality and obligations to assign to us any inventions generated in the course of their employment. We and any third parties with whom we share facilities enter into written agreements that include

confidentiality and intellectual property obligations to protect each party's property, potential trade secrets, proprietary know-how and information. We further seek to protect our potential trade secrets, proprietary know-how and information in part, by entering into non-disclosure and confidentiality agreements with parties who are given access to them, such as our corporate collaborators, outside scientific collaborators, contract research organizations, contract manufacturers, consultants, advisors and other third parties. With our consultants, contractors and outside scientific collaborators, these agreements typically include invention assignment obligations. Although we have taken steps to protect our trade secrets and unpatented know-how, we cannot provide any assurances that all such agreements have been duly executed, and any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets and unpatented know-how, and we may not be able to obtain adequate remedies for such breaches. Monitoring unauthorized uses and disclosures is difficult, and we do not know whether the steps we have taken to protect our proprietary technologies will be effective. Unauthorized parties may also attempt to copy or reverse engineer certain aspects of our products that we consider proprietary. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets.

Trade secrets may be independently developed by others in a manner that could prevent legal recourse by us. Trade secrets will over time be disseminated within the industry through independent development, the publication of journal articles and the movement of skilled personnel from company to company or academic to industry scientific positions. Though our agreements with third parties typically restrict the ability of our advisors, employees, collaborators, licensors, suppliers, third-party contractors and consultants to publish data potentially relating to our trade secrets, our agreements may contain certain limited publication rights. Because from time to time we expect to rely on third parties in the development, manufacture and distribution of our products and provision of our services, we must, at times, share trade secrets with them. Despite employing the contractual and other security precautions described above, the need to share trade secrets 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. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third party, our competitive position would be harmed.

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

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

While we may litigate to defend ourselves against these claims, even if we are successful, litigation could result in substantial costs and could be a distraction to management and other employees. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies that are essential to MET642 or any future product candidate, if such technologies are found to incorporate or be derived from the trade secrets or other proprietary information of the current or former employers. Moreover, any such litigation or the threat thereof may adversely affect our reputation, our ability to form strategic alliances or sublicense our rights to collaborators, engage with scientific advisors or hire employees or consultants, each of which would have an adverse effect on our business, results of operations and financial condition.

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 research and develop and to manufacture product candidates, we must 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, consulting agreements or other similar agreements with our advisors, employees, third-party contractors 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, including our 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 independent 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.

Although these agreements typically restrict the ability of our advisors, employees, third-party contractors and consultants to publish data potentially relating to our trade secrets, our agreements may contain certain limited publication rights. For example, any academic institution that we may collaborate with will likely expect to be granted rights to publish data arising out of such collaboration, and any joint research and development programs may require us to share trade secrets under the terms of our research and development or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-

party collaborators. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

In the future, we may need to obtain additional licenses of third-party technology that may not be available to us or are available only on commercially unreasonable terms, and which may cause us to operate our business in a more costly or otherwise adverse manner that was not anticipated.

From time to time, we may be required to license technologies relating to any future therapeutic research programs from additional third parties to further develop or commercialize MET642 or any future product candidate. Should we be required to obtain licenses to any third-party technology, including any such patents required to manufacture, use or sell our product candidates, such licenses may not be available to us on commercially reasonable terms, or at all. The inability to obtain any third-party license required to develop or commercialize any of our product candidates could cause us to abandon any related efforts, which could seriously harm our business and operations.

Any collaboration arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our products.*

Any future collaborations that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborations are subject to numerous risks, which may include that:

- collaborators have significant discretion in determining the efforts and resources that they will apply to collaborations;
- collaborators may not pursue development and commercialization of our products or may elect not to continue or renew development or commercialization programs based on trial or test results, changes in their strategic focus due to the acquisition of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities, the ongoing COVID-19 pandemic or the impact of widespread macroeconomic uncertainties, including labor shortages, inflation and monetary supply shifts, rising interest rates, tightening of credit markets, recession risks and potential disruptions from the conflict between Russia and Ukraine;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;
- a collaborator with marketing, manufacturing and distribution rights to one or more products may not commit sufficient resources to or otherwise not perform satisfactorily in carrying out these activities;
- we could grant exclusive rights to our collaborators that would prevent us from collaborating with others;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that causes the delay or termination of the research, development or commercialization of our current or future products or that results in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated, and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable current or future products or product candidates;
- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to develop or commercialize such intellectual property; and
- a collaborator's sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings.

Risks Related to Employee Matters and Managing Growth and Other Risks Related to Our Business

We are highly dependent on our key personnel, and if we are not able to retain these members of our management team or recruit and retain additional management and clinical personnel, our business will be harmed.*

We are highly dependent on the services of our key personnel, including Preston Klassen, M.D., who serves as our President and Chief Executive Officer. Our key personnel may terminate their employment with us at any time. The loss of the services of our key personnel, could harm our ability to successfully implement our business strategy. Replacing key personnel may be difficult and may take an extended period of time because of the limited number of individuals in the highly competitive biopharmaceutical industry.

In addition, our industry has experienced a high rate of turnover in recent years. Our ability to compete in the highly competitive biopharmaceutical industry depends upon our ability to attract, retain and motivate highly skilled and experienced personnel with medical, regulatory, manufacturing and management skills and experience. This competition has become exacerbated by the increase in employee resignations currently taking place throughout the United States as a result of the COVID-19 pandemic, which is commonly referred to as the "great resignation." We may also experience employee turnover as a result of the ongoing "great resignation." We conduct our operations on a fully remote basis in the greater San Diego area, a region that is home to many other biopharmaceutical companies as well as many academic and research institutions, resulting in fierce competition for qualified personnel. We may not be able to attract or retain qualified personnel in the future due to the intense competition for a limited number of qualified personnel among biopharmaceutical companies. Many of the other biopharmaceutical companies against which we compete have greater financial and other resources, different risk profiles and a longer history in the industry than we do. Our

competitors may provide higher compensation, more diverse opportunities and/or better opportunities for career advancement. Any or all of these competing factors may limit our ability to continue to attract and retain high quality personnel, which could negatively affect our ability to successfully develop and commercialize MET642 or any future product candidate and to grow our business and operations as currently contemplated.

We expect to expand our development, regulatory and operational capabilities as we advance our development programs and, as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.*

As of September 30, 2022, and as a result of our Restructuring Plan, which we implemented in February 2022 and completed in April 2022, we had 10 full-time employees. As we advance our development programs, we expect to experience some growth in the number of our employees and the scope of our operations, particularly in the areas of clinical development, quality, regulatory affairs and, if MET642 or any future product candidate receives marketing approval, sales, marketing and distribution. To manage our anticipated future growth, we must:

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

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

We currently rely, and for the foreseeable future will continue to rely, in substantial part on certain third-party contract organizations, advisors and consultants to provide certain services, including assuming substantial responsibilities for the conduct of our clinical trials and the manufacture of our product candidates. We cannot assure you that the services of such third-party contract organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. In addition, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by our vendors or consultants is compromised for any reason, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain marketing approval of our product candidates or otherwise advance our business. We cannot assure you that we will be able to properly manage our existing vendors or consultants or find other competent outside vendors and consultants on economically reasonable terms, or at all.

If we are not able to effectively expand our organization by hiring new employees and expanding our groups of consultants and contractors, we may not be able to successfully implement the tasks necessary to further develop and commercialize MET642 or any future product candidate and, accordingly, may not achieve our development and commercialization goals.

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

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

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

Our future profitability may depend, in part, on our ability to commercialize MET642 or any future product candidate in foreign markets for which we may rely on collaboration with third parties. We are not permitted to market or promote any of our product candidates before we receive marketing approval from the applicable regulatory authority in that foreign market, and we may never receive such marketing approval for any of our product candidates. To obtain marketing approval in many foreign countries, we must comply with numerous and varying regulatory requirements of such countries regarding safety and efficacy and governing, among other

things, clinical trials and commercial sales, pricing and distribution of our product candidates, and we cannot predict success in these jurisdictions. If we obtain approval of our product candidates and ultimately commercialize our product candidates in foreign markets, we would be subject to additional risks and uncertainties, including:

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

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

Our internal information technology systems, or those of our third-party CROs, contractors, consultants or others who process sensitive information on our behalf, may fail or suffer actual or perceived security breaches, loss or leakage of data and other compromises, any of which could result in a material disruption of our product candidates' development programs, compromise sensitive information related to our business or prevent us from accessing such information, expose us to liability or otherwise adversely affect our business.*

We are increasingly dependent upon information technology systems, infrastructure and data to operate our business. In the ordinary course of business, we may collect, store, transmit or otherwise process information (including but not limited to intellectual property, proprietary business information and personal data of employees, clinical trial participants and others). It is critical that we do so in a secure manner to maintain the confidentiality, integrity and availability of such information. We also have outsourced certain of our operations to third parties, and as a result we manage a number of third parties who have access to our information.

Given our (and that of our third-party CROs, contractors, consultants or others who process sensitive information on our behalf) information technology systems' size and complexity and the increasing amounts of information that they maintain, these systems are potentially vulnerable to breakdown, damage or disruptions caused by several potential sources, such as corruption, system malfunction, natural disasters, public health epidemics (such as the COVID-19 pandemic), terrorism, war or military conflicts (such as the conflict between Russia and Ukraine), telecommunication and electrical failures, fraudulent activity, cyber-attacks by sophisticated nation-state and nation-state supported actors, as well as security breaches from inadvertent or intentional actions (such as theft or error) by our employees, contractors, consultants, business partners and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware (such as malicious code, viruses and worms), phishing attacks, supply chain attacks, denial-of-service attacks, credential harvesting or stuffing, social engineering schemes and other means that affect service reliability and threaten the confidentiality, integrity and availability of information), which may compromise our system infrastructure as well as lead to unauthorized access, disclosure or acquisition of information. Similarly, ransomware attacks, including those perpetrated by organized criminal actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe, and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impacts of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. The techniques used to sabotage or to obtain unauthorized access to our information technology systems or those upon whom we rely on to process our information change frequently, and we have not always been able in the past and may be unable in the future to anticipate such techniques or implement adequate preventative measures or to stop security breaches in all instances. The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our information technology systems, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure or data loss. Third parties may also attempt to and successfully exploit vulnerabilities in, or obtain unauthorized access to, platforms, systems, networks and/or physical facilities utilized by us or our third-party CROs, contractors, consultants or others upon whom we rely. To the extent that any disruption or security breach were to result in any actual or perceived loss of, or damage to, our data or applications, and/or inappropriate disclosure of, inappropriate access to information, or other compromise, we could incur liability and reputational damage and the further development and commercialization of MET642 or any future product candidates could be delayed. Threat actors, nation-states and nation-state-supported actors now engage, and are expected to continue to engage, in cyber-attacks, including for geopolitical reasons and in connection with military conflicts and operations. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to heightened risk of these attacks, including cyber-attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services.

We cannot assure you that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages, breaches in our systems or other cyber incidents that could have a material adverse effect upon our reputation, business, operations or financial condition. For example, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs and the development of MET642 or any future product candidate could be delayed. In addition, the loss of clinical trial data for our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Furthermore, significant disruptions of our or our vendors' information technology systems or security breaches could result in the loss, misappropriation and/or unauthorized access, use or disclosure of, or the prevention of access to, information (including trade secrets or other intellectual property, proprietary business information and personal data), which could result in financial, legal, business and reputational harm to us.

We may rely on third-party service providers and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, cloud-based infrastructure, data center facilities, encryption and authentication technology, employee email, content delivery to customers, clinical trials, and other functions. We may also rely on third-party service providers to provide other products, services, parts, or otherwise to operate our business. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. If our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award.

If we (or a third party upon whom we rely) experience or are perceived to have experienced a security incident or cyberattack, this could lead to negative publicity, may cause our collaborators or other relevant stakeholders to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach. In addition, the costs to respond to a cybersecurity event or to mitigate any identified security vulnerabilities could be significant, including costs for remediating the effects of such an event, paying a ransom, restoring data from backups and conducting data analysis to determine what data may have been affected by the breach. In addition, our efforts to contain or remediate a security breach or any vulnerability exploited to cause a breach may be unsuccessful, and efforts and any related failures to contain or remediate them could result in interruptions, delays, harm to our reputation and increases to our insurance coverage. Further, applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosures or the failure to comply with such requirements could lead to adverse consequences.

In addition, litigation resulting from security breaches may adversely affect our business. Unauthorized access to our information technology systems could result in litigation with our collaborators, our clinical trial participants, or other relevant stakeholders. These proceedings could force us to spend money in defense or settlement, divert management's time and attention, increase our costs of doing business, or adversely affect our reputation. We could be required to fundamentally change our business activities and practices in response to such litigation, which could have an adverse effect on our business. If a security breach were to occur and the confidentiality, integrity or availability of our data or the data of our collaborators were disrupted, we could incur significant liability, which could negatively affect our business and damage our reputation.

Further, failures or significant downtime of our information technology or telecommunication systems or those used by our third-party service providers could cause significant interruptions in our operations and adversely impact the confidentiality, integrity and availability of sensitive or confidential information, including preventing us from conducting clinical trials, tests or development activities and preventing us from managing the administrative aspects of our business.

We may not have adequate insurance coverage.

We may not have adequate insurance coverage or otherwise protect us from, or adequately mitigate, liabilities or damages. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

We are subject to stringent and changing privacy and information security laws, regulations, standards, policies and contractual obligations related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to government enforcement actions, a disruption of our clinical trials or commercialization of our products, private litigation, changes to our business practices, increased costs of operations, adverse publicity, an increase the costs of our products, limitations on the use or adoption of our products, and other negative effects on our operating results and business.*

Regulation of data (including personal data) is evolving, as federal, state, and foreign governments continue to adopt new, or modify existing, laws and regulations, or Privacy Regulations, addressing data privacy and security, and the collection, processing, storage, transfer, and use of data. These new or proposed laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions, and guidance on implementation and compliance practices are often updated or otherwise revised, which adds to the complexity of processing personal data. Moreover, we are subject to the terms of our privacy and security policies, representations, certifications, standards, publications, contracts and other obligations to third parties related to data privacy, security and processing. These and other requirements could require us or our collaborators to incur additional costs to achieve compliance, limit our competitiveness, necessitate the acceptance of more onerous obligations in our contracts, restrict our ability to use, store, transfer and process data, impact our or our collaborators' ability to process or use data in order to support the provision of our

products, affect our or our collaborators' ability to offer our products in certain locations, cause regulators to reject, limit or disrupt our clinical trial activities, result in increased expenses, reduce overall demand for our products, and make it more difficult to meet expectations of relevant stakeholders.

We and any potential collaborators may be subject to Privacy Regulations including, without limitation, laws that regulate personal data such as health data. For example, in the United States, numerous federal and state laws and regulations, including federal health information privacy laws, state personal information laws (e.g., the California Consumer Privacy Act of 2018, or CCPA), state data breach notification laws, state health information privacy laws and federal and state consumer protection laws and regulations (e.g., Section 5 of the Federal Trade Commission Act of 1914), govern the collection, use, disclosure and protection of health-related and other personal data. These laws and regulations could apply to our operations, the operations of our collaborators, or other relevant stakeholders upon whom we depend. In addition, we may obtain personal data (including 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, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH. Depending on the facts and circumstances, we could be subject to significant penalties if we violate HIPAA. Additionally, 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.

In addition, the CCPA became effective on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal data, opt out of certain personal data sharing and receive detailed information about how their personal data is used. The CCPA requires covered businesses to provide new disclosures to California residents. The CCPA provides for civil penalties for violations (up to \$7,500 per violation), as well as a private right of action for data breaches that is expected to increase data breach litigation. Although there are limited exemptions for clinical trial data and the CCPA's implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, the CCPA may increase our compliance costs and potential liability. Furthermore, the California Privacy Rights Act of 2020, or CPRA, which becomes operative January 1, 2023, will expand the CCPA's requirements, including applying to personal information of business representatives and employees and establishing a new regulatory agency to implement and enforce the law. In addition, other states have enacted or proposed data privacy laws. For example, Virginia recently passed its Consumer Data Protection Act and Colorado recently passed the Colorado Privacy Act, both of which differ from the CPRA and go into effect in 2023 and similar laws are being considered in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States. These laws demonstrate our vulnerability to the evolving regulatory environment related to personal data. As we expand our operations, these and similar laws may increase our compliance costs and potential liability.

Foreign data protection laws, such as, without limitation, the European Union's, or EU, General Data Protection Regulation, or GDPR, and EU member state implementing legislation, may also apply to health-related and other personal data that we process, including, without limitation, personal data relating to clinical trial participants. European data protection laws impose strict obligations on the processing of health-related and other personal data of European data subjects, including in relation to security (which requires the adoption of administrative, physical and technical safeguards designed to protect such information), collection, use and transfer or personal data. Similar data protection laws exist in the United Kingdom, or UK. European and UK data protection laws may affect our use, collection, analysis and transfer (including cross-border transfer) of such personal data. These include, without limitation, several requirements relating to transparency related to communications with data subjects regarding the processing of their personal data, obtaining the consent of the individuals to whom the personal data relates, limitations on the retention of personal data, increased requirements pertaining to health data, establishing a legal basis for processing, notification of data processing obligations or security incidents to the competent national data protection authorities and/or data subjects, the security and confidentiality of the personal data, various rights that data subjects may exercise with respect to their personal data, and strict rules and restrictions on the transfer of personal data outside of Europe (including from the European Economic Area, or EEA), Switzerland and the UK.

In addition, we may be unable to transfer personal data, including personal data related to our clinical trials, from the EEA, Switzerland, UK, or other jurisdictions to the United States or other countries due to data localization requirements or limitations on cross-border data flows. Although there are various mechanisms that may be used in some cases to lawfully transfer personal data to the United States or other countries, these mechanisms are subject to legal challenges and may not be available to us. If there is no lawful manner for us to transfer personal data from the EEA, Switzerland, the UK or other jurisdictions to the United States, or if the requirements for a legally-compliant transfer are too onerous, we could face significant adverse consequences, including the interruption or degradation of our operations, the need to relocate part of or all of our business or data processing activities to other jurisdictions at significant expense, increased exposure to regulatory actions, substantial fines and penalties, the inability to transfer data and work with partners, vendors and other third parties, and injunctions against our processing or transferring of personal data necessary to operate our business. Some European regulators have prevented companies from transferring personal data out of Europe for allegedly violating the GDPR's cross-border data transfer limitations.

The increase of foreign privacy and security legal frameworks with which we must comply, increases our compliance burdens and exposure to substantial fines and penalties for non-compliance. For example, under the GDPR, entities that violate the GDPR can face fines of up to the greater of 20 million Euros or 4% of their worldwide annual turnover (revenue). Companies that violate the GDPR can also face prohibitions on data processing and other corrective action, such as class action brought by classes of data subjects or by consumer protection organizations authorized at law to represent their interests. The GDPR has increased our responsibility and potential liability in relation to personal data that we process, requiring us to put in place additional mechanisms to comply with the GDPR and other foreign data protection requirements.

We publish privacy policies and other documentation regarding our collection, processing, use and disclosure of personal data, and/or other confidential information. Although we endeavor to comply with our published policies and documentation, we may at times actually fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees or contractors fail to comply with our published policies and documentation. Such failures can subject us to potential foreign, local, state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

Compliance with U.S. federal and state as well as foreign data protection laws and regulations could require us to take on more onerous obligations in our contracts, restrict our ability to collect, use and disclose data, or in some cases, impact our ability to operate in certain jurisdictions. Failure, or perceived failure, to comply with federal, state, and foreign data protection laws and regulations could result in government enforcement actions (which could include civil or criminal penalties, fines or penalties), private litigation, a diversion of management attention, adverse publicity and negative effects on our operating results and business. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages if we fail to comply with applicable data protection laws, privacy policies or data protection obligations related to information security or security breaches. We also cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

Moreover, clinical trial participants or subjects about whom we or our collaborators obtain information, as well as the providers who share this information with us, may limit our ability to use and disclose the information. Claims that we have violated individuals' privacy rights, failed to comply with data protection laws, contracts, privacy notices, or breached other obligations, even if we are not found liable, could be expensive and time consuming to defend and could result in adverse publicity that could harm our business. Compliance with data protection laws may be time consuming, require additional resources and could result in increased expenses, reduce overall demand for our products and make it more difficult to meet expectations of or commitments to our relevant stakeholders.

Any of these matters could adversely affect materially our business, financial condition or operational results, including but not limited to: loss of customers; interruptions or stoppages in our business operations including clinical trials; inability to process personal data or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or revision or restructuring of our operations.

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

We or the third parties upon whom we depend may be adversely affected by earthquakes, fires, other natural disasters, health pandemics or epidemics, terrorism and similar unforeseen events beyond our control, including, for example, the ongoing COVID-19 pandemic, which, prior to our transition to a fully remote work environment in March 2022, prevented us from using a portion of our corporate headquarters, and which may make it difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. We do not have a disaster recovery or business continuity plan in place and may incur substantial expenses as a result of the absence or limited nature of our internal or third-party service provider disaster recovery and business continuity plans, which could have a material adverse effect on our business. Furthermore, integral parties in our supply chain are operating from single sites, increasing their vulnerability to natural disasters or other sudden, unforeseen and severe adverse events. If such an event were to affect our supply chain, it could have a material adverse effect on our ability to conduct our clinical trials, our development plans and business.

Our ability to use our net operating loss carryforwards and certain other tax attributes to offset future taxable income or taxes may be limited.*

We have incurred substantial losses during our history and do not expect to become profitable in the near future, and we may never achieve profitability. Unused losses for tax years beginning on or prior to December 31, 2017 will carry forward to offset future taxable income, if any, until such unused losses expire. Under current law, unused federal losses generated in tax years beginning after December 31, 2017 may be carried forward indefinitely but the deductibility of such federal net operating loss carryforwards, or NOLs, in tax years beginning after December 31, 2020 is limited to 80% of current year taxable income. Many states have similar laws. In addition, both our current and our future unused losses and other tax attributes may be subject to limitation under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if we undergo an "ownership change," generally defined as a greater than 50 percentage point change (by value) in our equity ownership by certain stockholders over a three-year period. We have not completed a Section 382 study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation due to the complexity and cost associated with such a study and the fact that there may be additional such ownership changes in the future. As a result, if we earn net taxable income, our NOLs generated in tax years beginning before January 1, 2018 may expire prior to being used, our NOLs generated in tax years beginning after December 31, 2017 will be subject to a percentage limitation in tax years beginning after December 31, 2020 and, if we undergo an ownership change (or if we previously underwent an ownership change), our ability to use all of our pre-change NOLs and other pre-change tax attributes (such as research tax credits) to offset our post-change income or taxes may be limited. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. As a result, even if we attain profitability, we may be unable to use all or a material portion of our NOLs and other tax attributes, which could adversely affect our future cash flows.

Product liability lawsuits against us could cause us to incur substantial liabilities and could limit the commercialization of any product candidates that we may develop.

We face an inherent risk of product liability exposure related to the testing of product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that MET642 or any future product candidate or products caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- delay or termination of clinical trials;
- decreased demand for any product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial subjects;
- initiation of investigations by regulators;
- significant costs to defend the related litigation and diversion of management's time and our resources;
- substantial monetary awards to study subjects or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue; and
- the inability to commercialize any products that we may develop.

We currently hold \$10.0 million in aggregate product liability insurance coverage, which may not be adequate to cover all liabilities that we may incur. We anticipate that we will need to increase our insurance coverage if MET642 or any future product candidate advances through clinical trials and if we successfully commercialize any products. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

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

In the United States and some foreign jurisdictions, there have been, and continue to be, several legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of product candidates, restrict or regulate post-approval activities, and affect our ability to profitably sell any product candidates for which we obtain marketing approval. Among policy makers and payors in the United States and elsewhere, including in the EU, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

The Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, collectively, the Affordable Care Act, substantially changed the way healthcare is financed by both the government and private insurers, and significantly impacts the U.S. pharmaceutical industry. The Affordable Care Act, among other things: (i) introduced a new average manufacturer price definition for drugs and biologics that are inhaled, infused, instilled, implanted or injected and not generally dispensed through retail community pharmacies; (ii) increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and expanded rebate liability from fee-for-service Medicaid utilization to include the utilization of Medicaid managed care organizations as well; (iii) established a branded prescription drug fee that pharmaceutical manufacturers of branded prescription drugs must pay to the federal government; (iv) expanded the list of covered entities eligible to participate in the 340B drug pricing program by adding new entities to the program; (v) established a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer point-of-sale discounts (which through subsequent legislative amendments, was increased to 70% from 50%) 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; (vi) extended manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations; (vii) expanded eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for individuals with income at or below 133% of the federal poverty level, thereby potentially increasing manufacturers' Medicaid rebate liability; (viii) created a licensure framework for follow on biologic products; and (ix) established a Center for Medicare and Medicaid Innovation at the Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been executive, judicial and Congressional challenges to certain aspects of the Affordable Care Act. For example, legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act, included a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the Affordable Care Act on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate." On June 17, 2021, the U.S. Supreme Court dismissed a challenge on procedural grounds that argued the Affordable Care Act is unconstitutional in its entirety because the "individual mandate" was repealed by Congress. Further, prior to the U.S. Supreme Court ruling, on January 28, 2021, President Biden issued an executive order that initiated a special enrollment period for purposes of obtaining health insurance coverage through the Affordable Care Act marketplace, which began on February 15, 2021 and remained open through August 15,

2021. The executive order also instructed certain governmental agencies to review and reconsider their existing policies and rules that limit access to healthcare, including among others, reexamining Medicaid demonstration projects and waiver programs that include work requirements, and policies that create unnecessary barriers to obtaining access to health insurance coverage through Medicaid or the Affordable Care Act. Additionally, on March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law, which eliminates the statutory Medicaid drug rebate cap, currently set at 100% of a drug's average manufacturer price, for single source and innovator multiple source drugs, beginning January 1, 2024. On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022, or IRA, into law, which among other things, extends enhanced subsidies for individuals purchasing health insurance coverage on Affordable Care Act marketplaces through plan year 2025. The IRA also eliminates the "donut hole" under the Medicare Part D program beginning in 2025 by significantly lowering the beneficiary maximum out-of-pocket cost through a newly established manufacturer discount program. It is possible that the Affordable Care Act will be subject to judicial or Congressional challenges in the future. It is unclear how any such challenges and the healthcare reform measures of the Biden administration will impact the Affordable Care Act and our business.

Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. These changes include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year pursuant to the Budget Control Act of 2011 and subsequent laws, which began in 2013 and will remain in effect until 2031, unless additional Congressional action is taken. However, COVID-19 relief legislation suspended the 2% Medicare sequester from May 1, 2020 through March 31, 2022. Under current legislation, the actual reduction in Medicare payments will vary from 1% in 2022 to up to 4% in the final fiscal year of this sequester. In January 2013, the American Taxpayer Relief Act of 2012 was signed into law, which, among other things, further reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. In addition, Congress is considering additional health reform measures as part of other reform initiatives. New laws may result in additional reductions in Medicare and other healthcare funding, which may materially adversely affect customer demand and affordability for our products (if approved) and, accordingly, the results of our financial operations.

Also, there has been heightened governmental scrutiny recently over the manner in which drug manufacturers set prices for their marketed products, which have resulted in several Congressional inquiries and proposed federal legislation, as well as state efforts, designed to, among other things, bring more transparency to product pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products. At the federal level, the Trump administration used several means to propose or implement drug pricing reform, including through federal budget proposals, executive orders and policy initiatives. In July 2021, the Biden administration released an executive order, "Promoting Competition in the American Economy," with multiple provisions aimed at prescription drugs. In response to President Biden's executive order, on September 9, 2021, the Department of Health and Human Services, or HHS, released a Comprehensive Plan for Addressing High Drug Prices that outlines principles for drug pricing reform and sets out a variety of potential legislative policies that Congress could pursue as well as potential administrative actions HHS can take to advance these principles. In addition, the IRA, among other things, (i) directs HHS to negotiate the price of certain drugs and biologics covered under Medicare, and subject drug manufacturers to civil monetary penalties and a potential excise tax by offering a price that is not equal to or less than the negotiated "maximum fair price" under the law, and (ii) imposes rebates under Medicare Part B and Medicare Part D to penalize drug manufacturers for price increases that outpace inflation. It is currently unclear how the IRA will be effectuated but is likely to have a significant impact on the pharmaceutical industry. The IRA permits HHS to implement many of these provisions through guidance, as opposed to regulation, for the initial years. These provisions will take effect progressively beginning in fiscal year 2023, although they may be subject to legal challenges. It is currently unclear how the IRA will be effectuated but is likely to have a significant impact on the pharmaceutical industry. At the state level, individual states in the United States are increasingly active in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that these and other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded 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 drugs, once marketing approval is obtained.

In the EU, coverage and reimbursement status of any product candidates for which we obtain regulatory approval are provided for by the national laws of EU member states. The requirements may differ across the EU member states. Also at a national level, actions have been taken to enact transparency laws regarding payments between pharmaceutical companies and healthcare professionals.

We will be subject to applicable fraud and abuse, transparency, government price reporting and other healthcare laws and regulations. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.

Healthcare providers and third-party payors will play a primary role in the recommendation and prescription of any future product candidates for which we obtain marketing approval. Our current and future arrangements with healthcare providers, third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may affect the business or financial arrangements and relationships through which we conduct our research as well as the manner in which we would market, sell and distribute our products if approved. Even though we do not and will not control referrals of healthcare services or

bill directly to Medicare, Medicaid or other third-party payors, federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, any person or entity from knowingly and willfully soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of an item or service reimbursable, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. The term "remuneration" has been broadly interpreted to include anything of value. The Anti-Kickback Statute has also been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other the other hand. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, but the exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the federal civil and criminal false claims laws, such as the False Claims Act, or FCA, and civil monetary penalty laws, which imposes significant penalties and can be enforced by private citizens through civil qui tam actions, prohibits individuals or entities from, among other things, knowingly presenting, or causing to be presented, false, fictitious or fraudulent claims for payment or approval by the federal government, and knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim, or knowingly making a false statement to improperly avoid, decrease or conceal an obligation to pay money to the federal government. For example, pharmaceutical companies have been prosecuted under the FCA in connection with their alleged off-label promotion of drugs, purportedly concealing price concessions in the pricing information submitted to the government for government price reporting purposes, and allegedly providing free product to customers with the expectation that the customers would bill federal healthcare programs for the product. As a result of a modification made by the Fraud Enforcement and Recovery Act of 2009, a claim includes "any request or demand" for money or property presented to the U.S. government. In addition, manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to "cause" the submission of false or fraudulent claims. Criminal prosecution is also possible for making or presenting a false, fictitious or fraudulent claim to the federal government. Government enforcement agencies and private whistleblowers have investigated pharmaceutical companies for or asserted liability under the FCA for a variety of alleged promotional and marketing activities, such as providing free product to customers with the expectation that the customers would bill federal programs for the product, providing consulting fees and other benefits to physicians to induce them to prescribe products, engaging in promotion for "off-label" uses, and submitting inflated best price information to the Medicaid Rebate Program. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA;
- HIPAA, among other things, imposes criminal liability for executing or attempting to execute a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and creates federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement or representation, or making or using any false writing or document knowing the same to contain any materially false, fictitious or fraudulent statement or entry in connection with the delivery of or payment for healthcare benefits, items or services. Like the Anti-Kickback Statute, the Affordable Care Act amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by HITECH and its implementing regulations, which imposes privacy, security and breach reporting obligations with respect to individually identifiable health information upon entities subject to the law, such as health plans, healthcare clearinghouses and certain healthcare providers and their respective business associates that perform services for them that involve individually identifiable health information, as well as their covered subcontractors. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in U.S. federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions;
- federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- the federal transparency requirements under the Physician Payments Sunshine Act of 2010, which requires, among other things, certain manufacturers of drugs, devices, biologics and medical supplies reimbursed under Medicare, Medicaid or the Children's Health Insurance Program to annually report to HHS information related to payments and other transfers of value provided to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain other healthcare professionals (such as physician assistants and nurse practitioners), and teaching hospitals, as well as physician ownership and investment interests, including such ownership and investment interests held by a physician's immediate family members; and
- analogous state and foreign laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state and foreign laws that require pharmaceutical companies to implement compliance programs, comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government, track and report gifts,

compensation and other remuneration provided to physicians, other healthcare providers and other healthcare entities, or drug pricing, and/or ensure the registration and compliance of sales personnel and other federal, state and foreign laws that govern the privacy and security of health information or personally identifiable information in certain circumstances, including state health information privacy and data breach notification laws which govern the collection, use, disclosure and protection of health-related and other personal information, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus requiring additional compliance efforts.

We have entered into consulting arrangements with physicians and other healthcare providers, some of whom are compensated with stock options including some who could influence the use of MET642 or any future product candidate, if approved. Because of the complex and far-reaching nature of these laws, regulatory agencies may view these transactions as prohibited arrangements that must be restructured, or discontinued, or for which we could be subject to other significant penalties. We could be adversely affected if regulatory agencies interpret our financial relationships with providers who may influence the ordering of and use our product candidates, if approved, to be in violation of applicable laws.

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

Ensuring that our business arrangements with third parties comply with applicable healthcare laws and regulations will likely be costly. If our operations are found to be in violation of any of these laws or any other current or future governmental laws and regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could substantially disrupt our operations. If any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to significant criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

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

U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions and other trade laws and regulations prohibit, among other things, companies and their employees, agents, CROs, legal counsel, accountants, consultants, contractors and other partners from authorizing, promising, offering, providing, soliciting or receiving directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of these trade laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities and other organizations. We also expect our non-U.S. activities to increase over time. We expect to rely on third parties for research, preclinical studies and clinical trials and/or to obtain necessary permits, licenses, patent registrations and other marketing approvals. We can be held liable for the corrupt or other illegal activities of our personnel, agents or partners, even if we do not explicitly authorize or have prior knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm and other consequences.

The requirements of being a public company may strain our resources, divert our management's attention and our ability to attract and retain qualified board members.

We are subject to the reporting requirements of the Exchange Act, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the listing requirements of the Nasdaq Stock Market LLC, or Nasdaq, and other applicable securities rules and regulations relating to public companies. The Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC, and the Nasdaq Capital Market to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, pursuant to the Dodd-Frank Act, the SEC has adopted additional rules and regulations in these areas, such as mandatory "say on pay" voting requirements that will apply to us when we cease to be an emerging growth company. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may 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. Compliance with the various reporting and other requirements applicable to public companies requires considerable time and attention of management. We cannot assure you that we will satisfy our obligations as a public company on a timely basis.

Compliance with these rules and regulations substantially increases our legal and financial compliance costs and makes some activities more time consuming and costly. To the extent these requirements significantly divert the attention of our management and personnel from other business concerns, they could have a material adverse effect on our business, financial condition and results of

operations. These costs decrease our net income or increase our net loss, and may require us to reduce costs in other areas of our business or increase the prices of our products or services. Being a public company subject to these regulations also makes it more expensive for us to obtain certain types of insurance, including directors' and officers' liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified personnel to serve on our board of directors, our board committees or as executive officers.

We are also subject to more stringent state law requirements because we are a public company. For example, on September 30, 2018, California Governor Jerry Brown signed into law Senator Bill 826, or SB826, which generally requires public companies with their principal executive office in California to have a minimum number of females on the company's board of directors. In order to be in compliance with SB826, we are required to have three female members of our board of directors. Additionally, on September 30, 2020, California enacted Assembly Bill 979, or AB979, requiring public companies with their principal executive office in California to have directors from underrepresented communities based on ethnicity and sexual orientation. In order to be in compliance with AB979, we are required to have at least three directors from underrepresented communities by December 31, 2022. As of December 31, 2021, we were in compliance with AB979, which only required one director from an underrepresented community as of such date, but were not in compliance with SB826. In April 2022, a California Superior Court found AB979 to be unconstitutional, and in May 2022, a California Superior Court found SB826 to be unconstitutional. It is unclear whether California will appeal the Superior Court's ruling, and how legal challenges may impact both laws. The current composition of our board of directors includes one female director and one director from an underrepresented community. In order to meet the requirements of applicable California law, we expect to onboard the requisite number of female and diverse directors before December 31, 2022. If we fail to comply with these laws, we could be fined by the California Secretary of State, with a \$100,000 fine for the first violation and a \$300,000 fine for each subsequent violation, and our reputation may be adversely affected. We cannot assure that we can recruit, attract and/or retain qualified members of our board of directors and meet gender and diversity quotas as required by California law (provided that such laws are not repealed), which may cause certain investors to divert their holdings in our securities and expose us to financial penalties and/or reputational harm.

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

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

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

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

Risks Related to our Common Stock

The trading price of our common stock may be volatile and fluctuate substantially or may decline regardless of our operating performance, which could result in substantial losses.*

The market price of our common stock has been, and in the future, may fluctuate significantly. For example, the market price of our common stock declined significantly as a result of the announcement we made on October 24, 2021 regarding our determination to stop the development of our FXR product candidates in the indication of NASH. The stock market in general and the market for smaller pharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- limited daily trading volume resulting in the lack of a liquid market;
- our operating performance and the performance of other similar companies;
- our ability to enroll subjects in our ongoing and planned clinical trials;
- results from our ongoing clinical trials and future clinical trials with MET642 or any future product candidate or of our competitors;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- regulatory or legal developments in the United States and other countries, including changes in the structure of healthcare payment systems;

- the level of expenses related to future product candidates or clinical development programs;
- our ability to achieve product development goals in the timeframe we announce;
- announcements of clinical trial results, regulatory developments, equity offerings, debt financings, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- the success or failure of our efforts to acquire, license or develop additional product candidates;
- recruitment or departure of key personnel;
- general economic conditions in the United States, including economic slowdowns, recessions, inflation, rising interest rates and tightening of credit markets and market conditions in our industry;
- actual or anticipated changes in estimates as to financial results, development timelines, or recommendations by securities analysts;
- publication of research reports about us or our industry or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- trading activity by a limited number of stockholders who together beneficially own a significant amount of our outstanding common stock;
- the expiration of market standoff or contractual lock-up agreements;
- the size of our market float; and
- any other factors or events, including those described in this “Risk Factors” section.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many life sciences companies. Stock prices of many biopharmaceutical companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. For example, the ongoing COVID-19 pandemic has negatively affected the stock market and investor sentiment and has resulted in significant volatility. The price of our common stock may be disproportionately affected as investors may favor traditional profit-making industries and companies during times of market uncertainty and instability. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, additional borrowings under the K2 Loan Agreement, collaborations and other similar arrangements. In October 2021, we filed a shelf registration statement on Form S-3 (Registration No. 333-260023) that allows us to sell up to an aggregate of \$150.0 million of our common stock, preferred stock, debt securities and/or warrants, which includes a prospectus covering the issuance and sale of up to \$50.0 million of common stock pursuant to an ATM offering program. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a common stockholder. Additional debt financing, if available, may involve agreements that include covenants further limiting or restricting our ability to take specific actions beyond those contained in the K2 Loan Agreement, such as further limitations on our ability to incur additional debt, make capital expenditures or declare dividends.

If we raise funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

If we are unable to regain compliance with the listing requirements of the Nasdaq Capital Market, our common stock may be delisted from the Nasdaq Capital Market which could have a material adverse effect on our financial condition and could make it more difficult for you to sell your shares.*

Our common stock is listed on the Nasdaq Capital Market, and we are therefore subject to its continued listing requirements, including requirements with respect to the market value of publicly held shares, market value of listed shares, minimum bid price per share (subject to a 180-day grace period, as discussed below), and minimum stockholders' equity, among others, and requirements relating to board and committee independence. If we fail to satisfy one or more of the requirements, we may be delisted from the Nasdaq Capital Market.

On February 4, 2022, we received a notice, or Notice, from Nasdaq that we were not in compliance with the \$1.00 minimum bid price requirement for continued listing on the Nasdaq Global Market, as set forth in Nasdaq Listing Rule 5450(a)(1), or the Minimum Bid Price Requirement. The Notice indicated that, consistent with Nasdaq Listing Rule 5810(c)(3)(A), we had 180 days, or until August 3, 2022, to regain compliance with the Minimum Bid Price Requirement by having the closing bid price of our common stock meet or exceed \$1.00 per share for at least ten consecutive business days.

On July 29, 2022, we filed a transfer application to transfer the listing of our common stock from the Nasdaq Global Market to the Nasdaq Capital Market, or the Listing Transfer. On August 4, 2022, we received approval from Nasdaq for the Listing Transfer. The

Listing Transfer was effective as of the opening of business on August 5, 2022. The Listing Transfer had no immediate effect on the listing of our common stock, and our common stock will continue to trade on the Nasdaq Capital Market under the symbol "MTCR" at this time.

In connection with the Listing Transfer, we were granted an additional 180-day grace period to regain compliance with the Minimum Bid Price Requirement. To regain compliance and qualify for continued listing on the Nasdaq Capital Market, the minimum bid price per share of our common stock must be at least \$1.00 for at least ten consecutive business days during the additional 180-day grace period, which will end on January 30, 2023, and we are required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market. In addition, we notified Nasdaq of our intent to cure the deficiency during the second compliance period. If we do not regain compliance with the Minimum Bid Price Requirement by the end of the second compliance period, our common stock will become subject to delisting. In the event that we receive notice that our common stock is being delisted, the Nasdaq listing rules permit us to appeal a delisting determination by the Staff to a hearings panel.

There can be no assurance, however, that we will be able to regain compliance with the Minimum Bid Price Requirement, and even if we do, there can be no assurance that we will be able to maintain compliance with the continued listing requirements for the Nasdaq Capital Market or that our common stock will not be delisted in the future. In addition, we may be unable to meet other applicable listing requirements of the Nasdaq Capital Market, including maintaining minimum levels of stockholders' equity or market values of our common stock in which case, our common stock could be delisted notwithstanding our ability to demonstrate compliance with the Minimum Bid Price Requirement.

Delisting from the Nasdaq Capital Market may adversely affect our ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade our securities and may negatively affect the value and liquidity of our common stock. Delisting also could have other negative results, including the potential loss of employee confidence, the loss of institutional investors or interest in business development opportunities.

If we are delisted from Nasdaq and we are not able to list our common stock on another exchange, our common stock could be quoted on the OTC Bulletin Board or in the "pink sheets." As a result, we could face significant adverse consequences including, among others:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and little or no analyst coverage for us;
- an inability to qualify for exemptions from state securities registration requirements, which may require us to comply with applicable state securities laws; and
- a decreased ability to issue additional securities (including pursuant to registration statements on Form S-3) or obtain additional financing in the future.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. We currently have research coverage from a limited number of securities or industry analysts. If no or only very few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement causing us to fail to make any related party transaction disclosures. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

We are an “emerging growth company,” and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.*

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act, and we intend to take advantage of some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- not being required to hold a non-binding advisory vote on executive compensation or obtain stockholder approval of any golden parachute payments not previously approved.

In addition, as an “emerging growth company” the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have not elected to use this extended transition period under the JOBS Act.

We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (a) December 31, 2025, (b) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.07 billion or (c) the date on which we first qualify as a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. In addition, the terms of the K2 Loan Agreement preclude us from paying cash dividends. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

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

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws:

- permit our board of directors to issue up to 10,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate (including the right to approve an acquisition or other change in our control);
- provide that the authorized number of directors may be changed only by resolution of the board of directors;
- provide that the board of directors or any individual director may only be removed with cause and the affirmative vote of the holders of at least 66 2/3% of the voting power of all of our then outstanding common stock;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- divide our board of directors into three classes;
- require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and not be taken by written consent;
- provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and also specify requirements as to the form and content of a stockholder’s notice;
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose);
- provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or by the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and

- provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom will be the sole and exclusive forum for the following claims or causes of action under the Delaware statutory or common law: (i) any derivative claim or cause of action brought on our behalf; (ii) any claim or cause of action for breach of a fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders; (iii) any claim or cause of action against us or any of our current or former directors, officers or other employees, arising out of or pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws (each as may be amended from time to time); (iv) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder); (v) any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware; and (vi) any claim or cause of action against us or any of our directors, officers or other employees governed by the internal-affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants; provided, that, this Delaware forum provision set forth in our of our amended and restated certificate of incorporation and amended and restated bylaws will not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act or the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

Further, our amended and restated certificate of incorporation provides that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States will be the exclusive forum for resolution of any complaint asserting a cause of action arising under the Securities Act.

The amendment of any of these provisions, with the exception of the ability of our board of directors to issue shares of preferred stock and designate any rights, preferences and privileges thereto, would require approval by the holders of at least 66 2/3% of our then-outstanding common stock.

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

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

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

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court therefrom shall be the sole and exclusive forum for the following claims or causes of action under the Delaware statutory or common law: (i) any derivative claim or cause of action brought on our behalf, (ii) any action claim or cause of action for breach of fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders, (iii) any claim or cause of action against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or bylaws (as each may be amended from time to time); (iv) any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder); (v) any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware and (vi) any claim or cause of action against us or any of our directors, officers or other employees that is governed by the internal-affairs doctrine; provided, that this Delaware forum provision set forth in our amended and restated certificate of incorporation will not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act or the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction. Further, our amended and restated certificate of incorporation provides that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States will be the exclusive forum for resolution of any complaint asserting a cause of action arising under the Securities Act. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. If a court were to find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biopharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business. If we experience a decline in our stock price, we could face securities class action lawsuits.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger, dated September 6, 2022, by and among the Registrant, Equillum, Inc., Equillum Acquisition Sub, Inc., and Triumph Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-39512) filed with the SEC on September 6, 2022).</u>
2.2	<u>Amendment No. 1 to Agreement and Plan of Merger, dated October 26, 2022, by and among the Registrant, Equillum, Inc., Equillum Acquisition Sub, Inc., and Triumph Merger Sub, Inc. (incorporated by reference to Annex A to the Registrant's Proxy Statement on Schedule 14A (File No. 001-39512) filed with the SEC on November 10, 2022).</u>
3.1	<u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-39512) filed with the SEC on September 18, 2020).</u>
3.2	<u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-39512) filed with SEC on September 18, 2020).</u>
4.1	<u>Form of Common Stock Certificate of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-248292), filed with the SEC on September 9, 2020).</u>
4.2	<u>Amended and Restated Investor Rights Agreement, dated August 26, 2019, by and among the Registrant and certain of its stockholders (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-248292), filed with the SEC on August 24, 2020).</u>
4.3	<u>Warrant to Purchase Preferred Stock, dated August 27, 2019, issued to K2 HealthVentures Equity Trust LLC (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1, as amended (File No. 333-248292), filed with the SEC on August 24, 2020).</u>
4.4	<u>Warrant to Purchase Common Stock, dated October 1, 2021, issued to K2 HealthVentures Equity Trust LLC (incorporated by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-39512) filed with the SEC on November 12, 2021).</u>
31.1	<u>Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.</u>
31.2	<u>Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.</u>
32.1	<u>Certification of Principal Executive Officer and Principal Financial Officer Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.</u>

- 101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

¥ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Registrant undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

SIGNATURES

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

Metacrine, Inc.

Date: November 14, 2022

By: /s/ Preston Klassen, M.D.

Preston Klassen, M.D.

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 14, 2022

By: /s/ Michael York

Michael York

Chief Business Officer

(Principal Financial and Accounting Officer)

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

I, Preston Klassen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Metacrine, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

By: /s/ Preston Klassen, M.D.
Preston Klassen, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

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

I, Michael York, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 of Metacrine, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2022

By: /s/ Michael York

Michael York
Chief Business Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Metacrine, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 14, 2022

By: /s/ Preston Klassen, M.D.
Preston Klassen, M.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2022

By: /s/ Michael York
Michael York
Chief Business Officer
(Principal Financial and Accounting Officer)