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 June 30, 2023

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 001-40646

ABSCI CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**85-3383487**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
18105 SE Mill Plain Blvd **Vancouver, WA**	**98683**
(Address of Principal Executive Offices)	(Zip Code)

(360) 949-1041
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock. $0.0001 par value	ABSI	The Nasdaq Global Select Market

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

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

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

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

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

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

The registrant had outstanding 92,710,954 shares of $0.0001 par value common stock as of July 31, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Risk Factors”. Forward-looking statements can often be identified by the use of terminology such as “may,” “might,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, these forward-looking statements include, but are not limited to:

- our expectations regarding our further development of, successful application of, and the rate and degree of market acceptance of, our Integrated Drug Creation platform, including progress towards fully *in silico* biologic drug discovery;
- our expectations regarding our ability to leverage our Integrated Drug Creation platform to shorten preclinical development of biologics;
- our expectations regarding the markets for our services and technologies, including the growth rate of the biologics market;
- our ability to attract new partners and enter into technology development agreements that contain milestone and royalty obligations in favor of us;
- our potential to receive revenue from the achievement of milestones and from royalties on net sales under agreements with our partners with respect to products originating from our Integrated Drug Creation platform;
- our ability to enter into license agreements for our existing Active Programs with those partners who do not have current milestone payment and royalty obligations to us;
- our ability to manage and grow our business by expanding our relationships with existing partners or introducing our Integrated Drug Creation platform to new partners and developing lead drug candidates for our internal drug discovery efforts;
- our expectations regarding our current and future partners’ continued development of, and ability to commercialize, biologic drugs generated utilizing our platform;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our need for or ability to obtain additional funding before we can expect to generate additional revenue;
- our estimates of the sufficiency of our cash and cash equivalents and short-term investments;
- our calculations and estimates related to the valuation of our intangible assets;
- our ability to establish, maintain or expand collaborations, partnerships or strategic relationships;
- our ability to provide our partners with a full biologic drug discovery and cell line development solution from target to Investigational New Drug application (IND)-ready, including non-standard amino acid incorporation capabilities;
- our ability to obtain, maintain and enforce intellectual property protection for our platform, products and technologies, the duration of such protection and our ability to operate our business without infringing on the intellectual property rights of others;
- our ability to attract, hire and retain key personnel and to manage our growth effectively;

- our expectations regarding use of our cash and cash equivalents and short-term investments, including the proceeds from our initial public offering;
- our financial performance and that of companies in our industry and the financial markets generally;
- the volatility of the trading price of our common stock;
- our competitive position and the development of and projections relating to our competitors or our industry;
- the impact of laws and regulations;
- our expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (JOBS Act); and
- global economic conditions, including market volatility, acts of war and civil and political unrest, and our expectations about market trends and effects from inflation.

We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions, and expectations disclosed in the forward-looking statements we make. Moreover, we operate in a competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, joint ventures, or investments we may make or enter into.

You should read this Quarterly Report and the documents that we file with the Securities and Exchange Commission, or the SEC, with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained in this Quarterly Report are made as of the date of this Quarterly Report, and we do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

Except as otherwise indicated, references in this Quarterly Report on Form 10-Q to “Absci,” the “Company,” “we,” “us,” and “our” refer to Absci Corporation and its subsidiaries.

Trademarks

This Quarterly Report on Form 10-Q contains references to our trademarks and service marks and to those belonging to third parties. Absci®, SoluPro® and SoluPure® are our registered trademarks with the U.S. Patent and Trademark Office. We also use various other trademarks, service marks and trade names in our business, including the Absci’s stylized A logo, HiPrBind, Bionic proteins, Translating Ideas into Drugs, Bionic SoluPro, Integrated Drug Creation, Unlimit with us, Creating drugs at the speed of Ai, Better biologics for patients, faster, Breakthrough therapeutics at the click of a button, for everyone, Denovium, and Denovium Engine. All other trademarks, service marks or trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Quarterly Report on Form 10-Q may be referred to with or without the ® and ™ symbols, but references which omit the ® and ™ symbols should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Availability of Other Information about Absci

Investors and others should note that we routinely communicate with investors and the public using our website (www.absci.com) and our investor relations website (investors.absci.com) free of charge, including without limitation, through the posting of investor presentations, SEC filings (including amendments and exhibits to such filings as soon as reasonably practicable after filed with or furnished to the SEC), press releases, public conference calls and webcasts on these websites, as well as on Twitter, LinkedIn and YouTube. The information that we post on these websites and social media outlets could be deemed to be material information. As a result, investors, the media, and others interested in Absci are encouraged to review this information on a regular basis. The contents of our website and social media postings, or any other website that may be accessed from our website or social media postings, shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

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Part I. Financial Information

Item 1. Financial Statements

ABSCI CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except for share and per share data)	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,048	$ 59,955
Restricted cash	15,066	15,023
Short-term investments	63,539	104,476
Receivables under development arrangements, net	3,157	1,550
Prepaid expenses and other current assets	5,227	5,859
Total current assets	148,037	186,863
Operating lease right-of-use assets	4,886	5,319
Property and equipment, net	47,850	52,723
Intangibles, net	49,938	51,622
Goodwill	—	21,335
Restricted cash, long-term	1,902	1,864
Other long-term assets	1,540	1,282
TOTAL ASSETS	$ 254,153	$ 321,008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,851	$ 2,412
Accrued expenses	16,713	20,481
Long-term debt	3,145	2,946
Operating lease obligations	1,734	1,690
Financing lease obligations	1,541	2,296
Deferred revenue	500	445
Total current liabilities	25,484	30,270
Long-term debt - net of current portion	6,378	7,984
Operating lease obligations - net of current portion	6,423	7,317
Finance lease obligations - net of current portion	246	750
Deferred tax, net	223	238
Other long-term liabilities	—	35
TOTAL LIABILITIES	38,754	46,594
Commitments (See Note 8)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 0 shares issued and outstanding as of June 30, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; 500,000,000 shares authorized as of June 30, 2023 and December 31, 2022; 92,590,593 and 92,411,103 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	9	9
Additional paid-in capital	576,492	570,454
Accumulated deficit	(360,956)	(295,929)
Accumulated other comprehensive loss	(146)	(120)
TOTAL STOCKHOLDERS' EQUITY	215,399	274,414
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 254,153	$ 321,008

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

ABSCI CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands, except for share and per share data)	**2023**	**2022**	**2023**	**2022**
Revenues				
Technology development revenue	$ 3,367	$ 636	$ 4,636	$ 1,090
Collaboration revenue	—	366	—	731
Total revenues	3,367	1,002	4,636	1,821
Operating expenses				
Research and development	12,112	16,241	24,769	32,068
Selling, general and administrative	9,410	10,507	19,003	21,396
Depreciation and amortization	3,498	3,141	7,002	6,047
Goodwill impairment	21,335	—	21,335	—
Total operating expenses	46,355	29,889	72,109	59,511
Operating loss	(42,988)	(28,887)	(67,473)	(57,690)
Other income (expense)				
Interest expense	(256)	(211)	(577)	(406)
Other income, net	1,583	148	3,041	273
Total other income (expense), net	1,327	(63)	2,464	(133)
Loss before income taxes	(41,661)	(28,950)	(65,009)	(57,823)
Income tax (expense) benefit	(11)	270	(18)	(351)
Net loss	$ (41,672)	$ (28,680)	$ (65,027)	$ (58,174)
Net loss per share: Basic and diluted	$ (0.45)	$ (0.32)	$ (0.71)	$ (0.64)
Weighted-average common shares outstanding: Basic and diluted	91,827,780	90,669,499	91,654,578	90,471,950
Comprehensive loss:				
Net loss	$ (41,672)	$ (28,680)	$ (65,027)	$ (58,174)
Foreign currency translation adjustments	(42)	(40)	(56)	(50)
Unrealized (loss) gain on investments	(9)	2	30	2
Comprehensive loss	$ (41,723)	$ (28,718)	$ (65,053)	$ (58,222)

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

ABSCI CORPORATION
UNAUDITED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except for share and per share data)	Common Stock										
	Shares		Amount		Additional Paid-In Capital		Accumulated Deficit		Accumulated Other Comprehensive Loss		Total Stockholders' Equity
Balances - December 31, 2022	92,411,103	$	9	$	570,454	$	(295,929)	$	(120)	$	274,414
Issuance of shares under stock plans, net of shares withheld for tax payments	171,899		—		229		—		—		229
Stock-based compensation	—		—		2,652		—		—		2,652
Forfeiture of common stock	(101,030)		—		—		—		—		—
Foreign currency translation adjustments	—		—		—		—		(14)		(14)
Unrealized gain on investments	—		—		—		—		39		39
Net loss	—		—		—		(23,355)		—		(23,355)
Balances - March 31, 2023	92,481,972	$	9	$	573,335	$	(319,284)	$	(95)	$	253,965
Issuance of shares under stock plans, net of shares withheld for tax payments	108,621		—		116		—		—		116
Stock-based compensation	—		—		3,041		—		—		3,041
Foreign currency translation adjustments	—		—		—		—		(42)		(42)
Unrealized loss on investments	—		—		—		—		(9)		(9)
Net loss	—		—		—		(41,672)		—		(41,672)
Balances - June 30, 2023	92,590,593	$	9	$	576,492	$	(360,956)	$	(146)	$	215,399

(In thousands, except for share and per share data)	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balances - December 31, 2021	92,648,036	$ 9	$ 557,136	$ (191,025)	$ (13)	$ 366,107
Issuance of shares under stock plans, net of shares withheld for tax payments	187,151		213	—	—	213
Stock-based compensation	—	—	3,680	—	—	3,680
Foreign currency translation adjustments	—	—	—	—	(10)	(10)
Net loss	—	—	—	(29,494)	—	(29,494)
Balances - March 31, 2022	92,835,187	$ 9	$ 561,029	$ (220,519)	$ (23)	$ 340,496
Issuance of shares under stock plans, net of shares withheld for tax payments	195,418	—	215	—	—	215
Stock-based compensation	—	—	4,200	—	—	4,200
Forfeiture of common stock	(249,618)	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(40)	(40)
Unrealized gain on investments	—	—	—	—	2	2
Other	1	—	—	—	—	—
Net loss	—	—	—	(28,680)	—	(28,680)
Balances - June 30, 2022	92,780,988	$ 9	$ 565,444	$ (249,199)	$ (61)	$ 316,193

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

ABSCI CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
(In thousands)	**2023**	**2022**
Cash Flows From Operating Activities		
Net loss	(65,027)	(58,174)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,002	6,047
Deferred income taxes	(15)	342
Stock-based compensation	5,693	7,949
Goodwill impairment	21,335	—
Accretion of discount on short-term investments	(1,646)	—
Other	(615)	645
Changes in operating assets and liabilities:		
Receivables under development arrangements	(1,584)	1,115
Prepaid expenses and other current assets	632	1,701
Operating lease right-of-use assets and liabilities	(417)	(277)
Other long-term assets	(78)	(47)
Accounts payable	(885)	659
Accrued expenses and other liabilities	(3,803)	(5,132)
Deferred revenue	55	1,444
Net cash used in operating activities	(39,353)	(43,728)
Cash Flows From Investing Activities		
Purchases of property and equipment	(536)	(10,745)
Acquisitions, net of cash acquired	—	(8,000)
Investment in short-term investments	(92,627)	—
Proceeds from maturities of short-term investments	135,897	—
Proceeds from sales of property and equipment	117	15
Proceeds from property insurance settlements	—	650
Net cash provided by (used in) investing activities	42,851	(18,080)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	—	9,407
Principal payments on long-term debt	(1,407)	(3,698)
Principal payments on finance lease obligations	(1,262)	(1,372)
Proceeds from issuance of common stock, net of issuance costs	345	428
Net cash (used in) provided by financing activities	(2,324)	4,765
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,174	(57,043)
Cash, cash equivalents and restricted cash - Beginning of year	76,842	279,926
Cash, cash equivalents, and restricted cash - End of period	$ 78,016	$ 222,883
Supplemental Disclosure of Cash Flow Information		
Cash paid for amounts included in the measurement of operating lease liabilities	1,206	1,141
Property and equipment purchases included in accounts payable	267	1,990
Deferred offering costs included in accounts payable	180	—

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

1. Organization and nature of operations

Absci Corporation (the “Company”) is a generative AI drug creation company harnessing deep learning and synthetic biology to expand the therapeutic potential of proteins. Absci leverages its integrated drug creation platform (the “Integrated Drug Creation Platform”) to identify novel drug targets and create promising biotherapeutic candidates. The Company was organized in the State of Oregon in August 2011 as a limited liability company and converted to a limited liability company (“LLC”) in Delaware in April 2016. In October 2020, the Company converted from a Delaware LLC to a Delaware corporation. The Company’s headquarters are located in Vancouver, Washington.

Unaudited interim financial information

The Company prepared its interim condensed consolidated financial statements that accompany these notes in conformity with U.S. GAAP, consistent in all material respects with those applied in its Annual Report on Form 10-K for the year ended December 31, 2022.

The Company has made estimates and judgments affecting the amounts reported in its condensed consolidated financial statements and the accompanying notes. The actual results that the Company experiences may differ materially from its estimates. The interim financial information is unaudited and reflects all normal adjustments that are, in the Company’s opinion, necessary to provide a fair statement of results for the interim periods presented. This report should be read in conjunction with the consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 where the Company includes additional information about its critical accounting estimates.

2. Summary of significant accounting policies

Basis of presentation

The condensed consolidated financial statements are prepared in accordance with U.S. GAAP as defined by the Financial Accounting Standards Board (“FASB”). The condensed consolidated financial statements include the Company’s wholly-owned subsidiaries and entities under its control. The Company has eliminated all intercompany transactions and accounts.

There have been no material changes in the accounting policies from those disclosed in the audited consolidated financial statements and the related notes included in the Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 30, 2023.

3. Revenue recognition

Contract balances

Contract assets are generated when contractual billing schedules differ from revenue recognition timing and the Company records a contract asset when it has an unconditional right to consideration. As of June 30, 2023 and December 31, 2022, contract assets were $0.9 million and $1.1 million, respectively.

Contract liabilities are recorded in deferred revenue when cash payments are received or due in advance of the satisfaction of performance obligations. As of June 30, 2023 and December 31, 2022, contract liabilities were $0.5 million and $0.4 million, respectively. During the three and six months ended June 30, 2023, the Company recognized $0.3 million and $0.4 million, respectively, as revenue that had been included in deferred revenue at the beginning of the period. During the three and six months ended June 30, 2022, the Company recognized $0.4 million and $0.8 million, respectively, as revenue that had been included in deferred revenue at the beginning of the period.

4. Investments

Cash equivalents, marketable securities and deposits are classified as available-for-sale and are, therefore, recorded at fair value on the condensed consolidated balance sheet, with any unrealized gains and losses reported in accumulated other comprehensive income (loss), which is reflected as a separate component of stockholders’ equity in the Company’s condensed consolidated balance sheet, until realized. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The amortized cost and fair value of investments are as follows (in thousands):

				June 30, 2023
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair market value
Assets				
Money market funds	$ 23	$ —	$ —	$ 23
U.S. treasury bills	63,550	3	(14)	63,539
Total	$ 63,573	$ 3	$ (14)	$ 63,562
Classified as:				
Cash equivalents				$ 23
Short-term investments				63,539
Long-term investments				—
Total				$ 63,562

				December 31, 2022
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair market value
Assets				
Money market funds	$ 5,050	$ —	$ —	$ 5,050
Certificates of deposit	27,740	—	—	27,740
U.S. treasury bills	76,777	2	(43)	76,736
Total	$ 109,567	$ 2	$ (43)	$ 109,526
Classified as:				
Cash equivalents				$ 5,050
Short-term investments				104,476
Long-term investments				—
Total				$ 109,526

Investments held as of June 30, 2023 consist of cash equivalents with contractual maturities of three months or less and U.S. treasury bills with original maturities between three and seven months. Proceeds from maturities of short-term investments were $93.9 million and $135.9 million for the three and six months ended June 30, 2023, respectively. There were no proceeds from maturities of short-term investments for the three and six months ended June 30, 2022. There were no realized gains and losses on securities for the three and six months ended June 30, 2023 and June 30, 2022. Unrealized gains and losses on securities were primarily due to changes in interest rates.

The fair values of investments in an unrealized loss position are as follows (in thousands):

	June 30, 2023			
	Less than 12 Months		12 Months or Greater	
	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. treasury bills	$ 48,550	$ (14)	$ —	$ —
Total	$ 48,550	$ (14)	$ —	$ —

	December 31, 2022			
	Less than 12 Months		12 Months or Greater	
	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. treasury bills	$ 61,845	$ (43)	$ —	$ —
Total	$ 61,845	$ (43)	$ —	$ —

The Company does not intend to sell securities that are in an unrealized loss position and believes that it is not more likely than not that it will be required to sell these securities before recovery of amortized cost.

5. Property and equipment, net

Property and equipment consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Construction in progress	$ —	$ 293
Lab Equipment	34,451	34,168
Software	298	298
Furniture, Fixtures and Other	6,378	6,307
Leasehold Improvements	27,048	26,860
Total Cost	68,175	67,926
Less accumulated depreciation and amortization	(20,325)	(15,203)
Property and equipment, net	$ 47,850	$ 52,723

Depreciation expense was $2.7 million and $5.3 million for the three and six months ended June 30, 2023, respectively. Depreciation expense was $2.3 million and $4.4 million for the three and six months ended June 30, 2022, respectively.

For details regarding the interim impairment assessment performed for long-lived assets see Note 6: Goodwill and Intangibles, net.

6. Goodwill and intangibles, net

Goodwill is tested for impairment on an annual basis in the fourth quarter, or sooner if an indicator of impairment exists. The Company may elect to first assess qualitative factors to determine whether it is more-likely-than-not that the fair value of goodwill at the reporting unit level is less than the carrying amount. The qualitative assessment includes consideration of relevant events and circumstances that would affect the Company’s single reporting unit, including macroeconomic, industry and market conditions, overall financial performance, and trends in the market price of the Company’s common stock.

The Company performed an interim qualitative impairment assessment of goodwill as of June 30, 2023 and concluded that the duration and extent of the sustained decline in the Company’s stock price and resulting market capitalization below cash and short-term investments for a period of time within the three months ended June 30, 2023 are indicators of impairment that trigger a quantitative assessment.

The Company performed a quantitative impairment evaluation of goodwill as of June 30, 2023 utilizing both income and market approaches. The income approach utilized the estimated discounted cash flows for the single reporting unit while the market approach utilized comparable company information. The fair value of equity was derived using a discount rate commensurate with the related risk and an estimate of a control premium applied to the Company's implied enterprise value. The discounted cash flow method requires significant judgments, including estimation of future cash flows, which is dependent on internally developed forecasts, estimation of the long-term rate of growth for the business, and determination of weighted average cost of capital. The models used to estimate the fair value of the single reporting unit are reflective of significant assumptions, including the following:

- Forecasted revenues from current and future programs;
- Probability of the Company's partners electing licensing options for clinical development, clinical success, and obtaining regulatory approval;
- Forecasted research and development and general and administrative expenses to sustain forecasted program growth which are reflective of efficiencies gained as the business and platform evolve;
- A discount rate reflecting the Company's weighted average cost of capital and specific entity risk; and
- A control premium based upon recently observed transactions in technology platform-based companies in the life science industry.

The estimates and assumptions used to determine fair value include determinations that are categorized as Level 3 in the fair value hierarchy due to use of internal projections and unobservable measurement inputs. The assumptions used in our impairment analysis are inherently subject to uncertainty and the Company notes that small changes in these assumptions could have a significant impact on the concluded value. In order to further validate the reasonableness of the fair value concluded for the reporting unit, a reconciliation to market capitalization was performed by estimating a reasonable implied control premium and other market factors. The control premium was estimated based upon control premiums observed in recent comparable market transactions. The Company reconciled the estimated fair value of the reporting unit utilizing the market capitalization based on the stock price as of June 30, 2023.

The Company concluded the fair value of the single reporting unit was less than its carrying value and that the Company's recorded goodwill was fully impaired as of June 30, 2023. The Company recognized a non-cash, pre-tax goodwill impairment charge of $21.3 million during the three months ended June 30, 2023 reported as goodwill impairment on the unaudited condensed consolidated statement of operations and comprehensive loss.

Goodwill assets are as follows (in thousands):

	June 30, 2023			December 31, 2022		
	Gross Assets	**Accumulated Impairment**	**Net**	**Gross Assets**	**Accumulated Impairment**	**Net**
Goodwill	$ 21,335	$ (21,335)	$ —	$ 21,335	$ —	$ 21,335

In conjunction with, and in advance of, the interim test of goodwill of the single reporting unit, the Company also performed an interim qualitative impairment assessment of long-lived assets as of June 30, 2023 which indicated that the carrying amount of the long-lived assets might not be recoverable. To test these long-lived assets for recoverability, the Company compared the estimated future cash flows (on an undiscounted basis) to be generated from the use and residual value of the entity-wide asset group to its carrying value and concluded that the long-lived assets were not impaired as of June 30, 2023. It is reasonably possible that changes in future operating results, cash flows, or market capitalization, as well as future changes related to the asset group may result in the need to write down the asset group to fair value. The Company will continue to monitor for events occurring or circumstances changing which may suggest that long-lived assets should be reevaluated.

Intangible assets are as follows (in thousands):

	June 30, 2023			December 31, 2022		
	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Denovium Engine	2,507	(1,225)	1,282	2,507	(975)	1,532
Monoclonal antibody library	46,300	(4,797)	41,503	46,300	(3,640)	42,660
Developed software platform and the related methods patents	8,300	(1,147)	7,153	8,300	(870)	7,430
Intangible assets, net	$ 57,107	$ (7,169)	$ 49,938	$ 57,107	$ (5,485)	$ 51,622

Amortization expense related to intangible assets was $0.8 million for the three months ended June 30, 2023 and 2022 and $1.7 million for the six months ended June 30, 2023 and 2022 and is reflected within depreciation and amortization expense on the condensed consolidated statement of operations and comprehensive loss.

Future amortization expense for the Company’s intangible assets as of June 30, 2023 are estimated as follows (in thousands):

Years Ending December 31:	
2023 (six months remaining)	$ 1,686
2024	3,370
2025	3,370
2026	2,897
2027	2,868

7. Long-term debt and other borrowings

Equipment financing

In 2022, the Company received a total of $12.0 million of proceeds from equipment financing arrangements. Terms of the agreements require monthly payments over 42-48 month maturities with imputed interest rates ranging from 8%-10%. All outstanding principal and accrued and unpaid interest are due and payable at maturity. These loans are secured by certain tangible assets of the Company, include certain financial covenants, and contain subjective acceleration clauses that allow for outstanding amounts under the agreement to become immediately due in the event of a material adverse change in the Company's business condition or change in control. The Company was in compliance with all applicable financial covenants as of June 30, 2023.

The carrying amount of the long-term debt approximates fair value.

8. Commitments and contingencies

As of June 30, 2023, future lease payments are secured by irrevocable standby letters of credit totaling $1.9 million. The irrevocable standby letters of credit are expected to be pledged for the full lease terms which extend through 2024 and 2028 for each of the Company’s facility leases.

The Company is not currently party to any material claims or legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss or a potential range of loss is both probable and reasonably estimable.

9. Stock-based compensation

The Company grants stock options, restricted stock units, and stock appreciation rights ("SARs") under the 2021 Stock Option and Incentive Plan ("2021 Plan") as awards to incentivize employee service. On January 1, 2023, the number of shares of common stock reserved for future issuance under the 2021 Plan was increased by 4,620,555 shares pursuant to an automatic annual increase. As of June 30, 2023, 7,756,018 shares were available for issuance under the 2021 Plan.

Total stock-based compensation expense related to all of the Company's stock-based awards was recorded in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Research and development	1,243	1,697	$ 2,436	$ 3,120
Selling, general and administrative	1,811	2,550	3,284	4,906
Total stock-based compensation expense	$ 3,054	$ 4,247	$ 5,720	$ 8,026

Stock options

Stock options generally vest 25% after one year from the date of the grant with the remainder vesting monthly over the following three-year period. Certain options have alternative vesting schedules including ratably over 1-4 years and immediate vesting. The Company recognizes forfeitures as they occur and uses the straight-line expense recognition method. Activity for stock options is shown below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands $)
Outstanding at December 31, 2022	11,429,399	$ 4.49	8.4	$ 2,949
Granted	7,244,685	2.03		
Exercised	(161,983)	1.10		86
Canceled/Forfeited	(1,399,292)	4.13		
Expired	(91,939)	6.72		
Outstanding at June 30, 2023	17,020,870	3.50	8.6	1,111
Exercisable at June 30, 2023	4,250,026	$ 4.07	6.7	$ 888
Vested and expected to vest as of June 30, 2023	17,020,870	$ 3.50	8.6	$ 1,111

The aggregate intrinsic value of outstanding stock options as of June 30, 2023 was calculated based on the fair value of common stock of $1.52 per share.

The weighted-average grant date fair value of stock options granted during the three and six months ended June 30, 2023 was $1.18 and $1.44, respectively, per share. The weighted-average grant date fair value of stock options granted during the three and six months ended June 30, 2022 was $3.16 and $4.21, respectively, per share. The aggregate grant date fair value of options vested during the three and six months ended June 30, 2023 was $2.4 million and $6.0 million, respectively. The aggregate grant date fair value of options vested during the three and six months ended June 30, 2022 was $5.0 million and $5.8 million, respectively. As of June 30, 2023, total unrecognized stock-based compensation related to stock options was $26.8 million, which the Company expects to recognize over a remaining weighted average period of 2.8 years.

Determination of fair value

The estimated grant-date fair value of all the Company's stock options was calculated using the Black-Scholes option pricing model, based on the following assumptions:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Expected term (in years)	5.5-6.1	5.5-6.8	5.3-6.1	5.5-7.0
Volatility	80%	63%-64%	79%-80%	63%-67%
Risk-free interest rate	3.5%-4.0%	2.5%-3.0%	3.4%-4.2%	0.8%-3.0%
Dividend Yield	—%	—%	—%	—%

Restricted stock

Activity for the shares of restricted stock is shown below:

	Number of shares
Unvested as of December 31, 2022	1,013,308
Forfeitures	(101,030)
Vested	(321,569)
Unvested as of June 30, 2023	590,709

As of June 30, 2023, there was $1.3 million of unrecognized compensation expense related to the outstanding shares of restricted stock expected to be recognized over a remaining weighted-average period of 1.5 years.

Stock appreciation rights

In January 2021, the Company issued SARs that are contingent upon a liquidity event that is not probable of occurrence; accordingly, no compensation expense has been recognized for these awards. The aggregate intrinsic value of the 394,736 SARs outstanding as of June 30, 2023 is $0.6 million based on the Company's closing stock price of $1.52 per share as reported on the Nasdaq Global Select Market on such date.

Under the Company's 2020 Stock Option and Grant Plan and 2021 Plan, the Company has also granted a limited quantity of cash-settled SARs to certain employees and consultants based outside the United States. As of June 30, 2023, 202,570 of these SARs were outstanding with a weighted average exercise price of $4.34 per share. The fair value is remeasured at the end of each reporting period based on the Company's stock price, with remeasurements reflected as an adjustment to compensation expense in the condensed consolidated statements of operations and comprehensive loss for such period. As of June 30, 2023 and December 31, 2022, the Company had recognized no liability for SARs classified within other long-term liabilities on the condensed consolidated balance sheets.

Employee stock purchase plan

In July 2021, the Company's Board of Directors adopted the 2021 Employee Stock Purchase Plan ("2021 ESPP"), which was subsequently approved by the Company's stockholders and became effective in connection with the Company's initial public offering. The ESPP allows eligible employees to purchase shares of the Company's common stock through payroll deductions of up to 15% of their regular compensation at a discount of 85% of the fair market value of the Company's common stock on the first day or last day, whichever is less, of the applicable offering period, subject to any plan limitations. A total of 903,750 shares of common stock were reserved for issuance under the 2021 ESPP. On January 1, 2023, the number of shares of common stock reserved for issuance under the 2021 ESPP was increased by 924,111 shares pursuant to an automatic annual increase. As of June 30, 2023, 1,713,090 shares were available for issuance under the 2021 ESPP.

10. Fair Value Measurements

The Financial Accounting Standards Board ("FASB") has defined fair value to establish a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

When quoted market prices are available in active markets, the fair value of assets and liabilities is estimated within Level 1 of the valuation hierarchy.

If quoted prices are not available, then fair values are estimated by using pricing models, quoted prices of assets and liabilities with similar characteristics, or discounted cash flows, within Level 2 of the valuation hierarchy. In cases where Level 1 or Level 2 inputs are not available, the fair values are estimated by using inputs within Level 3 of the hierarchy.

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022 (in thousands):

				June 30, 2023
	Level 1	Level 2	Level 3	Total
Assets:				
Debt Securities:				
Money market funds	$ 23	$ —	$ —	$ 23
U.S. treasury bills	63,539	—	—	63,539
Total assets	$ 63,562	$ —	$ —	$ 63,562
Liabilities:				
Contingent consideration	$ —	$ —	$ 12,750	$ 12,750
Total liabilities	$ —	$ —	$ 12,750	$ 12,750

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Debt Securities:				
Money market funds	$ 5,050	$ —	$ —	$ 5,050
Certificates of deposit	27,740	—	—	27,740
U.S. treasury bills	76,736	—	—	76,736
Total assets	$ 109,526	$ —	$ —	$ 109,526
Liabilities:				
Contingent consideration	$ —	$ —	$ 12,750	$ 12,750
Total liabilities	$ —	$ —	$ 12,750	$ 12,750

The following table provides reconciliation for all liabilities measured at fair value using significant unobservable inputs (Level 3) for the six months ended June 30, 2023 (in thousands):

	Contingent consideration	Total liabilities
Balance at December 31, 2022	$ 12,750	$ 12,750
Change in fair value during 2023	—	—
Balance at June 30, 2023	$ 12,750	$ 12,750

We review trading activity and pricing for our available-for-sale securities as of the measurement date.

The contingent consideration liability is related to the acquisition of Totient, Inc. and is included in accrued expenses on the condensed consolidated balance sheet as of June 30, 2023. The fair value estimate is based on a probability-weighted approach. Changes in fair value of the contingent consideration liability are included within research and development expense on the condensed consolidated statement of operations. The contingent consideration of $15.0 million held in escrow shall be paid upon the achievement of specific milestones and is included in restricted cash on the condensed consolidated balance sheet as of June 30, 2023.

There are significant judgments, assumptions and estimates inherent in the determination of the fair value of each of the instruments described above. In the future, depending on the valuation approaches used and the expected timing and weighting of each, the inputs described above, or other inputs, may have a greater or lesser impact on the Company's estimates of fair value.

11. Net loss per share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period.

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (41,672)	$ (28,680)	$ (65,027)	$ (58,174)
Denominator:				
Weighted-average common shares outstanding	91,827,780	90,669,499	91,654,578	90,471,950
Net loss per share, basic and diluted	$ (0.45)	$ (0.32)	$ (0.71)	$ (0.64)

The common stock issuable upon the conversion or exercise of the following dilutive securities has been excluded from the diluted net loss per share calculation because their effect would have been anti-dilutive. Diluted net loss per share, therefore, does not differ from basic net loss per share for the periods presented.

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):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	17,200,138	10,785,909	15,494,819	10,139,442
Restricted stock units	22,415	68,175	28,447	48,589
Unvested restricted stock	706,279	2,123,409	791,097	2,296,359
Employee stock purchase plan	63,299	—	83,823	—

12. Income taxes

The Company's effective income tax rate from continuing operations was 0.0% and 0.6% for the six months ended June 30, 2023 and 2022, respectively. The difference between the effective rate and the statutory rate is primarily attributed to the change in the valuation allowance against net deferred tax assets.

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. When applicable, the income tax provision also includes adjustments for discrete tax items. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period.

The Company recognizes the effect of income tax positions only if those positions are “more likely than not” of being sustained. As of June 30, 2023, the Company has $1.8 million of unrecognized tax benefits. Interest and penalties accrued on unrecognized tax benefits are recorded as tax expense within the condensed consolidated financial statements. The Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits within the next twelve months.

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

Overview

We are a generative AI drug creation company harnessing deep learning and synthetic biology to expand the therapeutic potential of proteins. We leverage our Integrated Drug Creation platform to identify novel drug targets and create encouraging biotherapeutic candidates. We believe our approach enables us, and our partners, to develop novel biologics that are optimized for many traits at disruptive speed.

We couple our powerful deep learning AI models, built to understand and predict determinants of protein function, with our proprietary synthetic biology capabilities, which include high-throughput single-cell assays that can evaluate billions of drug sequence variants, each within its production cell line, for target binding affinity, protein quality, and production level (titer). This combination of *in silico* modeling with wet lab testing allows us to generate immense real-world datasets that we harness to train and refine our deep learning models. These models guide our protein and cell line designs and enable *in silico* optimization of multiple attributes. Our target platform technology (formerly "Totient") uses machine learning computational methods to evaluate patient tissue samples and, without biological bias, identify disease-relevant fully human antibodies and their disease- and tissue-specific molecular targets. In addition to the direct utility of these antibodies and targets as drug discovery assets, these data comprising antibody-epitope recognition elements expand our AI models' training sets and may improve predictive capabilities for future discovery campaigns.

Through iterative AI predictions, wet lab validation, and AI training, we enable a virtuous cycle that we believe will accelerate us toward fully *in silico* biologic drug discovery. Our unique Integrated Drug Creation approach has the potential to significantly shorten preclinical development timelines and expand therapeutic possibilities.

Our goal is to become the technology leader in biologic drug creation. Our business model is to use our platform for the rapid creation of biologic drug candidates by:

Establishing partnerships with stakeholders in the drug development life cycle: We develop drug candidates for partners, including those who are responsible for preclinical and clinical testing of biologics generated through our platform. Our partnerships will provide us with the opportunity to participate in the future success of the biologics generated utilizing our platform, through potential clinical, regulatory and commercial milestone payments as well as royalties on net sales of approved products. We aim to assemble economic interests in a diversified portfolio of partners' biologics across multiple indications.

Developing our own drug discovery pipeline: We intend to develop drug candidates for our own drug discovery pipeline. With the ability to find both targets and lead candidates, we intend to develop promising lead candidates up to the investigational drug application IND stage or later. This will increase the value of our assets and serve as further validation of our platform. We may enter into clinical trials and/or manufacturing partnerships to advance a lead candidate.

Total revenue was $3.4 million and $4.6 million for the three and six months ended June 30, 2023, respectively, compared to $1.0 million and $1.8 million for the three and six months ended June 30, 2022, due to timing of project-based milestones achieved and the mix of ongoing programs utilizing our Integrated Drug Creation platform. For the three and six months ended June 30, 2023 we incurred net losses of $41.7 million and $65.0 million, respectively, which include a non-cash goodwill impairment charge in the amount of $21.3 million. Research and development expenses decreased by $7.3 million, or 23%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. As of June 30, 2023, we had an accumulated deficit of $361.0 million and cash and cash equivalents and short-term investments totaling $124.6 million.

We expect to continue to incur significant expenses in connection with our ongoing activities, including as we:

- implement an effective business development strategy to drive adoption of our Integrated Drug Creation platform by new and existing partners;

- continue to engage in research and development efforts and scale our technology development activities to meet potential demand at a reasonable cost;
- develop, acquire, in-license or otherwise obtain technologies that enable us to expand our platform capabilities;
- attract, retain and motivate highly qualified personnel;
- implement operational, financial and management information systems; and
- continue to operate as a public company.

Our corporate headquarters and primary research and development facilities are located in Vancouver, Washington in a 77,974 square foot facility that includes general administrative office space and laboratory space. Our AI Research Lab is located in New York, New York and our Innovation Center is located in Zug, Switzerland. Additionally, we have a research and development presence in Belgrade, Serbia.

Key Factors Affecting Our Results of Operations and Future Performance

We believe that our future financial performance will be primarily driven by multiple factors as described below, each of which presents growth opportunities for our business. These factors also pose important challenges that we must successfully address in order to sustain our growth and improve our results of operations. Our ability to successfully address these challenges is subject to various risks and uncertainties, including those described in the section of this Quarterly Report titled “Risk Factors”.

- **Establish new partnerships:** Our potential to grow revenue and long-term earnings will require us to successfully identify and establish technology development arrangements with new partners. We have been expanding and expect to continue to expand our business development team and our capabilities to find new partners.
- **Increase the number of programs under existing partnerships:** The execution of our long-term strategy relies substantially on the value our partners believe can be recognized from our programs. Our continued growth depends on our ability to expand the scope of our existing partnerships and add new molecules for Discovery or CLD partnerships with current partners.
- **Successfully complete our technology development activities and enter licensing arrangements with our partners:** Our business model depends upon entering into licensing arrangements with our partners to advance the drug candidates which we generate through clinical development to commercialization. Both our ability to successfully complete technology development activities to meet the needs of a partner, and the partner’s prioritization of the subject program, impact the likelihood and timing of any election by a partner to enter into a licensing arrangement. There is no assurance that a partner will elect to license.
- **Our partners successfully developing and commercializing the drug candidates generated with our technology:** Our business model is dependent on the eventual progression of biologic drug candidates discovered or initially developed utilizing our Integrated Drug Creation platform into clinical trials and commercialization. Given the nature of our relationships with our partners, we do not control the progression, clinical development, regulatory strategy, public disclosure or eventual commercialization, if approved, of these product candidates. As a result, our future success and our potential eligibility to receive milestone payments and royalties are entirely dependent on our partners’ efforts over which we have no control. The timing and scope of any approval that may be required by the U.S. Food and Drug Administration (FDA), or any other regulatory body, for drugs that are developed based on molecules discovered and/or manufactured using our Integrated Drug Creation platform technologies can significantly impact our results of operations and future performance.
- **Continued significant investments in our research and development of new technologies and platform expansion:** We are seeking to further refine and expand our platform and the scope of our capabilities, which may or may not be successful. This includes, but is not limited to, novel target identification, *de novo* discovery, incorporation of non-standard amino acids (Bionic protein creation), and application of artificial intelligence across our Integrated Drug Creation platform. We may also invest significantly in developing our own proprietary lead drug candidates and advancing

them through preclinical, or later, validation. We expect to incur significant expenses to advance these research and development efforts or to invest in or acquire complementary technologies, but these efforts may not be successful.

- **Create our proprietary asset pipeline.** We intend to selectively create our own lead drug candidates and advance them up to the IND stage or later. In some cases we may out-license or transfer drug candidates for clinical advancement by a partner, with the expectation of a greater share in the economics relative to the milestones and royalties we may secure for our core platform technology development licenses.

- **Drive commercial adoption of our Integrated Drug Creation platform capabilities:** Driving the adoption of our Integrated Drug Creation platform across existing and new markets will require significant investment. We plan to further invest in research and development to support the expansion of our platform capabilities including new molecules to existing partners or help deliver our platform to new markets.

Key Business Metrics

We continue to identify key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. Currently, given our stage of development, we believe that the following metrics are the most important for understanding our current business trajectory. These metrics may change or may be substituted for additional or different metrics as our business develops. For example, as our business matures and to the extent drug candidates generated with our technologies enter clinical development, or as we may enter partnerships addressing programs over multiple years, or as certain programs may be discontinued by partners, we anticipate updating these metrics to reflect such changes.

	June 30, 2023	December 31, 2022
Partners, Cumulative [1]	20	19
Programs, Cumulative [2]	48	47
Active Programs [3]	17	16

[1] Partners represents the unique number of partners with whom we have executed technology development agreements. We view this metric as an indication of our ability to execute our business development activities and level of our market penetration.

[2] Programs represents the number of molecules we have addressed or are addressing with our platform. We view this metric as an indication of the robustness of our technology and the commercial success of our platform.

[3] Active Programs represents the number of programs that are subject to ongoing technology development activities intended to determine if the program can be pursued by our partner for future clinical development, as well as any program for which our partner obtains and maintains a license to our technology to advance the program after completion of the technology development phase. There is no assurance, however, that our partners will advance any drug candidates that are currently the subject of Active Programs into further preclinical or clinical development or that our partners will elect to license our technologies upon completion of the technology development phase in a timely manner, or at all. In light of the inherent risks and uncertainties associated with drug development, we anticipate that our partners may from time to time abandon or terminate the development of one or more drug candidates generated from our platform. As we are notified of such terminations, we will remove the subject programs from our Active Programs count.

We classify our applications into two key categories: Discovery and Cell Line Development (“CLD”). We define “Discovery” as any projects for which we are evaluating variants of the protein-of-interest, which may include generation of the production cell line, and we define CLD as a program for which the production cell line alone is the goal of the partnership.

As of June 30, 2023, we had drug candidates in 17 Active Programs across six current partners' preclinical or clinical pipelines. We have negotiated license agreements, or expect to negotiate license agreements upon completion of certain technology development activities, with potential downstream milestone payments and royalties for all Active Programs.

We have 14 Active Programs comprising Discovery applications consisting of three through our agreement with Merck & Co., Inc., three through our agreement with EQRx, seven with an undisclosed biotechnology company, and one with an undisclosed biotechnology company leveraging our platform capabilities to optimize pharmacokinetic properties for a Phase II candidate. Three Active Programs are focused on developing production cell lines for drug candidates that our partners are developing. Two of these CLD Active Programs are preclinical and one is in Phase 3 (PhaseBio Pharmaceuticals' drug candidate, bentracimab, assumed by SFJ Pharmaceuticals, Inc. in January 2023).

Exclusive of our 17 Active Programs with partners, we have utilized our platform to perform technology development activities related to 31 additional molecules. These programs include both internal research programs and technology development programs with third parties intended to demonstrate our platform's capabilities as we address successively broader ranges of biologics and modalities. We have not transferred technology or granted licenses related to these programs.

We have not negotiated terms for a sufficient number of royalty- and milestone-bearing licenses to enable us to make accurate predictions regarding our potential revenue and financial performance.

Components of Results of Operations

Revenue

Our revenue currently consists primarily of fees earned from our partners in conjunction with technology development agreements (TDAs) and partnership agreements, which are delineated as technology development revenue in our results of operations. These fees are earned and paid at various points throughout the terms of these agreements including upfront, upon the achievement of specified project-based milestones, and throughout the program.

We expect revenue to increase over time as we enter into additional partnership agreements and as our partnerships continue to include more drug discovery activities. We expect revenue to increase over time as we grant licenses to our partners for the clinical and commercial use of intellectual property rights to the biological assets we create, and as the partners advance product candidates into and through clinical development and commercialization. We expect that our revenue will fluctuate from period to period due to the timing of executing additional partnerships, the uncertainty of the timing of milestone achievements and our dependence on the program decisions of our partners.

Operating Expenses

Research and development

Research and development expenses include the cost of materials, personnel-related costs (comprised of salaries, benefits and share-based compensation) for personnel performing research and development functions, consulting fees, equipment and allocated facility costs (including occupancy and information technology). These expenses are exclusive of depreciation and amortization. Research and development activities consist of continued development of our Integrated Drug Creation platform, internal pipeline, target discovery and technology development for partners. We derive improvements to our platform from each type of activity. Research and development efforts apply to our platform broadly and across programs.

We expect research and development expenses to continue to increase in absolute dollars over the long-term as we enter into additional partnerships, continue to invest in platform enhancements, and develop our internal pipeline.

Selling, general, and administrative

Selling, general, and administrative expenses include personnel-related costs (comprised of salaries, benefits and share-based compensation) for executive, business development, alliance management, legal, finance, marketing and other administrative functions. Marketing and business development expenses include costs associated with attending conferences and all promotion efforts of our Integrated Drug Creation platform. Professional service expenses such as external legal expenses, accounting and tax service expenses, and other consultants, and allocated facilities costs (including occupancy and information technology) are also included within selling, general and administrative expenses. These expenses are exclusive of depreciation and amortization.

We expect our selling costs to increase in absolute dollars as we continue to grow our business development efforts and increase marketing activities to drive awareness and adoption of our platform. We expect selling costs to fluctuate as a percentage of total revenue due to the timing and magnitude of these expenses, and to decrease as a percentage of total revenue in the long term.

We expect general and administrative expenses to stabilize as we more effectively control costs associated with operating as a public company, including expenses related to legal, accounting, regulatory, maintaining compliance with exchange listing and requirements of the U.S. Securities and Exchange Commission (SEC), director and officer insurance premiums and investor relations. We expect these expenses to vary from period to period as a percentage of revenue in the near term, and to decrease as a percentage of revenue in the long term.

We have a comprehensive intellectual property portfolio directed towards the many aspects of our Integrated Drug Creation platform, including those related to our proprietary cell lines and protein expression technologies, non-standard amino acid technology, proprietary screening assays, antibody discovery methods, and generative AI models. We regularly file patent applications to protect innovations arising from our research and development. We also hold trademarks and trademark applications in the United States and foreign jurisdictions. Costs to secure and defend our intellectual property are expensed as incurred and are classified as selling, general and administrative expenses.

Depreciation and amortization

Depreciation and amortization expense consists of the depreciation expense of our property and equipment and amortization of our intangibles. Our equipment is used most actively as part of our lab operations.

We expect depreciation expense to stabilize following the completion of the build-out of our primary facility, though it may fluctuate in the future in line with continued growth and compute demands in absolute dollars if we purchase additional equipment.

Goodwill impairment

Goodwill is tested for impairment on an annual basis in the fourth fiscal quarter, or sooner if an indicator of impairment exists. We may elect to first assess qualitative factors to determine whether it is more-likely-than-not that the fair value of goodwill at the reporting unit level is less than the carrying amount. The qualitative assessment includes our consideration of relevant events and circumstances that would affect our single reporting unit, including macroeconomic, industry and market conditions, our overall financial performance, and trends in the market price of our common stock.

Other income (expense)

Interest expense

Interest expense, net, consists primarily of interest related to borrowings under our term debt and financed laboratory equipment.

Other income

Other income consists primarily of interest income from our investments.

Results of Operations

The results of operations presented below should be reviewed in conjunction with our condensed consolidated financial statements and notes included elsewhere in this Quarterly Report. The following tables set forth our results of operations for the periods presented (In thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues				
Technology development revenue	$ 3,367	$ 636	$ 4,636	$ 1,090
Collaboration revenue	—	366	—	731
Total revenues	3,367	1,002	4,636	1,821
Operating expenses				
Research and development	12,112	16,241	24,769	32,068
Selling, general and administrative	9,410	10,507	19,003	21,396
Depreciation and amortization	3,498	3,141	7,002	6,047
Goodwill impairment	21,335	—	21,335	—
Total operating expenses	46,355	29,889	72,109	59,511
Operating loss	(42,988)	(28,887)	(67,473)	(57,690)
Other income (expense)				
Interest expense	(256)	(211)	(577)	(406)
Other income, net	1,583	148	3,041	273
Total other income (expense), net	1,327	(63)	2,464	(133)
Loss before income taxes	(41,661)	(28,950)	(65,009)	(57,823)
Income tax (expense) benefit	(11)	270	(18)	(351)
Net loss	$ (41,672)	$ (28,680)	$ (65,027)	$ (58,174)

Comparison of the Three and Six Months Ended June 30, 2023 and 2022

The following table summarizes our results of operations for the three and six months ended June 30, 2023 and 2022 (In thousands, except for percentages):

Revenue

	For the Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenues				
Technology development revenue	$ 3,367	$ 636	$ 2,731	429 %
Collaboration revenue	—	366	(366)	(100)%
Total revenues	$ 3,367	$ 1,002	$ 2,365	236 %

	For the Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenues				
Technology development revenue	$ 4,636	$ 1,090	$ 3,546	325 %
Collaboration revenue	—	731	(731)	(100)%
Total revenues	$ 4,636	$ 1,821	$ 2,815	155 %

Total revenue was $3.4 million for the three months ended June 30, 2023, representing an increase of approximately $2.4 million, or 236%, compared to $1.0 million for the three months ended June 30, 2022.

Total revenue was $4.6 million for the six months ended June 30, 2023, representing an increase of approximately $2.8 million, or 155%, compared to $1.8 million for the six months ended June 30, 2022.

Technology development revenue increased by $2.7 million, or 429%, for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 and by $3.5 million, or 325%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022, driven by a combination of overall program progress, the timing of project-based milestones achieved, and the mix of ongoing programs activity.

Operating expenses

The following table summarizes our operating expenses for the three and six months ended June 30, 2023 and 2022 (In thousands, except for percentages):

	For the Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Operating expenses				
Research and development	$ 12,112	$ 16,241	$ (4,129)	(25)%
Selling, general and administrative	9,410	10,507	(1,097)	(10)%
Depreciation and amortization	3,498	3,141	357	11 %
Goodwill impairment	21,335	—	21,335	100 %
Total operating expenses	$ 46,355	$ 29,889	$ 16,466	55 %

	For the Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Operating expenses				
Research and development	$ 24,769	$ 32,068	$ (7,299)	(23)%
Selling, general and administrative	19,003	21,396	(2,393)	(11)%
Depreciation and amortization	7,002	6,047	955	16 %
Goodwill impairment	21,335	—	21,335	100 %
Total operating expenses	$ 72,109	$ 59,511	$ 12,598	21 %

Research and development

Research and development expenses decreased by $4.1 million, or 25%, for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The decrease was primarily attributable to a decrease in laboratory operational costs of $2.9 million and a $1.2 million decrease in personnel costs, including stock-based compensation.

Research and development expenses decreased by $7.3 million, or 23%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The decrease was primarily attributable to a decrease in laboratory operational costs of $5.1 million and a $1.5 million decrease in personnel costs, including stock-based compensation.

Selling, general and administrative expenses

Selling, general, and administrative expenses decreased by $1.1 million, or 10%, for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The decrease was primarily attributable to decreased stock-based compensation and personnel costs of $0.9 million.

Selling, general, and administrative expenses decreased by $2.4 million, or 11%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The decrease was primarily driven by decreased stock-based compensation of $1.6 million and decreased other administrative costs of $0.9 million.

Depreciation and amortization

Depreciation and amortization expense increased by $0.4 million, or 11%, for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. The increase was primarily due to increased leasehold improvements.

Depreciation and amortization expense increased by $1.0 million, or 16%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase was primarily due to increased leasehold improvements.

Goodwill impairment

We performed a quantitative impairment evaluation of goodwill as of June 30, 2023 and recorded an impairment charge in the amount of $21.3 million. See Note 6: Goodwill and Intangibles, net for further discussion.

Other income (expense)

The following table summarizes our other income (expense) for the three and six months ended June 30, 2023 and 2022 (In thousands, except for percentages):

	For the Three Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Other income (expense)				
Interest expense	$ (256)	$ (211)	$ (45)	21 %
Other income, net	1,583	148	1,435	970 %
Total other income (expense), net	$ 1,327	$ (63)	$ 1,390	(2206)%

	For the Six Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Other income (expense)				
Interest expense	$ (577)	$ (406)	$ (171)	42 %
Other income, net	3,041	273	2,768	1014 %
Total other income (expense), net	$ 2,464	$ (133)	$ 2,597	(1953)%

Interest expense

Interest expense was $0.3 million for the three months ended June 30, 2023, compared to $0.2 million for the three months ended June 30, 2022, representing an increase of 21% primarily attributable to equipment financing.

Interest expense was $0.6 million for the six months ended June 30, 2023 compared to $0.4 million for the six months ended June 30, 2022, representing an increase of $0.2 million, or 42% primarily attributable to equipment financing.

Other income, net

Other income, net, was $1.6 million income for the three months ended June 30, 2023 compared to $0.1 million for the three months ended June 30, 2022, representing a change of $1.4 million, or 970%, primarily attributable to increases in investment income from cash equivalents and short-term investments.

Other income, net, was $3.0 million income for the six months ended June 30, 2023 compared to $0.3 million income for the six months ended June 30, 2022, representing a change of $2.8 million, or 1014%, primarily attributable to increases in investment income from cash equivalents and short-term investments.

Liquidity and Capital Resources

Overview

As of June 30, 2023, we had $124.6 million of cash and cash equivalents and short-term investments.

We have incurred net operating losses since inception. As of June 30, 2023, our accumulated deficit was $361.0 million. To date, we have funded operations through issuances and sales of equity securities and debt, in addition to revenue generated from our technology development agreements. We believe that our cash and cash equivalents and short-term investments will be sufficient to meet our operating expenses, working capital and capital expenditure needs over at least the next 12 months following the date of this filing.

Our future capital requirements will depend on many factors, including, but not limited to our ability to raise additional capital through equity or debt financing, our ability to successfully secure additional partnerships under contract with new partners and increase the number of programs covered under contracts with existing partners, the successful preclinical and clinical development by our partners of product candidates generated using our Integrated Drug Creation platform and the successful commercialization by our partners of any such product candidates that are approved. If we are unable to execute on our business plan and adequately fund operations, or if our business plan requires a level of spending in excess of cash resources, we may be required to negotiate partnerships in which we receive greater near-term payments at the expense of potential downstream revenue. Alternatively, we may need to seek additional equity or debt financing, which may not be available on terms acceptable to us or at all. 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 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 preferred equity financing, if available, may involve agreements that include covenants restricting our ability to take specific actions, such as incurring additional debt, selling or licensing our assets, making product acquisitions, making capital expenditures, or declaring dividends. If we are unable to generate sufficient revenue or raise additional capital when desired, our business, financial condition, results of operations and prospects would be adversely affected.

Sources of liquidity

Since our inception, we have financed our operations primarily from the issuance and sale of our redeemable convertible preferred stock, issuances of equity securities, borrowings under long-term debt agreements, and to a lesser extent, cash flow from operations.

Initial public offering

In July 2021, we completed our initial public offering (IPO) and issued 14.4 million shares of our common stock, including 1.9 million shares pursuant to the full exercise of the underwriters' option to purchase additional shares, at a price of $16.00 per share and received net proceeds of $210.1 million from the IPO.

Equipment financing

In 2022, we received a total of $12.0 million of proceeds from equipment financing arrangements. Terms of the agreements require monthly payments over 42-48 month periods with imputed interest rates ranging from 8%-10%. As of June 30, 2023, the combined outstanding balance on these agreements is $9.5 million.

Shelf registration statement on form S-3

On August 24, 2022, we filed a shelf registration statement on Form S-3 (the Shelf Registration Statement) with the SEC relating to the registration of up to an aggregate of $250.0 million in shares of our common stock, preferred stock, debt securities, warrants and units or any combination thereof. The Shelf Registration Statement was declared effective by the SEC on September 2, 2022.

On June 16, 2023, we entered into a sales agreement with Cowen and Company, LLC, as sales agent, with respect to an "at the market offering" program under which we may offer and sell, from time to time at our sole discretion, shares of our common stock, par value $0.0001 per share, having an aggregate offering price of up to $100.0 million through the sales agent. We will pay the sales agent a commission up to 3.0% of the gross sales proceeds of any shares sold under the sales agreement.

To date, we have not issued any securities or received any proceeds from the sale of any securities registered pursuant to the Shelf Registration Statement.

Cash Flows

The following summarizes our cash flows (In thousands):

	For the Six Months Ended June 30,	
	2023	2022
Net cash provided by (used in)		
Operating activities	(39,353)	(43,728)
Investing activities	42,851	(18,080)
Financing activities	(2,324)	4,765
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 1,174	$ (57,043)

Cash flows from operating activities

In the six months ended June 30, 2023, net cash used in operating activities was $39.4 million and consisted primarily of a net loss of $65.0 million adjusted for non-cash items, including depreciation and amortization expense of $7.0 million, stock-based compensation of $5.7 million, goodwill impairment of $21.3 million and a net increase in operating assets and liabilities in the amount of $6.1 million.

In the six months ended June 30, 2022, net cash used in operating activities was $43.7 million and consisted primarily of a net loss of $58.2 million adjusted for non-cash items, including depreciation and amortization expense of $6.0 million, stock-based compensation of $7.9 million, an increase to our contingent consideration liability of $0.8 million, and a net increase in operating assets and liabilities in the amount of $0.5 million.

Cash flows from investing activities

In the six months ended June 30, 2023, net cash provided by investing activities was $42.9 million. The net cash provided resulted primarily from maturities of short-term investments of $135.9 million, partially offset by cash used for purchases of short-term investments of $92.6 million.

In the six months ended June 30, 2022, net cash used in investing activities was $18.1 million primarily from purchases of lab equipment and leasehold improvements of $10.7 million as we expanded our operations and overall capacity and cash paid as part of our acquisition of Totient of $8.0 million.

Cash flows from financing activities

In the six months ended June 30, 2023, net cash used in financing activities was $2.3 million. The net cash used resulted primarily from principal payments of $2.7 million made for financed equipment, partially offset by proceeds from the issuance of common stock of $0.3 million from stock option exercises and our employee stock purchase plan.

In the six months ended June 30, 2022, net cash provided by financing activities was $4.8 million primarily from proceeds from equipment financing agreements of $9.4 million and proceeds from the issuance of common stock of $0.4 million, partially offset by cash used for principal payments of $5.1 million made for financed equipment and long-term debt.

Income taxes

Our effective income tax rate from continuing operations was 0.0% and 0.6% for the six months ended June 30, 2023 and 2022, respectively. The difference between the effective rate and the statutory rate is primarily attributed to the change in the valuation allowance against net deferred tax assets.

We estimate an annual effective income tax rate based on projected results for the year and apply this rate to income before taxes to calculate income tax expense. When applicable, the income tax provision also includes adjustments for discrete tax items. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

This report should be read in conjunction with the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K where we include additional information on our business, operating segments, risk factors, critical accounting estimates, policies, and the methods and assumptions used in our estimates, among other important information.

Long-lived asset impairment

We tested long-lived assets for recoverability as of June 30, 2023 by comparing the estimated future cash flows (on an undiscounted basis) to be generated from the use and residual value of the entity wide asset group to its carrying value and concluded that the long-lived assets were not impaired. For details regarding the interim impairment assessment performed for long-lived assets see Note 6: Goodwill and Intangibles, net.

Goodwill impairment

We performed a quantitative impairment evaluation of goodwill as of June 30, 2023 and recorded an impairment charge in the amount of $21.3 million (representing a $0.23 per share decrease in earnings per share) reported as goodwill impairment on the condensed consolidated statement of operations and comprehensive loss. For details regarding the interim impairment assessments performed for goodwill see Note 6: Goodwill and Intangibles, net.

There were no other material changes in our critical accounting policies and estimates during the six months ended June 30, 2023.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Section 107 of the JOBS Act provides that an emerging growth company may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Subject to certain conditions, as an emerging growth company, we may rely on certain other exemptions and reduced reporting requirements, including without limitation (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board (PCAOB) regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the consolidated financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (a) the last day of the fiscal year in which we have total annual gross revenue of $1.235 billion or more; (b) December 31, 2026, the last day of the fiscal year following the fifth anniversary of the date of the completion of our IPO; (c) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (d) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There have been no material changes in our reported market risks or risk management policies since the filing of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 30, 2023.

Item 4. Controls and Procedures

*Evaluation of disclosure controls and procedure*s

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 (the Exchange Act), are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on its evaluation, management concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There was no change in our internal control over financial reporting that occurred during the three months ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are not currently a party to any material litigation or other legal proceedings. From time to time, we may, however, in the ordinary course of business face various claims brought by third parties, and we may, from time to time, make claims or take legal actions to assert our rights. Any such claims and associated legal proceedings could, in the opinion of our management, have a material adverse effect on our business, financial condition, results of operations or prospects. Regardless of 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

Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 30, 2023. The risks described in our Annual Report and this Quarterly Report on Form 10-Q are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 30, 2023.

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

Unregistered Sales of Equity Securities

None.

Use of proceeds

We completed our IPO pursuant to the registration statement on Form S-1 (File No. 333-257553), as amended, that was declared effective on July 21, 2021. On July 26, 2021, we sold 14,375,000 shares of our common stock, including the full exercise of the underwriters' 30-day option to purchase additional shares, at a public offering price of $16.00 per share for aggregate gross proceeds of $230.0 million. J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, BofA Securities, Inc., Cowen and Company, LLC, and Stifel, Nicolaus & Company, Incorporated acted as joint book-running managers for the offering.

The net proceeds of our IPO were $210.1 million, after deducting underwriting discounts and commissions of $16.1 million and offering related expenses of $3.8 million. No offering expenses were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning ten percent or more of any class of our equity securities or to any other affiliates.

As of June 30, 2023, we have used $199.8 million of the net proceeds from the IPO. Cash used since the IPO is described elsewhere in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our periodic reports filed with the SEC. There has been no material change in our planned use of the net proceeds from the IPO as described in the final prospectus for our IPO.

Issuer purchases of equity securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Absci Corporation (filed as Exhibit 3.1 to the Form 8-K, File No. 001-40646, filed by Absci Corporation on June 16, 2023 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Absci Corporation (filed as Exhibit 3.1 to the Form 8-K, File No. 001-40646, filed by Absci Corporation on December 15, 2022 and incorporated herein by reference).
4.1	Investors' Rights Agreement by and among the Registrant and certain of its stockholders dated October 19, 2020 (filed as Exhibit 4.2 to the Form S-1, File No. 333-257553, filed by Absci Corporation on June 30, 2021 and incorporated herein by reference).
4.2*#	Amended and Restated Non-Employee Director Compensation Policy.
10.1*#	Employment Agreement, by and between Absci GmbH and Andreas Busch, dated as of September 30, 2022.
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document

101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.
\# Represents management compensation plan, contract or arrangement.
\+ The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

		ABSCI CORPORATION
Date: August 14, 2023	By:	/s/ Gregory Schiffman
		Gregory Schiffman
		Chief Financial Officer (Principal Financial Officer)
Date: August 14, 2023	By:	/s/ Todd Bedrick
		Todd Bedrick
		Chief Accounting Officer (Principal Accounting Officer)

Exhibit 4.2

ABSCI CORPORATION

NON-EMPLOYEE DIRECTOR COMPENSATION POLICY

The purpose of this Non-Employee Director Compensation Policy (as amended, restated or otherwise modified from time to time, the "Policy") of Absci Corporation (the "Company") is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high-caliber directors who are not employees or officers of the Company or its subsidiaries ("Outside Directors"). This Policy became effective as of the effective time of the registration statement for the Company's initial public offering of its equity securities, and thereafter any amendments, restatements or other modifications hereto will become effective as of the date specified by the Company's Board of Directors (the "Effective Date"). In furtherance of the purpose stated above, all Outside Directors shall be paid compensation for services provided to the Company as set forth below:

Cash Retainers

Annual Retainer for Board Membership: $40,000 for general availability and participation in meetings and conference calls of the Company's Board of Directors (the "Board of Directors"), to be paid quarterly in arrears, pro-rated based on the number of actual days served by the director during such calendar quarter. No additional compensation will be paid for attending individual meetings of the Board of Directors.

Additional Annual Retainer for
Non-Executive Chairperson / Lead Independent Director: $35,000

Additional Annual Retainers for Committee Membership:

Audit Committee Chairperson: $20,000
Audit Committee member: $10,000
Compensation Committee Chairperson: $15,000
Compensation Committee member: $7,500
Nominating and Corporate Governance Committee Chairperson: $10,000
Nominating and Corporate Governance Committee member: $5,000

Chairperson and committee member retainers are in addition to retainers for members of the Board of Directors. No additional compensation will be paid for attending individual committee meetings of the Board of Directors.

Equity Retainers

Initial Award: An initial, one-time stock option award (the "Initial Award") to purchase 106,200 shares will be granted to each new Outside Director upon his or her election to the Board of Directors, which shall vest in equal monthly installments over three years from the date of grant, provided, however, that all vesting shall cease if the director resigns from the Board of Directors or otherwise ceases to serve as a director, unless the Board of Directors determines that the circumstances warrant continuation of vesting. The Initial Award shall expire ten years from the date of grant and shall have a per share exercise price equal to the Fair Market Value (as defined in the Company's 2021 Stock Option and Incentive Plan) of the Company's common stock on the date of grant. This Initial Award applies only to Outside Directors who are first elected to the Board of Directors subsequent to the Effective Date.

Annual Award: On each date of each Annual Meeting of Stockholders of the Company following the Effective Date (the "Annual Meeting"), each continuing Outside Director, other than a director receiving an Initial Award, will be granted, automatically and without the need for any further action by the Board, an annual stock option award (the "Annual Award") to purchase 53,100 shares, which shall vest in full upon the earlier of (i) the first anniversary of the date of grant or (ii) the date of the next Annual Meeting; provided, however, that all vesting shall cease if the director resigns from the Board of Directors or otherwise ceases to serve as a director, unless the Board of Directors determines that the circumstances warrant continuation of vesting; provided, further, that if an individual commenced service as an Outside Director within the twelve (12) months immediately preceding such Annual Meeting, then the Annual Award granted to such Outside Director will be prorated based on the number of whole months that the individual served as an Outside Director prior to the Annual Award's grant date during the twelve (12) month period immediately preceding such Annual Meeting (with any resulting fractional share rounded down to the nearest whole share). Such Annual Award shall expire ten years from the date of grant and shall have a per share exercise price equal to the Fair Market Value (as defined in the Company's 2021 Stock Option and Incentive Plan) of the Company's common stock on the date of grant.

Sale Event Acceleration: All outstanding Initial Awards and Annual Awards held by an Outside Director shall become fully vested and exercisable upon a Sale Event (as defined in the Company's 2021 Stock Option and Incentive Plan).

Expenses

The Company will reimburse all reasonable out-of-pocket expenses incurred by non-employee directors in attending meetings of the Board of Directors or any committee thereof.

Maximum Annual Compensation

The aggregate amount of compensation, including both equity compensation and cash compensation, paid by the Company to any Outside Director for service as an Outside Director in a calendar year for services as an Outside Director period shall not exceed $1,000,000; provided, however, that such amount shall be $1,250,000 for the calendar year in which the applicable Outside Director is initially elected or appointed to the Board of Directors; (or such other limits as may be set forth in Section 3(b) of the Company's 2021 Stock Option and Incentive Plan or any similar provision of a successor plan). For this purpose, the "amount" of equity compensation paid in a calendar year shall be determined based on the grant date fair value thereof, as determined in accordance with FASB ASC Topic 718 or its successor provision, but excluding the impact of estimated forfeitures related to service-based vesting conditions.

Adopted July 16, 2021.

Effective July 21, 2021.

Amendments Effective May 4, 2023.

Exhibit 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "**Agreement**") is made between Absci GmbH, a Swiss company to be set up and based in the Canton of Zug (the "**Company**"), which acts until its establishment through Absci Corporation, a Delaware corporation, which signs this Agreement solely in the name and on account of the Company; and Dr. Andreas Busch, an individual residing in Switzerland (the "**Executive**").

BACKGROUND

Whereas, Absci Corporation is in the process of establishing a new Swiss company, an LLC (GmbH), which name should be Absci GmbH, with registered address in the Canton of Zug (the Company);

Whereas, Absci Corporation intends to have the Executive be employed by the Company from its establishment as Chief Innovation Officer;

Whereas, the Company will, without any undue delay, in any event within three (3) months of its entry in the commercial register, ratify and assume this Agreement; and

Whereas, the Company will be part of the Absci group of companies (the "**Group**"), which includes companies controlling, controlled by or under common control with the Company (the "**Affiliated Companies**" or "**Group Companies**").

In consideration of the foregoing, and of mutual covenants and agreements set out below, and intending to be legally bound, the parties agree as follows:

1 Employment

1.1 The Executive is hired as Chief Innovation Officer. Employment with the Company is strictly conditional upon the Executive being entitled to work in Switzerland.

1.2 The Executive's employment with the Company will commence on September 30, 2022 (the "**Date of Employment**").

2 Term of Agreement and Employment

The term of this Agreement and the Executive's employment by the Company shall continue from and after the Date of Employment until the Executive's employment is terminated as provided in Section 8 hereof ("**Employment Period**").

3 Duties and Responsibilities

3.1 In the Executive's capacity as Chief Innovation Officer, the Executive shall report to and have such duties and responsibilities as may be assigned to the Executive by the Chairman of the Managing Officers of the Company (the "**Chairman**") and/or to such of its members or other persons as may be nominated by the Chairman over time. As the Company is part of the Group, the Employee may need to work with and/or report to other employees and/or officers of Affiliated Companies as part of the Executive's duties and responsibilities under this Agreement. The Executive acknowledges that this does not create separate employment relationships with any Affiliated Companies.

3.2 The Executive shall devote all of the Executive's full time, attention and skill loyally and faithfully to the business and interests of the Company and Affiliated Companies in a proper and efficient manner, and shall use the Executive's best efforts to further and promote the business of the Group. In particular, the Executive shall not solicit or endeavour to solicit any employee, consultant, client of the Company or any Affiliated Companies to act in any way which could be detrimental to the Company or any Affiliated Companies, whether or not any such person would thereby commit a breach of contract. This duty applies strictly during the employment relationship including during any garden leave period. The Executive may not be employed or engaged in any other business (whether paid or unpaid) without first obtaining Company's prior written consent. The Executive shall comply at all times with the handbook(s), policies, regulations, and directives issued by the Company and/or at the Group level. Notwithstanding the foregoing, the Executive may serve on up to four (4) outside boards of directors, and additional boards of directors with the approval of the Company, as long as such services and activities do not interfere with the Executive's performance of the Executive's duties to the Company, in particular do not lead to possible conflict of interests with respect to the Executive's position within the Company and/or a breach of the duty of trust.

3.3 The Executive's usual place of work shall be in Switzerland, at the Company's offices to be established in the canton of Zug, as they may change and be designated from time to time by the Company. Prior to the establishment of the Company's offices, the Executive shall work from home in Switzerland. The Executive shall be required in the performance of the Executive's duties to travel to such places in Switzerland or abroad, including the United States, as business of the Company may require. Depending on the Company's and the Executive's needs, the Executive is allowed to telework from his home in Switzerland at his discretion, on terms to be defined.

3.4 The Executive holds a senior leadership position in the meaning of article 3 (d) of the Federal Act on Employment in Business, Trade and Industry (Employment Act - EmpA) and, given that function, the Executive is expected to work the time necessary to best achieve all tasks and responsibilities based on the actual needs of the Company. The Executive is not entitled to any overtime payment or compensatory leave.

4 Compensation and Benefits

4.1 Base Salary. During the Employment Period, the Executive shall be paid a gross base salary of CHF 566,000 per year ("**Base Salary**"), payable in twelve (12) equal monthly payments on or around the 25th of each month (subject to deductions for income tax and social security contributions as required by law and the pension fund regulations). The Executive's Base Salary shall be subject to periodic review by the Company.

4.2 Incentive Compensation. The Executive shall be eligible to receive cash incentive compensation as determined by the Company from time to time. The Executive's target annual incentive compensation shall be 60 percent (60%) of the Executive's Base Salary; provided that any incentive compensation for calendar year 2022 will be prorated based on the number of days employed during such year. The target annual incentive compensation in effect at any given time is referred to herein as "**Target Bonus**". The actual amount of the Executive's annual incentive compensation, if any, shall be determined in the sole discretion of the Chairman or the Compensation Committee of the Company. Any annual incentive compensation will be paid no later than March 15th of the calendar year following the calendar year to which such bonus relates. Except as otherwise provided herein or as may be provided by the Chairman or the Compensation Committee of the Company, if any, the Executive must be employed by the Company and not "under notice" on the date such incentive compensation is paid in order to earn or receive any annual incentive compensation. "Under notice" shall mean that either the Company or the Executive has provided written notice of dismissal or resignation, respectively, to the other party but the applicable notice period pursuant to Section 8 has not yet lapsed.

4.3 Sign-On Bonus. On or as soon as reasonably practicable after the Date of Employment (provided that Executive remains employed with the Company on the payment date), the Company shall pay Executive a cash sign-on bonus in the amount of CHF 488,000, less all applicable taxes and withholdings (the "**Sign-On Bonus**").

The Sign-On Bonus will not entitle the Executive to further bonus or pension claims and will be subject to deductions for income tax and social security contributions as required by law and by the pension fund regulations. If the Executive voluntarily terminates employment with the Company or is terminated for Cause within twelve (12) months of the Start Date, the Executive will be obligated to repay the Company the full amount of the Sign-on Bonus. For purposes of this Agreement, "**Cause**" is defined as: (a) conduct by the Executive constituting a material act of misconduct in connection with the performance of the Executive's duties, including, without limitation, (i) willful failure or refusal to perform material responsibilities that have been requested by the Chairman; (ii) dishonesty to the Chairman with respect to any material matter; or (iii) misappropriation of funds or property of the Company, Group Companies or any of their subsidiaries or affiliates other than the occasional, customary and de minimis use of Company or Group Company property for personal purposes, (b) the commission by the Executive of acts satisfying the elements of (i) any felony or (ii) a misdemeanor involving moral turpitude, deceit, dishonesty or fraud, (c) any misconduct by the Executive, regardless of whether or not in the course of the Executive's employment, that would reasonably be expected to result in material injury or reputational harm to the Company, a Group Company or any of their subsidiaries or affiliates if the Executive were to continue to be employed in the same position, (d) continued unsatisfactory performance or non-performance by the Executive of the Executive's duties hereunder (other than by reason of the Executive's physical or mental illness, incapacity or disability), (e) a breach by the Executive of any of the provisions contained in Sections 5, 6 or 7 of this Agreement, (f) a material violation by the Executive of any of the Company or Group Company's written employment policies, (g) the Executive's failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company or a Group Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation, or (g) any justified cause in the meaning of Article 337 of the Swiss Code of Obligations.

4.4 Set Off. To the extent permitted under Swiss law, the Executive consents to the Company making a deduction from the Executive's Base Salary (or from any other money owed to the Executive by the Company) of or towards any money the Executive may owe the Company. This would include (without limitation) deductions in respect of overpaid salary, expenses (including expenses or other charges arising from unauthorised use of the company credit card issued to the Executive), holiday pay, bonus, or in respect of loans made to the Executive, the recoupment of conditional benefits (such as further education grants and relocation benefits), or any other amounts, which may be lawfully due from the Executive to the Company.

4.5 Expenses. The Company shall reimburse the Executive for all reasonable expenses, which the Executive is authorized to incur while carrying out the Executive's duties under this Agreement, provided the correct claims procedure is followed and invoices, or other evidence of payment are produced.

4.6 Pension Benefits and Accident Insurance.

4.6.1 The Executive will become a member of the Company's Swiss pension plan (to be established) and be subject to the regulations concerning employee contributions and benefits as applicable from time to time.

4.6.2 The Employee shall be insured against professional and non-professional accidents in accordance with the Federal Act of 20 March 1981 on Accident Insurance.

4.7 Other Benefits. The Company will pay to the Executive a monthly allowance of CHF 350 - gross (maximum) as participation to the costs of the Employee's Swiss health insurance (mandatory and complementary, if any entered into by the Executive), upon provision of the Employee's health insurance policy/ies for the current year.

4.8 Holidays. The Executive is entitled to paid holidays of twenty-five (25) days per annum, in addition to public holidays that are applicable in the canton where the Executive's normal place of work is. The holiday year is from January 1 to December 31. Entitlement to holiday in the first and last year of employment will be calculated pro rata by reference to the number of completed months worked in that year. On termination of employment, a payment will be made by the Company or refunded by the Executive (as appropriate) in the Executive's final salary depending on whether holiday entitlement has been unused or exceeded.

4.9 Incapacity.

4.9.1 The Executive must notify the Company on the first day of absence if the Executive becomes unable to attend work.

4.9.2 In case of incapacity due to illness or accident, the Executive must present a medical certificate signed by a qualified medical practitioner as from the fourth day of incapacity at the latest, or earlier upon request. The Company reserves the right to ask the Executive to produce a medical certificate at any time and/or undergo a medical examination by the Company's doctor or an independent medical practitioner at Company's own costs. Please note that the result of a medical check cannot be shared with the Company - it can only confirm if the absence is valid.

4.9.3 Company's obligation to continue to pay the Executive's salary in case of illness shall be governed by Article 324a CO.

5 Intellectual Property

5.1 Definitions.

5.1.1 Intellectual Property Rights ("**IPRs**") means any and all patents, trade and service marks, unregistered design rights, registered design rights, trade and business names, copyrights (including copyright in software), database rights, topography rights and all other intellectual property rights (whether or not any of these is registered and including applications for registration of any such thing) and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world.

5.1.2 "**Work**" or "**Works**" means inventions, discoveries, designs, developments, improvements, formulas, ideas, IPRs, processes, techniques, related documentation and any other work of authorship, whether or not patentable, copyrightable or susceptible to other forms of protection.

5.2 Generated IPRs. The Executive acknowledges and agrees that the Executive is tasked with making Works related to the business of the Company and any of its Affiliated Companies. If the Executive creates, makes, authors, originates, conceives or writes (either alone or with others) any Works, irrespective of whether it or they are related to the Company or any of its Affiliated Companies:

(a) The Executive will promptly disclose to Company full details of any and all such Works;

(b) All rights (including, without limitation, all IPRs) in and to such Works are hereby assigned and shall hereby legally and beneficially vest solely in the Company immediately upon their creation without any payment to the Executive. To the extent the Company is not entitled to the rights to the Works on the basis of Art. 332 para. 1 CO, the Executive hereby assigns and transfers any rights to and in connection with Works to the Company. The Company is free to modify and use such Works at its own discretion;

(c) The Executive hereby irrevocably and unconditionally waives, in favour of the Company, its licensees and successors-in-title any and all moral rights conferred on Executive in relation to the Works (existing or future); and

(d) The Executive shall not knowingly do anything, or omit to do anything, to imperil the validity of any patent or protection, or any application therefore, relating to any Work.

The Company is entitled to acquire from the Executive all inventions and designs which the Executive, solely or jointly with others, makes or contributes to in the course of performing his tasks and activities as employee of the Company but not in fulfilment of his duties under this Agreement (“**Occasional Inventions**” or “**Occasional Invention**”). Executive must inform the Company in writing immediately upon his making or contributing to Occasional Inventions. Company must then notify the Executive within six (6) months if it intends to acquire the respective Occasional Invention. If the Company acquires Occasional Inventions, the Executive is entitled to an appropriate compensation in accordance with the principles set out in Art. 332 para. 4 CO.

5.3 Assignment of Works. To the extent such rights and IPRs do not so vest in the Company, the Executive hereby (i) assigns to the Company or its nominee all future copyright, database rights and unregistered design rights in the Works and (ii) in respect of all other rights and IPRs hereby assigns to the Company all of the Executive’s right, title and interest (including without limitation all IPRs) in the Works.

5.4 Attorney. The Executive hereby authorises the Company or its nominee to be Executive’s attorney, and to make use of the Executive’s name and to sign and execute any documents and/or perform any act on the Executive’s behalf, for the purpose of giving to the Company the full benefit of the provisions of this Section 5 and, where permissible, to obtain patent or other IPR protection in respect of any of the Works in the name of the Company or the Company’s nominee.

5.5 Further Assurance. The Executive shall from time to time, both during the Executive’s employment under this Agreement and thereafter, at the request and expense of Company or its nominee, promptly do all things and execute all documents necessary or desirable to give effect to the provisions of this Section 5, including, without limitation, all things necessary to obtain and/or maintain patent or other protection with respect to any Work in any part of the world and to vest such rights (including, without limitation, all IPRs) in and to the Works in the Company or the Company’s nominee. During and after the term of the Employment Period, the Executive will support the Company in the process of patenting inventions or registering other intellectual property rights he made or to which he contributed.

5.6 Jurisdiction. For the avoidance of doubt, the provisions of this Section 5 shall apply to any rights (including, without limitation, any IPRs) in the Works arising in any jurisdiction, and the provisions of this Section 5 shall apply in respect of any jurisdiction to the extent permitted by the directives, statutes, regulations and other laws of any such jurisdiction.

6 Confidentiality

6.1 Definitions. “**Confidential Information**” includes any information, idea or material:

(a) generated, collected by or used in the operations of the Company that relates to the actual or anticipated business or research and development of the Company or any Affiliated Company and that has not been made available generally to the public; or

(b) suggested by or resulting from any task assigned to the Executive or work performed by the Executive for the Company, or known to the Executive as a consequence of the Executive's employment with the Company, and that has not been made available generally to the public.

Confidential Information includes, but is not limited to, information relating to the business of the Company, including information and/or finances related to the Company or any customers, clients, suppliers and other business contacts of the Company, including the Affiliated Companies, notably personnel, commercial and scientific data, strategic plans, IPRs, profits, markets, sales, budgets, pricing policies, accounting, finance, products, product development, marketing strategies, operational methods, technical processes, research and development techniques, formulas, Work (as defined above in Section 5.1), discoveries, research, patent applications, business forecasts, agreements, personnel files and other business affairs and methods not generally available to the public and anything that is a trade secret. Information shall cease to be Confidential Information if it is or becomes public knowledge, other than through any unauthorised disclosure or other breach of the restrictions in Section 6.3 on the part of Executive.

6.2 Ownership. All Confidential Information acquired or generated by the Executive in connection with the Executive's employment with Company (whether written, oral or in any other medium) shall be the property of the Company, shall be used by Executive only as required in the performance of the Executive's duties and shall be returned to Company on request or on termination of the Executive's employment.

6.3 Non-Disclosure. The Executive will use all reasonable efforts to protect the confidentiality of Confidential Information and shall keep the Confidential Information secret. Except as required in the performance of the Executive's duties for the Company, the Executive will not, without the Company's express written permission, disclose Confidential Information to any third party or use Confidential Information in other than the Company's business, either during or after the Executive's employment by the Company.

6.4 Third Party Information. The Executive acknowledges that the Company may receive confidential information from third parties, subject to a duty on the Company's part to maintain the confidentiality of such information. During and after the Executive's employment with the Company, the Executive will not disclose such confidential information to any third party outside the Company or use such information for any purpose other than as is required in the performance of the Executive's duties for the Company and as is consistent with the Company's duty to maintain the confidentiality of such information.

6.5 Warranty. The Executive represents and warrants that the Executive's employment with the Company does not and will not breach any agreement with or duty owed to any of the Executive's former employers. The Executive will not disclose to the Company and will not use or induce the Company to use any proprietary, confidential or trade secret information of others, including, but not limited to, former employers. The Executive represents and warrants that Executive has returned all property and confidential information belonging to all the Executive’s prior employers.

6.6 Survival. The provisions of this Section 6 shall survive the termination of this Agreement and the Executive’s employment.

7 Executive’s Restrictive Covenants

7.1 Covenants. The Executive acknowledges that during the course of Executive’s employment with Company, the Executive will receive and have access to Confidential Information and the Executive will also receive and have access to detailed data and information relating to the operations and business of the Company and the Group and accordingly the Executive is willing to enter into the covenants described in this Section 7 in order to provide Company and the Group, with what Executive considers to be reasonable protection for those interests.

7.2 Non-Compete. The Executive covenants and agrees that for a period of twelve (12) months following the date that the Executive’s employment with the Company terminates for any reason, the Executive will not directly or indirectly engage in any business or activity or render service, whether as principal, agent, officer, director, employee, consultant or otherwise, to any person, business, corporation or other entity with respect to the production, licensing, marketing, sale or supply of any product or service that is similar in kind, type or purpose to the business or therapeutic areas in which the Executive worked at any time during the Executive’s last twenty-four (24) months of employment with the Company (“**Restricted Business**”); provided however, that this Section 7.2 shall not prohibit the Executive from acquiring, solely as an investment and through open market purchases, securities of any entity which are publicly traded, so long as the Executive is not part of any control group of such entity, and such securities do not constitute more than five percent (5%) of the outstanding voting power of that entity. This obligation not to compete is applicable in any countries and/or areas in the world where the Company and any Affiliated Companies operate any business in or with which the Employee has been materially involved or concerned at any time during the employment with the Company.

7.3 Customer Non-solicitation. For a period of one (1) year following the date on which the Executive’s employment with the Company terminates for any reason, the Executive will not solicit, divert, or attempt to solicit or divert or accept Restricted Business from any customer or account or prospective customer or account of the Company and of any Affiliated Companies with whom the Executive or those employees who reported, directly or indirectly, to the Executive dealt at any time during the last 24 months of the Executive’s employment with the Company.

7.4 Employee Non-solicitation. For a period of one (1) year following the date that the Executive’s employment with the Company terminates for any reason, the Executive will not solicit, or assist or encourage the solicitation of, any employee of the Company and of any Affiliated Companies who was employed at the Director level or above within the Group to work for or with the Executive or for any entity with which the Executive may become employed or affiliated, without the prior written consent of the Company. The term “solicit any employee” shall mean the Executive’s contacting or providing information to others who may be reasonably expected to contact, any present or former employee of the Group regarding such employee's interest in seeking employment with the Executive or any entity with which the Executive may become employed or affiliated.

7.5 Limitations. This Section 7 shall not restrain the Executive from being engaged or concerned in any business activity in so far as the Executive's duties or work shall relate solely:

(a) to geographical areas where the business concern is not in competition with the Restricted Business; or
(b) to services or activities of a kind with which the Executive was not concerned to a material extent during the period of 24 months prior to the termination of Executive's employment.

7.6 Sanctions. The Executive understands that a violation of the obligations under this Section 7 might cause serious damage to the Company. In the event the Executive violates an obligation under this Section 7, the Company shall be entitled to seek judicial enforcement of such obligation. Furthermore, the Executive agrees to pay to the Company at a minimum an amount equal to the Executive's last annual salary as liquidated damages upon each violation of a duty or obligation under this Section 7. The payment of the liquidated damages does not relieve the Executive from the obligations under this Section 7. The Company's right to claim damages exceeding the amount of liquidated damages is expressly reserved. Additionally, if the Executive violates the obligation not to compete, the Company has the right to forbid the Executive to start or continue activities which are contrary to his non-competition obligation, and may, in particular, force the Executive to abandon the new occupation (specific performance, "**Realexekution**").

8 Termination

8.1 Notice. This Agreement may be terminated by either party upon prior notice of six (6) months for the end of a calendar month.

8.2 Summary dismissal. Termination with immediate effect for a justified cause pursuant to Article 337 Swiss Code of Obligations (CO/OR) is reserved. By way of example only, any of the following may be regarded as a justified cause for the Company to terminate the Agreement at any time with immediate effect, if the Executive at any time:

(a) seriously breaches the relationship of trust with the Company or Affiliated Companies;
(b) is convicted of any criminal offence provided that the offense relates to the employment relationship or significantly impairs cooperation within the enterprise;
(c) commits, or is reasonably believed by the Company to have committed, any act of dishonesty, any serious misconduct or any other act which may seriously affect the Executive's ability to discharge the Executive's duties;
(d) is found guilty, or is reasonably believed by the Company to be guilty, of any serious or (after warning) persistent neglect in the discharge of the Executive's duties or commit any wilful, serious or (after warning)

persistent breach of any Affiliate Company code of conduct or any of the provisions of this Agreement; or

(e) commits any act of gross misconduct or conducts themselves (whether during the course of the employment or otherwise) in a manner which might or does bring the reputation of an Affiliate Company into question or disrepute.

8.3 Garden Leave. The Company is entitled to place the Executive on garden leave at any time under specific circumstances such as, for example, for the time of an investigation or once notice of termination of the Agreement has been provided by either party. During any such period of garden leave the Company may require the Executive to perform alternative duties or to cease carrying out any duties, and/or not to have any business dealings with the Company's employees, suppliers, customers and agents, and/or not to enter the premises of the Company or any Group Company.

8.4 Severance Pay Upon Termination by the Company without Cause or by the Executive for Good Reason Outside the Change in Control Period. If the Executive's employment is terminated by the Company without Cause as provided in Section 4.3 (and other than as a result of death or disability), or the Executive terminates employment for Good Reason (as defined below in this Section 8.4), in each case outside of the Change in Control Period as defined in Section 8.5, then, subject to the Executive signing a separation agreement and release in a form and manner satisfactory to the Company (the "**Separation Agreement**"), the Company shall pay the Executive an amount equal to nine (9) months of the Executive's Base Salary (the "**Severance Amount**"). The Separation Agreement shall be prepared by the Company and shall include, without limitation, (i) as a condition for the Severance Amount to be paid, a requirement that, in the course of the second month after the end of the Executive's employment, the Executive signs and returns to the Company a general release of claims against the Company and all related persons and entities that shall not release the Executive's rights under the Separation Agreement, (ii) in the Company's sole discretion, a one-year post-employment noncompetition agreement, and, (iii) if the Separation Agreement is partially or entirely avoided further to a claim by the Executive or if the Executive breaches any clause of the Separation Agreement (including if the Executive does not sign and return the required general release of claims in due time as per point (ii) here above), the right for the Company to immediately cease all payments of the Separation Amount, respectively the obligation for the Executive to pay back any Separation Amount which the Executive might already have received to the Company, all within 60 days after the Date of Termination (or such shorter period as set forth in the Separation Agreement). The Severance Amount shall be paid out in substantially equal installments in accordance with the Company's payroll practice over nine (9) months commencing within 30 days of the end date of employment.

For purposes of this Section 8.4, "**Good Reason**" means the following: (i) a material diminution in the Executive's Base Salary except for across-the-board salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; or (ii) a material breach of this Agreement by the Company; *provided*, however, that to terminate his employment for Good Reason, the Executive must (A) prior to giving notice of resignation (1) provide written notice to the Company within 60 days after the first occurrence of the event giving rise to such Good Reason, (2) allow the Company at least 30 days from receipt of such written notice to cure such event (the "**Cure Period**") and cooperate in good faith with the Company's efforts, and (B) if such event is not reasonably cured at the end of the Cure Period, give notice of resignation within 60 days after the end of the Cure Period.

8.5 Severance Pay Upon Termination by the Company without Cause or by the Executive for Good Reason within the Change in Control Period. The provisions of this Section 8.5 shall apply in lieu of, and expressly supersede, the provisions of Section 8.4 if (i) the Executive's employment is terminated either (A) by the Company without Cause as provided in Section 4.3 (and other than as a result of death or disability), or (B) by the Executive for Good Reason (as defined below in this Section 8.5) and (ii) the notice of termination given by the terminating party is received by the other party on a date on or within 12 months after the occurrence of the first event constituting a Change in Control (as defined below) (such period, the "**Change in Control Period**"). These provisions shall terminate and be of no further force or effect after the Change in Control Period.

(a) If the Executive's employment is terminated by the Company without Cause as provided in Section 4.3 (and other than as a result of death or disability) or the Executive terminates employment for Good Reason (as defined below in this Section 8.5) and in each case the Date of Termination occurs during the Change in Control Period, then, subject to the Executive signing and returning to the Company, in the course of the second month after the end of the Executive's employment, a general release of claims against the Company and all related persons and entities that shall not release the Executive's rights under this Agreement, the Company shall pay the Executive a lump sum in cash in an amount equal to the sum of (A) 12 months of the Executive's then-current Base Salary (or the Executive's Base Salary in effect immediately prior to the Change in Control, if higher) plus (B) 1.0 times the Executive's Target Bonus for the then-current year (or the Executive's Target Bonus in effect immediately prior to the Change in Control, if higher) (the "**Change in Control Payment**").

(b) For purposes of this Section 8.5, "**Good Reason**" means the following: (i) a material diminution in the Executive's responsibilities, authority or duties during the Change in Control Period, (ii) a material diminution in the Executive's Base Salary except for across-the-board salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; or (iii) a material breach of this Agreement by the Company.

(c) For purposes of this entire Agreement, "**Change in Control**" means the completion by any means of any merger, consolidation, sale of or change in the beneficial ownership of the outstanding voting equity interest in the ultimate parent of the Company, or similar transaction, as a result of which any person or entity, other than an Affiliated Company or the ultimate parent of the Company on the date of this Agreement obtains direct or indirect control of the business and affairs of the Company under applicable law.

8.6 Company Property. Upon termination of the Executive's employment (howsoever caused), the Executive will immediately deliver up to the Company all correspondence, documents, specifications, papers, magnetic disks, tapes or other software storage media and property belonging to the Company and any Affiliated Company which may be in the Executive's possession or under the Executive's control (including such as may have been made or prepared by or have come into the possession or under the control of the Executive and relate in any way to the business or affairs of the Company or any Affiliated Company and/or of any of their suppliers, agents, distributors, clients and/or customers) and the Executive shall not, without the written consent of the Company, retain any copies thereof.

9 Data Protection

The Executive acknowledges that the Company may process both electronically and manually the personal data to the extent that such data relates to the Executive's suitability for the job or are necessary for the performance of the employment contract. The Employee also acknowledges that the Company may transfer the data to Affiliated Companies or third parties, in and outside Switzerland, including to the United States of America or to countries within the European Economic Area (EEA), where the Company has affiliates and/or service providers for supporting the Company in human resources, legal, management, accounting or financial matters. The Company shall take appropriate steps to ensure that the information will have an adequate level of data protection in other countries outside Switzerland.

10 Miscellaneous

10.1 Entire Agreement. This Agreement constitutes the entire agreement and understanding between the parties and supersedes any and all previous employment agreements, letters or other agreements or other communications, in whatever medium, between the parties with respect to the subject matter hereof.

10.2 No Waiver. This Agreement may only be modified or amended by a document signed by the parties. Any provision contained in this Agreement may only be waived by a document signed by the party waiving such provision. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

10.3 Severability. If any provision of this Agreement is held to be invalid or unenforceable, it is to that extent to be replaced by such valid and enforceable provision that best reflects the parties' intention when entering into the invalid or unenforceable provision and the remainder of the Agreement shall be valid and enforceable to the maximum extent possible; in particular, should a court of competent jurisdiction conclude that any restriction in Section 7 is unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, then such restriction shall be enforced to the maximum extent permitted by law and the court making such determination shall have the power to modify this Agreement in order to conform it with applicable law.

10.4 Notices. Unless otherwise stipulated herein, all notices, demands and other communications which are required to be given, served or sent pursuant to this Agreement shall be in writing and shall be delivered personally, or by email, or sent by air courier or first-class certified or registered mail, return receipt requested and postage pre-paid. All notices and other communications given to any party in accordance with the provisions of this Agreement will be deemed to have been given on the date of delivery if personally delivered.

10.5 Governing Law and Forum. The construction, interpretation and performance of this Agreement will be governed by the laws of Switzerland. The courts at the Company's seat as well as the place where the Executive ordinarily performs work shall be exclusively competent to decide any dispute arising out of or in connection with this Agreement, its validity, invalidity, breach or termination provided, however, that the Company shall have the right to sue the Executive before the courts at the Executive's domicile.

10.6 Collective Agreement. There is no collective agreement applicable to the Executive's employment.

(*signature page follows*)

IN WITNESS whereof this Agreement has been duly executed the day and year first above written

COMPANY, ABSCI CORPORATION

By: /s/ Sean McClain

Name: Sean McClain

Title: Founder and CEO of Absci Corporation

Date: September 30, 2022

THE EXECUTIVE

By: /s/ Andreas Busch, Ph.D.

Name: Andreas Busch

Date: September 30, 2022

Exhibit 31.1

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

I, Sean McClain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Absci Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023	By:	/s/ Sean McClain
		Sean McClain
		Founder and Chief Executive Officer

Exhibit 31.2

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

I, Gregory Schiffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Absci Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023

By: /s/ Gregory Schiffman

Gregory Schiffman

Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Absci Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2023 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: August 14, 2023	By:	/s/ Sean McClain
		Sean McClain
		Founder and Chief Executive Officer

Exhibit 32.2

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

In connection with the Quarterly Report of Absci Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2023 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: August 14, 2023

By: /s/ Gregory Schiffman
Gregory Schiffman
Chief Financial Officer