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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 March 31, 2022

OR

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

For the transition period from _____ to _____

Commission file number 001-40646

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 Act). Yes ☐ No ☒

The registrant had outstanding 92,852,032 shares of $0.0001 par value common stock as of May 1, 2022

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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,” “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 the markets for our services and technologies, including the growth rate of the biologics and next-generation biologics markets;
- 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;
- 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 any revenue;
- our estimates of the sufficiency of our cash resources;
- 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, 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 potential impact of the ongoing COVID-19 pandemic, including supply chain issues arising from the pandemic and the emergence of new variants of the virus, such as the Omicron and Delta variants, on our business or operations;
- 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
- our expectations about market trends.

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 logo, ACE Assay, HiPrBind, Bionic Proteins, Translating Ideas into Drugs, Bionic SoluPro, Integrated Drug Creation, 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. The information that we post on these websites 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, or any

other website that may be accessed from our website, shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

Part I. Financial Information

Item 1. Financial Statements

ABSCI CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except for share and per share data)	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 226,004	$ 252,569
Restricted cash	23,014	10,513
Receivables under development arrangements	350	1,425
Prepaid expenses and other current assets	6,593	8,572
Total current assets	255,961	273,079
Operating lease right-of-use assets	6,266	6,538
Property and equipment, net	54,611	52,114
Intangibles, net	54,150	54,992
Goodwill	21,335	21,335
Restricted cash, long-term	1,844	16,844
Other long-term assets	1,293	1,293
TOTAL ASSETS	$ 395,460	$ 426,195
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 6,739	$ 8,385
Accrued expenses	25,641	17,434
Long-term debt, current	2,400	2,400
Operating lease obligations	1,545	1,502
Financing lease obligations	2,766	2,785
Deferred revenue	2,791	1,353
Total current liabilities	41,882	33,859
Long-term debt - net of current portion	531	1,124
Operating lease obligations - net of current portion	8,568	8,969
Finance lease obligations - net of current portion	2,402	3,231
Deferred tax, net	1,359	743
Other long-term liabilities	222	12,162
TOTAL LIABILITIES	54,964	60,088
Commitments (See Note 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 0 shares issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 500,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 92,835,187 and 92,648,036 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	9	9
Additional paid-in capital	561,029	557,136
Accumulated deficit	(220,519)	(191,025)
Accumulated other comprehensive loss	(23)	(13)
TOTAL STOCKHOLDERS' EQUITY	340,496	366,107
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 395,460	$ 426,195

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

ABSCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (UNAUDITED)

	For the Three Months Ended March 31,	
(In thousands, except for share and per share data)	**2022**	**2021**
Revenues		
Technology development revenue	$ 454	$ 940
Collaboration revenue	365	123
Total revenues	819	1,063
Operating expenses		
Research and development	15,827	7,050
Selling, general and administrative	10,889	4,685
Depreciation and amortization	2,906	476
Total operating expenses	29,622	12,211
Operating loss	(28,803)	(11,148)
Other expense		
Interest expense	(195)	(455)
Other income, net	125	164
Total other expense, net	(70)	(291)
Loss before income taxes	(28,873)	(11,439)
Income tax (expense) benefit	(621)	477
Net loss	(29,494)	(10,962)
Cumulative undeclared preferred stock dividends	—	(995)
Net loss applicable to common stockholders	$ (29,494)	$ (11,957)
Net loss per share attributable to common stockholders: Basic and diluted	$ (0.33)	$ (0.70)
Weighted-average common shares outstanding: Basic and diluted	90,272,205	16,980,074
Comprehensive loss:		
Net loss	$ (29,494)	$ (10,962)
Foreign currency translation adjustments	(10)	—
Comprehensive loss	$ (29,504)	$ (10,962)

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

ABSCI CORPORATION
STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (UNAUDITED)

(In thousands, except for share and per share data)	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Condensed Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances - December 31, 2021	—	$ —	92,648,036	$ 9	$ 557,136	$ (191,025)	$ (13)	$ 366,107
Issuance of shares upon option exercise	—	—	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

(In thousands, except for share and per share data)	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Condensed Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balances - December 31, 2020	13,752,043	$ 156,433	17,887,631	$ 2	$ 635	$ (90,065)	$ —	$ (89,428)
Issuance of Series E preferred stock, net of issuance costs	254,886	4,944	—	—	—	—	—	—
Issuance of restricted stock	—	—	703,425	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,519	—	—	1,519
Issuance of shares in acquisition of Denovium	—	—	1,010,296	—	368	—	—	368
Net loss	—	—	—	—	—	(10,962)	—	(10,962)
Balances - March 31, 2021	14,006,929	$ 161,377	19,601,352	$ 2	$ 2,522	$ (101,027)	$ —	$ (98,503)

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

ABSCI CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31,	
(In thousands)	**2022**	**2021**
Cash Flows From Operating Activities		
Net loss	(29,494)	(10,962)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,906	476
Deferred income taxes	616	(477)
Stock-based compensation	3,740	2,152
Change in fair value of contingent consideration	750	—
Gain on extinguishment of loan payable	—	(636)
Preferred stock warrant liability expense	—	475
Changes in operating assets and liabilities:		
Receivables under development arrangements	1,074	615
Prepaid expenses and other current assets	1,801	(690)
Operating lease right-of-use assets and liabilities	(86)	255
Other long-term assets	—	32
Accounts payable	637	1,258
Accrued expenses and other liabilities	(4,531)	444
Deferred revenue	1,438	(227)
Net cash used in operating activities	(21,149)	(7,285)
Cash Flows From Investing Activities		
Purchases of property and equipment	(6,857)	(6,364)
Acquisitions, net of cash acquired	—	(2,512)
Net cash used in investing activities	(6,857)	(8,876)
Cash Flows From Financing Activities		
Proceeds from issuance of redeemable convertible preferred units and stock, net of issuance costs	—	4,944
Principal payments on long-term debt	(600)	—
Principal payments on finance lease obligations	(671)	(368)
Proceeds from issuance of common stock, net of issuance costs	213	—
Proceeds from issuance of convertible promissory notes	—	125,000
Net cash (used in) provided by financing activities	(1,058)	129,576
Net (decrease) increase in cash, cash equivalents, and restricted cash	(29,064)	113,415
Cash, cash equivalents and restricted cash - Beginning of year	279,926	71,708
Cash, cash equivalents, and restricted cash - End of period	$ 250,862	$ 185,123
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 155	$ 154
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Property and equipment purchased under finance lease	$ —	$ 733
Right-of-use assets obtained in exchange for operating lease obligation	—	3,330
Cash paid for amounts included in the measurement of operating lease liabilities	565	109
Property and equipment purchases included in accounts payable	3,282	5,685
Deferred offering costs included in accounts payable	—	337

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

1. Organization and nature of operations

Absci Corporation (the "Company") has developed an integrated drug creation platform (the "Integrated Drug Creation Platform") by merging deep learning artificial intelligence and synthetic biology. The Integrated Drug Creation Platform enables the creation of biologics by unifying the drug discovery and cell line development processes into one process. 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 "LLC Conversion"). The Company's headquarters are located in Vancouver, Washington.

Authorized shares of common stock

In June 2021, the Company's board of directors (the "Board") and stockholders increased the number of authorized shares of common stock to 78,320,000.

Initial Public Offering

In July 2021, we completed our initial public offering (the "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. Immediately prior to the completion of the IPO, all shares of redeemable convertible preferred stock then outstanding were converted into 46.3 million shares of common stock and all convertible notes issued in March 2021 were converted into 9.7 million shares of common stock.

Amendments to Certificate of Incorporation or Bylaws

In connection with the consummation of the IPO, the Company filed an amended and restated certificate of incorporation (the "Restated Certificate") with the Secretary of State of the State of Delaware. The Board and stockholders previously approved the Restated Certificate to be filed in connection with, and to be effective upon, the consummation of the IPO. The Restated Certificate amended and restated the Company's existing amended and restated certificate of incorporation, as amended, in its entirety to, among other things: (i) authorize 500,000,000 shares of common stock; (ii) eliminate all references to the previously-existing series of preferred stock; (iii) authorize 10,000,000 shares of undesignated preferred stock that may be issued from time to time by the Board in one or more series; (iv) establish a classified board divided into three classes, with each class serving staggered three-year terms and (v) require the approval of holders of at least 75% of the voting power of the Company's outstanding shares of voting stock to amend or repeal certain provisions of the Restated Certificate.

Stock split

On July 16, 2021, the Board and stockholders approved an amendment to the Company's amended and restated certificate of incorporation to effect a forward stock split of the Company's issued and outstanding common stock at a 3.3031-to-1 ratio, which was effected on July 19, 2021. The par value and convertible preferred stock were not adjusted as a result of the forward stock split. All issued and outstanding common stock, options to purchase common stock and units, and per share and unit amounts contained in the financial statements have been retroactively adjusted to reflect the forward stock split for all periods presented. The financial statements have also been retroactively adjusted to reflect a proportional adjustment to the conversion ratio for each series of preferred stock that was effected in connection with the forward stock split.

Unaudited Interim Financial Information

We prepared our interim condensed consolidated financial statements that accompany these notes in conformity with U.S. GAAP, consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended December 31, 2021.

We have made estimates and judgments affecting the amounts reported in our condensed consolidated financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates. The interim financial information is unaudited and reflects all normal adjustments that are, in our 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 our Annual Report on Form 10-K for the year ended December 31, 2021 where we include additional information about our 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,which was filed with the SEC on March 22, 2022.

Recently issued accounting pronouncements, not yet adopted

In December 2019, the FASB issued amended guidance on the accounting and reporting of income taxes. The guidance is intended to simplify the accounting for income taxes by removing exceptions related to certain intraperiod tax allocations and deferred tax liabilities; clarifying guidance primarily related to evaluating the step-up tax basis for goodwill in a business combination; and reflecting enacted changes in tax laws or rates in the annual effective tax rate. The amended guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The application of the amendments in the new guidance are to be applied on a retrospective basis, on a modified retrospective basis through a cumulative-effect adjustment to retained earnings or prospectively, depending on the amendment. The Company is currently evaluating the impact of the potential adoption of this guidance on its consolidated financial statements.

3. Revenue recognition

Contract balances

Contract assets are generated when contractual billing schedules differ from revenue recognition timing and the Company records a contract receivable when it has an unconditional right to consideration. As of March 31, 2022 and December 31, 2021, contract assets were $0.2 million and $0.6 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 March 31, 2022 and December 31, 2021, contract liabilities were $2.8 million and $1.4 million, respectively. During the three months ended March 31, 2022 and 2021, the Company recognized $0.4 million and $1.0 million, respectively, as revenue that had been included in deferred revenue at the beginning of the period.

KBI BioPharma, Inc. Collaboration agreement

In December 2019, the Company executed a four-year Joint Marketing Agreement ("JMA") with KBI BioPharma, Inc. ("KBI") to co-promote technologies through joint marketing efforts. The JMA provides for a non-refundable upfront payment of $0.8 million and milestone payments of $2.8 million in the aggregate, of which $2.3 million had been received as of March 31, 2022, upon the achievement of specific milestones. Upfront payments that relate to ongoing collaboration efforts required throughout the contract term such as joint marketing are recognized ratably throughout the contract term. The Company fully constrains revenue associated with the milestone payments until the specified milestones are probable of achievement. Additionally, KBI is obligated to make royalty payments to the Company during the fourth year of the JMA representing a percentage of its sales generated through the arrangement. Any costs incurred to KBI through the duration of the JMA are recognized as a reduction to collaboration revenue in the period in which they are incurred.

In September 2021, the JMA was amended to shorten the term to approximately three years, while all remaining payments, including potential royalty payments, were replaced with a one-time fee due from KBI

in the amount of $0.3 million. The Company determined the remaining services were distinct from those provided prior to the modification and therefore recognizes the total remaining transaction price prospectively over the remaining contractual term.

As of March 31, 2022 and December 31, 2021, deferred revenue related to the JMA was $0.9 million and $1.2 million, respectively.

4. Acquisitions

Acquisition of Denovium

In January 2021, the Company completed its acquisition of the common stock of Denovium, Inc. ("Denovium"), an artificial intelligence deep learning company focused on protein discovery and design. The Company is integrating Denovium's technology into its Integrated Drug Creation Platform. The acquisition has been accounted for as a business combination.

Pursuant to the terms of the agreement, the Company acquired all outstanding equity of Denovium for estimated total consideration of $3.0 million, which consists of (in thousands):

Cash consideration	$	2,670
Equity consideration		368
Total purchase consideration	$	3,038

Cash consideration includes a $2.5 million upfront payment and a payment for working capital adjustments.

In addition to the $2.5 million paid upfront, $2.5 million was placed into escrow subject to the continued service and/or employment of Denovium's co-founders over a one-year period. This amount is not included in the total consideration and is accounted for as compensation expense over the one-year service period, and was included in current restricted cash and accrued expenses on the condensed consolidated balance sheet as of December 31, 2021. The $2.5 million of compensation expense was paid out in the three months ended March 31, 2022.

The Company issued 1,010,296 shares of its common stock to the Denovium co-founders, of which 80% or 808,238 shares is subject to a Stock Restriction Agreement and vests monthly over a four-year term subject to a service condition. The fair value of these shares of $1.5 million will be recognized as compensation cost over the four-year service period. The remaining 20%, or 202,058 shares, vested immediately and is included in the total consideration.

The following table summarizes the allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	$	158
Accounts receivable		59
Other current assets		1
Intangible assets		2,507
Goodwill		1,055
TOTAL ASSETS		3,780
Accounts payable and accrued expenses		109
Deferred tax liability		633
TOTAL LIABILITIES		742
Fair value of net assets acquired and liabilities assumed	$	3,038

Goodwill arising from the acquisition of $1.1 million was attributable to the assembled workforce and expected synergies between the Integrated Drug Creation Platform and the Denovium Engine. The goodwill is not deductible for tax purposes. As of December 31, 2021, the Company had fully completed the analysis to assign fair values to all assets acquired and liabilities assumed.

The following table reflects the fair values of the identified intangible assets of Denovium and their respective weighted-average estimated amortization periods.

	Estimated Fair Value (in thousands)	Estimated Amortization Period (years)
Denovium Engine	$ 2,507	5
	$ 2,507	

Acquisition of Totient

On June 4, 2021, the Company entered into a merger agreement with Totient, Inc. ("Totient"), under which, at the effective time, a wholly owned entity, or Merger Sub, merged with Totient, with Merger Sub surviving as a wholly owned subsidiary of the Company.

Pursuant to the merger agreement, at closing, Totient shareholders became eligible to receive an aggregate payment of $55.0 million in cash, of which $40.0 million in cash was paid at closing, subject to customary purchase price adjustments and escrow restrictions, and $15.0 million in cash shall be paid upon the achievement of expected milestones, and 2,212,208 shares of the Company's common stock. The $40.0 million cash consideration includes $8.0 million of deferred cash payment, due in one year, which is held in escrow and included in current restricted cash and accrued expenses on the condensed consolidated balance sheet as of March 31, 2022. All common stock issued is unrestricted, except for those shares granted to certain members of Totient's management, of which 25% of the shares issued were vested upon the closing of the transaction and the remaining 75% will vest over 2.5 years, in six-month installments subject to their continuing service relationships with the Company.

The following table summarizes the purchase price (in thousands):

Estimated cash payment to Totient stockholders	$ 35,368	(i)
Estimated stock payment to Totient stockholders	13,891	(ii)
Estimated cash payment contingent on achieving specified milestone	12,000	(iii)
Total	$ 61,259	

(i) Pursuant to the merger agreement, the initial purchase price includes $40.0 million of cash adjusted for the agreed upon working capital value which includes the payment of Totient's transaction and other expenses as well as payments to Totient stock option holders for the cancellation and extinguishment of Totient stock options.

(ii) Pursuant to the merger agreement, 2,212,208 shares of common stock issued in payment to Totient stockholders with 1,282,747 vesting immediately and therefore included in the purchase price consideration. The remaining 929,461 shares will vest ratably, every six months over 5 equal installments of a 2.5 years service period and will be expensed over the service period. These shares are subject to a stock restriction agreement that requires certain key Totient executives to maintain a continued service relationship throughout the service period.

(iii) Represents the estimated fair value of the contingent consideration that is payable upon the achievement of the milestone of (i) Absci's entering into one or more definitive commercialization agreements, or technology partnering or licensing agreements, or collaboration agreements, with third parties using, or related to, Totient's technology, a target discovered or identified by using Totient's technology, or a peptide, protein complex or amino acid sequence assembled using Totient's technology, including any Totient product or enabled product, pursuant to which (a) Absci is entitled to receive at least $2.0 million in aggregate upfront cash or equity payments (provided, that the minimum upfront payment under any individual agreement shall be $1.0 million and (b) an option for a license or a license or similar right is granted to the third party; or (ii) first commercial sale of a Totient product or enabled product. The fair value estimate is based on a probability-weighted approach and will be updated as we obtain more information. The $12.0 million of contingent consideration originally measured was adjusted to reflect the increased probability of achievement. As of March 31, 2022 the fair value is $12.8 million and is included in accrued expenses on the condensed consolidated balance sheet as of March 31, 2022. The expense associated with the remeasurement is included within research and development expenses on the condensed consolidated statement of operations and comprehensive loss.

The following table summarizes the allocation of the estimated consideration to the identifiable assets and liabilities acquired by us as of June 4, 2021 (in thousands).

Current assets:			
Cash and cash equivalents	$	1,751	
Prepaid expenses and other current assets		189	
Total current assets		1,940	
Operating lease right-of-use assets		266	
Property and equipment, net		118	
Goodwill		20,280	(i)
Intangible assets		54,600	(ii)
Other long-term assets		23	
TOTAL ASSETS		77,227	
Current liabilities:			
Accounts payable		78	
Accrued expenses		6,588	
Operating lease obligations		122	
Total current liabilities		6,788	
Operating lease obligations - net of current portion		144	
Deferred tax, net		9,012	
Other long-term liabilities		24	
TOTAL LIABILITIES		15,968	
Fair value of net assets acquired and liabilities assumed	$	61,259	

(i) Goodwill represents the excess of the estimated purchase price over the estimated fair value of Totient's identifiable assets acquired and liabilities assumed. Goodwill also reflects the requirement to record deferred tax balances for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in the business combination. Goodwill is not deductible for tax purposes.

(ii) The estimated fair value of and useful lives of the intangible assets acquired is as follows:

		Estimated fair value (in thousands)[(i)]	Estimated useful lives (in years)[(ii)]
Monoclonal antibody library	$	46,300	20
Developed software platform and the related methods patents		8,300	15
Total	$	54,600	

(i) The estimated fair values were categorized within Level 3 of the fair value hierarchy and were determined using an income-based approach, which was based on the present value of the future estimated after-tax cash flows attributable to each intangible asset. The significant assumptions inherent in the development of the values, from the perspective of a market participant, include the amount and timing of projected future cash flows (including revenue, regulatory success and profitability), and the discount rate selected to measure the risks inherent in the future cash flows, which was between 18%-23%. These fair values are based on the most recent estimate of the fair value available and will be updated as we obtain more information.

(ii) The estimate of the useful life was based on an analysis of the expected use of the asset by us, any legal, regulatory or contractual provisions that may limit the useful life, the effects of obsolescence, competition and other relevant economic factors, and consideration of the expected cash flows used to measure the fair value of the intangible asset.

As of March 31, 2022, the Company had fully completed the analysis to assign fair values to all assets acquired and liabilities assumed and recorded no adjustments to the preliminary purchase price allocation in the three months ended March 31, 2022. During the year ended December 31, 2021, the Company recorded adjustments to goodwill of $1.6 million primarily related to deferred taxes.

The Company's results of operations for the three months ended March 31, 2022 include the operating results of Totient within the condensed consolidated statement of operations and comprehensive loss. The operating

results of Totient are not included within the condensed consolidated statement of operations and comprehensive loss for the three months ended March 31, 2021.

5. Property and equipment, net

Property and equipment as of March 31, 2022 and December 31, 2021 consists of the following (in thousands):

	March 31, 2022	December 31, 2021
Construction in progress	$ 304	$ 933
Lab Equipment	32,138	27,776
Software	308	311
Furniture, Fixtures and Other	4,955	4,804
Leasehold Improvements	25,350	24,671
Total Cost	63,055	58,495
Less accumulated depreciation and amortization	(8,444)	(6,381)
Property and equipment, net	$ 54,611	$ 52,114

Depreciation expense was $2.1 million and $0.4 million for the three months ended March 31, 2022 and 2021, respectively.

6. Long-term debt and other borrowings

In June 2018, the Company signed a Loan and Security Agreement (“LSA”) with Bridge Bank (“Bank”), a division of Western Alliance Bank. The purpose of the LSA was to provide long-term financing to the Company through term loans available for borrowing in three tranches up to a maximum of $3.0 million through December 2019 upon the attainment of certain milestones as delineated in the LSA. The first tranche of $0.3 million was borrowed in 2018. The Company was obligated to make interest-only payments until the amortization date of June 28, 2019 and after that date to make principal and interest payments. Interest on outstanding borrowings under the LSA is charged at a rate of 6% per annum. This loan was scheduled to originally mature in May 2022, at which time all outstanding principal and accrued and unpaid interest is due and payable. This loan is secured by substantially all tangible assets of the Company; intellectual property is excluded from the secured collateral but is subject to a negative pledge in favor of the Bank.

In March 2019, the Company entered into a first amendment to the LSA that increased total borrowings to $3.0 million and added a financial liquidity covenant. The amendment was accounted for as a debt modification and no gain or loss was recognized in the Company’s financial statements.

In May 2020, the Company entered into a second amendment to the LSA that increased total borrowings to $5.0 million. The amortization date was extended to May 1, 2021 except, if a certain revenue and new contract bookings milestone is achieved, the amortization date is extended to November 1, 2021. The maturity date of the loan was extended to May 11, 2024. The amendment was accounted for as a debt modification and no gain or loss was recognized in the Company’s financial statements.

In August 2020, the Company entered into a third amendment to the LSA that waived an event of default due to failure to meet a financial covenant. The amendment also expanded the definition of permitted indebtedness to include Payroll Protection Plan (“PPP”) loans, and modified financial and restrictive covenants.

In February 2021, the Company entered into a fourth amendment to the LSA. This amendment gave effect to the Company’s conversion to a corporation and its purchase of Denovium, including permitting certain cash and equity consideration linked to continued employment and service requirements, and adding Denovium as co-borrower to the LSA.

In June 2021, the Company entered into a fifth amendment to the LSA. This amendment modified the term loan's maturity date to June 16, 2023.

In February 2022, the Company entered into a sixth amendment to the LSA. This amendment modified various definitions and terms within the agreement, with no adjustments to the financial terms.

The Company may prepay all, but not less than all, of the term loans at any time upon 10 days written notice, with a prepayment premium beginning at 1.0% initially and declining to 0% after May 11, 2022. The Company is also required to pay a final payment equal to 3% of the principal amount funded, which is payable upon the earliest to occur of (i) the maturity date, (ii) acceleration and (iii) the prepayment of the loan. As part of the second amendment, the Company paid a one-time amendment fee and a pro-rated final payment in connection with the amendment. The final payment represents an additional principal payment and is accounted for as a debt discount that will be accreted through the maturity date of the loan based on the effective interest method.

In connection with entering into the LSA in June 2018, the Company entered into an agreement whereby the Company is required to pay a fee of 3.5% of the aggregate amount of term loans funded by Bank under the LSA within three business days of a sale or other disposition of substantially all of the Company's assets, a merger or consolidation, a change in control or an initial public offering. Concurrent with the second amendment, the Company and the Bank entered into an amended agreement which extended the term of the fee to May 11, 2030. This fee became payable upon completion of the Company's IPO on July 26, 2021 and was paid during the year ended December 31, 2021.

Under the LSA (as amended), the Company is subject to a financial covenant. The covenant, as amended, requires that the Company maintain at all times either (a) unrestricted cash and cash equivalents in an amount equal to or greater than the Company's monthly cash burn or (b) trailing 6-month revenue of at least 80% of the Company's revenue projections (over the same 6-month period) determined using the lender's measurement method. As of March 31, 2022, the Company was in compliance with this financial covenant.

As of March 31, 2022, the outstanding principal balance under the LSA was $2.8 million.

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

In May 2020, the Company received a PPP loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the amount of $0.6 million. The loan had a two-year term and bore a fixed interest rate of 1%. Under the terms of the CARES Act, the loan was eligible to be forgiven, in part or whole, if the proceeds were used to retain and pay employees and for other qualifying expenditures. In February 2021, the Company received notification from the Small Business Administration that they approved the forgiveness of the full $0.6 million PPP loan and a gain on extinguishment in this amount was recorded as other income in the condensed consolidated statement of operations and comprehensive loss.

In March 2021, the Company entered into a Note Purchase Agreement to issue and sell $125.0 million convertible promissory notes (the "2021 Notes") to certain investors. The 2021 Notes accrued interest at 6% per annum. Due to certain embedded features within the 2021 Notes, the Company elected to account for these notes, including all of their embedded features, under the fair value option. The Company has elected to recognize interest expense based on the 6% per annum coupon rate of the Notes, which was included in other long-term liabilities on the condensed consolidated balance sheet through the date of the IPO. Based on the terms of the agreement, the 2021 Notes converted at an 18% discount from the offering price to the public in the IPO. Prior to the conversion, the Company recorded a final fair value adjustment of the 2021 Notes using the Company's common stock price at the IPO. Immediately prior to the completion of the IPO, all outstanding principal under the 2021 Notes and the related accrued interest expense were converted into an aggregate of 9,732,593 shares of our common stock based on an initial public offering price of $16.00 per share.

7. Commitments and contingencies

As of March 31, 2022, future lease payments are secured by irrevocable standby letters of credit totaling $1.8 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.

8. Stock-based compensation

Prior to the LLC Conversion, the Company granted incentive units and phantom units under its 2015 Equity-Based Incentive Plan ("2015 Plan") to employees and non-employee service providers. In October 2020, in conjunction with the LLC Conversion, the Company adopted the 2020 Stock Option and Grant Plan ("2020 Plan") under which it granted stock options, restricted shares, and SARs as replacement awards for outstanding awards under the 2015 Plan and as new awards to incentivize employee service. Upon completion of the IPO, the Company adopted the 2021 Stock Option and Incentive Plan ("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 March 31,	
	2022	2021
Research and development	1,423	1,076
Selling, general and administrative	2,357	1,076
Total stock-based compensation expense	$ 3,780	$ 2,152

Restricted Stock

Upon the LLC Conversion, the outstanding 3,329,707 incentive units were exchanged for 2,671,907 restricted shares of common stock granted under the 2020 Plan based on a ratio determined by their threshold amount and the fair value of the restricted stock. The exchange was accounted for as a probable-to-probable modification (Type I modification), and the fair value of the restricted shares did not exceed the fair value of the incentive units on the date of exchange. Accordingly, the restricted shares are measured at the grant date fair value of the incentive units. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture. In connection with its acquisitions of Denovium and Totient, the Company issued restricted shares of common stock that vest over time subject to continued service.

Activity for the restricted shares is shown below:

	Number of shares
Unvested as of December 31, 2021	2,585,670
Granted	—
Vested	(176,152)
Unvested as of March 31, 2022	2,409,518

As of March 31, 2022, there was $10.2 million of unrecognized compensation expense related to the restricted shares expected to be recognized over a remaining weighted-average period of 2.0 years.

During the three months ended March 31, 2022, the Company granted 68,175 shares of restricted stock units to certain employees and consultants under the 2021 Plan. As of March 31, 2022, 68,175 shares of these restricted stock units were outstanding. As of March 31, 2022, total unrecognized stock-based compensation related to these restricted stock units was $0.5 million, which the Company expects to recognize over a remaining weighted average period of 3.4 years.

Phantom Units

Phantom units generally vested at 25% after one-year with the remainder vesting quarterly over the following three-year period. Upon the occurrence of a liquidity event, 100% of phantom units would vest. A liquidity event for purposes of the phantom units meant either of the following events: (i) a person or

persons acting as a group (other than a person or group that currently owns more than 50% of the voting power of the Company) acquires ownership of common units that, together with the common units held by such person or group, constitutes more than 50% of the voting power of all common units of the Company or (ii) a person or persons acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value of more than 60% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. Upon a liquidity event, the phantom unit holders were entitled to a payment equal to the fair value of common units less a strike price. The payment was to be made in the same form of consideration as received by other unit holders as a result of the liquidity event. Other than this payment upon a liquidity event, phantom units provided no economic value and they provided no voting rights. Due to the presence of an exercise condition that was contingent upon a liquidity event, the Company determined that it was not probable that the phantom units would become exercisable and no compensation expense has been recognized.

Activity for the phantom units is shown below:

	Number of Units	Weighted Average Strike Price
Unvested as of December 31, 2020	1,202,435	$ 0.47
Granted	—	—
Vested	—	—
Exchange of Phantom Units for Cash Payment Rights, SARs, and/or Stock Options	(1,202,435)	$ 0.47
Unvested as of March 31, 2021	—	$ —

Following the LLC Conversion, the holders of phantom units were offered to exchange their awards for a combination of cash payment rights, SARs and/or stock options granted under the 2020 Plan. The exchange was accounted for as short-term inducement, with no accounting recognition prior to offer expiration in January 2021 as the exchange offer participants were able to modify their election through the expiration date. In January 2021, all participants accepted the offer. The exercisability of the SARs is contingent upon a liquidity event that is not probable of occurrence; accordingly, no compensation expense has been recognized for these awards. The stock options vest based on a service condition, generally over a 4-year term beginning with the vesting commencement date of the exchanged phantom units. The Company recognizes expense associated with the cash payment rights within stock-based compensation and began to make payments in February 2022 for vested rights. As cash payment rights continue to vest, payments are made monthly.

The aggregate intrinsic value of the 394,736 SARs outstanding as of March 31, 2022 is $3.3 million based on the estimated fair value of common stock of $8.43 per share.

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 2-4 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, 2021	7,757,401	$ 3.72	9.2	$ 40,939
Granted	3,396,093	7.74		
Exercised	(187,151)	1.14		
Canceled/ Forfeited	(280,046)	6.78		
Expired	(9,005)	1.12		
Outstanding at March 31, 2022	10,677,292	4.97	9.1	42,496
Exercisable at March 31, 2022	1,889,711	$ 1.16	8.5	$ 13,746
Vested and expected to vest as of March 31, 2022	10,677,292		9.1	$ 42,496

The aggregate intrinsic value was calculated based on the estimated fair value of common stock of $8.43 per share.

The weighted-average grant date fair value of stock options granted during the three months ended March 31, 2022 and 2021 was $4.49 and $1.79, respectively. The fair value of options vested during the three months ended March 31, 2022 and 2021 was $0.8 million and $1.2 million, respectively. The intrinsic value of options exercised, which represents the value of the Company's common stock at the time of exercise in excess of the exercise price, was $1.2 million during the three months ended March 31, 2022. As of March 31, 2022, total unrecognized stock-based compensation related to stock options was $36.1 million, which the Company expects to recognize over a remaining weighted average period of 3.3 years.

Under the 2020 Plan and 2021 Plan, the Company has also granted a limited quantity of cash-settled stock appreciation rights to certain international-based employees and consultants. As of March 31, 2022, 143,631 of these stock appreciation rights were outstanding with a weighted average exercise price of $5.65. As of March 31, 2022, the Company had recognized a liability of $0.2 million classified within other long-term liabilities on the condensed consolidated balance sheets and total unrecognized stock-based compensation related to these cash-settled stock appreciation rights was $0.9 million, which the Company expects to recognize over a remaining weighted average period of 3.3 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 March 31,	
	2022	2021
Expected term (in years)	5.7-7.0	3.5-6.1
Volatility	63%-67%	45%-47%
Risk-free interest rate	0.8%-2.2%	0.3%-1.3%
Dividend Yield	—%	—%

The fair value of each stock option was determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment and estimation by management.

Expected Term—The expected term represents the period that stock-based awards are expected to be outstanding. The Company's stock options do not have a contractual term. However, there is a constructive maturity of each stock option based on the expected exit or liquidity scenarios for the Company. The Company's historical option exercise data is limited and did not provide a reasonable basis upon which to estimate an expected term. The expected term for options was derived by using the simplified method which uses the midpoint between the average vesting term and the contractual expiration period of the stock-based award.

Expected Volatility—As we do not have sufficient trading history for our common stock, the expected volatility was derived from the historical stock volatilities of comparable peer public companies within the Company's industry. These companies are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the stock options' expected term.

Expected Dividend Rate—The expected dividend is zero as the Company has not paid nor does it anticipate paying any dividends on its common stock underlying its stock options in the foreseeable future.

The Company estimated the fair value of its common stock underlying the stock-based awards when performing fair value calculations using the Black-Scholes option pricing model.

In June 2021, the Company increased the number of shares of common stock reserved for future issuance under the 2020 Plan to 11,980,029. In July 2021, upon the completion of IPO, the Company adopted the 2021 Plan. The number of shares of common stock initially reserved for future issuance under the 2021 Plan was 8,133,750. On January 1, 2022, the number of shares of common stock reserved for future issuance under the 2021 Plan was increased by 4,632,401 shares pursuant to an automatic annual increase. As of March 31, 2022, 9,710,500 shares were available for issuance under the 2021 Plan.

Employee Stock Purchase Plan

In July 2021, the Board 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 IPO. A total of 903,750 shares of common stock were reserved for issuance under the 2021 ESPP. The first offering period has not commenced as of March 31, 2022 and there is no stock-based compensation related to the 2021 ESPP for the period ended March 31, 2022.

9. 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 table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021 (in thousands):

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity securities without RDFV	$ —	$ —	$ 1,200	$ 1,200
Total assets	$ —	$ —	$ 1,200	$ 1,200
Liabilities:				
Contingent consideration	$ —	$ —	$ 12,750	$ 12,750
Total liabilities	$ —	$ —	$ 12,750	$ 12,750

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities without RDFV	$ —	$ —	$ 1,200	$ 1,200
Total assets	$ —	$ —	$ 1,200	$ 1,200
Liabilities:				
Contingent consideration	$ —	$ —	$ 12,000	$ 12,000
Total liabilities	$ —	$ —	$ 12,000	$ 12,000

The following table provides reconciliation for all liabilities measured at fair value using significant unobservable inputs (Level 3) for the fiscal quarter ended March 31, 2022 (in thousands):

	Contingent consideration	Total liabilities
Balance at December 31, 2021	$ 12,000	$ 12,000
Change in fair value during 2022	750	750
Balance at March 31, 2022	$ 12,750	$ 12,750

The contingent consideration liability is related to the Totient acquisition and is included in accrued expenses on the condensed consolidated balance sheet as of March 31, 2022. The change in fair value of the contingent consideration liability is included within research and development expense on the condensed consolidated statement of operations for the three months ended March 31, 2022. Refer to Note 4: Acquisitions for further information.

The fair value of equity securities without readily determinable fair market values ("RDFV") is determined based on cost, less any impairment, plus or minus changes in fair value resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. These securities are classified as Level 3 in the fair value hierarchy outlined above.

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.

10. Related party transactions

During the year ended December 31, 2021, Phoenix Venture Partners II, L.P. exercised a warrant to purchase 307,211 shares of the Company's common stock at an exercise price of $0.3027 per share, resulting in total cash proceeds to the Company of $0.1 million. Zachariah Jonasson, a member of the Board, is a principal of Phoenix Venture Partners II, L.P.

The Company had no related party transactions for the three months ended March 31, 2022.

11. Net loss per share attributable to common stockholders

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 March 31,	
	2022	2021
Numerator:		
Net loss	$ (29,494)	$ (10,962)
Cumulative undeclared preferred stock dividends	—	(995)
Net loss available to common stockholder	$ (29,494)	$ (11,957)
Denominator:		
Weighted-average common shares outstanding	90,272,205	16,980,074
Net loss per share, basic and diluted	$ (0.33)	$ (0.70)

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):

	Three Months Ended March 31,	
	2022	2021
Redeemable convertible preferred stock outstanding	—	45,798,558
Redeemable convertible preferred stock warrants	—	307,211
Stock options	9,485,792	4,570,687
Restricted stock units	28,785	—
Unvested restricted stock	2,481,050	2,566,998

12. Income Taxes

The Company's effective income tax rate from continuing operations was 2.2% for the three months ended March 31, 2022. 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.

For the three months ended March 31, 2022 and 2021, the Company's tax expense (benefit) was $0.6 million and $(0.5) million, respectively. The Company recognizes the effect of income tax positions only if those positions are "more likely than not" of being sustained. As of March 31, 2022, the Company has $0.8 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.

The Company and its subsidiaries file U.S. federal income tax returns and various state, local and foreign income tax returns. At March 31, 2022, the Company's statutes of limitations are open for all federal and state years filed after the year of incorporation ending December 31, 2020. Net operating loss ("NOL") and credit carryforwards from all years, including carryforwards from acquisitions generated prior to 2020, are subject to examination and adjustments for the three years following the year in which the carryforwards are utilized. The Company is not currently under Internal Revenue Service or state examination. Pursuant to Internal Revenue Code Sections 382 and 383, the utilization of NOLs and other tax attributes may be substantially limited due to cumulative changes in ownership greater than 50% that may have occurred or could occur during applicable testing periods.

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

Overview

We are a drug and target discovery company harnessing deep learning and synthetic biology to expand the therapeutic potential of proteins. We built our Integrated Drug Creation Platform to identify novel drug targets, discover optimal biotherapeutic candidates, and generate the cell lines to manufacture them in a single efficient process. We believe our approach delivers disruptive efficiency, but more importantly enables our partners to create novel and human/AI-designed new-to-nature biologics (next-generation biologics).

While next-generation biologics have exciting medical potential and are a rapidly growing field of drug development, because their protein architectures (scaffolds or modalities) are biologically foreign, they present challenges for conventional biologic discovery and cell line development methods. These methods typically involve a linear series of steps to screen and select desired molecular parts and reformat them into their final protein scaffold, and subsequent laborious and often unsuccessful generation of a suitable manufacturing cell line. We are transforming the biologic discovery and cell line development process by rapidly screening up to billions of drug candidates in the desired final protein scaffold that goes into patients and in the scalable manufacturing cell line that scales up for clinical and commercial manufacturing.

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. In addition, with our "Totient Target" technology, we use 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.

Our goal is to become the partner of choice for biologic drug discovery and cell line development. As a technology development company, we generate biologic drug candidates and production cell lines for our partners to develop. Our business model is to establish partnerships with biopharmaceutical companies and use our platform for rapid creation of next-generation biologic drug candidates and production cell lines. 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 includes 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. Our partners are responsible for preclinical and clinical testing of biologics generated using our platform. We expect our partnerships to provide us with the opportunity to participate in the future success of the biologics generated utilizing our platform, through milestone payments as well as royalties on sales by our partners of any approved products. We aim to assemble economic interests in a diversified portfolio of partners' next-generation biologic drug candidates across multiple indications.

As of March 31, 2022 we had fifteen Active Programs (across eight current partners' preclinical or clinical pipelines) for which we have negotiated, or expect to negotiate upon completion of certain technology development activities, license agreements with potential downstream milestone payments and royalties. Eight of these Active Programs are focused on developing production cell lines for drug candidates that our partners (Merck & Co., Inc. (Merck), Xyphos Biotechnology, an Astellas Company (Astellas), Alpha Cancer Technologies, Inc., PhaseBio Pharmaceuticals, Inc., and other undisclosed biotechnology companies) are developing (five preclinical, one Phase 1, one Phase 3, and one animal health). The remaining seven Active Programs comprise Discovery applications, including three Discovery programs through our agreement with EQRx, Inc. and one lead optimization program with Astellas. We define "Active Programs" as 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.

Total revenue was $0.8 million for the three months ended March 31, 2022 compared to $1.1 million for the three months ended March 31, 2021, due to timing of project-based milestones achieved and the mix of ongoing programs utilizing our Integrated Drug Creation Platform. Throughout 2021 and 2022, we have continued making investments in our operating capacity which enabled us to achieve additional project-based milestones in our technology development agreements. Since our inception in 2011, we have devoted substantially all of our resources to research and development activities, including with respect to our Integrated Drug Creation Platform, establishing and maintaining our intellectual property portfolio, hiring personnel, raising capital and providing general and administrative support for these activities. As a result, we have incurred net losses in each year. For the three months ended March 31, 2022 and 2021, we incurred net losses of $29.5 million and $11.0 million, respectively. Research and development expenses increased by $8.8 million, or 124%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. As of March 31, 2022, we had an accumulated deficit of $220.5 million and cash and cash equivalents totaling $226.0 million.

Prior to our initial public offering (IPO), we financed our operations primarily through private placements of redeemable convertible preferred stock and convertible notes. From the date of our company formation up to the IPO, we had raised aggregate gross proceeds of $230.0 million. In July 2021, we consummated our IPO and issued 14,375,000 shares of common stock, including a full exercise of the overallotment option, for net proceeds of $210.1 million, after deducting underwriting discounts and offering related expenses.

We expect to continue to incur significant expenses, and we expect such expenses to increase substantially 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
- operate as a public company.

Our corporate headquarters and research and development facilities are located in Vancouver, Washington. In December 2020, we entered into an operating lease, which was subsequently amended in March 2021, for a 77,974 square foot corporate headquarters facility that includes office and laboratory space. During the second quarter of 2021, we relocated our operations to the new facility and completed the majority of our construction activities throughout 2021. We believe our facilities are adequate and suitable for our current needs and that should it be needed, suitable additional or alternative space will be available to accommodate our operations.

Recent Developments

In January 2022, we announced a research agreement with Merck. Under the agreement, we will deploy our Bionic Protein non-standard amino acid technology to produce enzymes tailored to Merck’s biomanufacturing applications. Additionally, Merck has the option to nominate up to three drug discovery targets and enter into a drug discovery collaboration agreement.

In January 2022 and March 2022, Dr. Joseph Sirosh and Dr. Andreas Busch, respectively, were appointed to the Company’s Board of Directors.

In March 2022, we announced the development of machine learning models for in-silico antibody design demonstrating progress toward a fully in-silico machine learning pipeline for drug discovery, and a collaboration with NVIDIA on research to accelerate and scale the Company's in-silico drug discovery platform.

In April 2022, we announced the opening of the Absci AI Research (AAIR) Lab in New York.

COVID-19 Pandemic

As a result of the ongoing COVID-19 pandemic, we have experienced and may continue to experience severe delays and disruptions, including, for example:

- interruption of or delays in receiving products and supplies from third parties;
- limitations on our business operations by local, state and/or federal governments that could impact our ability to conduct our technology development and other activities;
- delays in negotiations with partners and potential partners;
- increases in facilities costs to comply with physical distancing guidance;
- business disruptions caused by workplace, laboratory and office closures and an increased reliance on employees working from home, travel limitations, cyber security and data accessibility, or communication or mass transit disruptions; and
- limitations on employee resources that would otherwise be focused on the conduct of our activities, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

While these delays continue to cause short-term disruptions, the overall impact to our financial statements is expected to continue to be immaterial.

Furthermore, COVID-19 has adversely affected the broader economy and financial markets, resulting in an economic downturn that could curtail the research and development budgets of our partners, our ability to hire additional personnel and our financing prospects. In addition, the spread of more contagious strains, such as the Omicron and Delta variants, could cause the COVID-19 pandemic to last longer than expected and could result in the reinstatement of restrictive orders that could disrupt our business, including vaccine mandates. Any of the foregoing could harm our operations and we cannot anticipate all the ways in which our business could be adversely impacted by health epidemics such as COVID-19.

For additional details, see the section titled "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

LLC Conversion

We were originally formed in August 2011 as an Oregon limited liability company and later converted into a Delaware limited liability company in April 2016 under the name AbSci LLC. In October 2020, we completed a reorganization whereby we were converted from a Delaware limited liability company named AbSci LLC to a Delaware corporation under the name Absci Corporation (the LLC Conversion) and all outstanding membership interests in AbSci LLC were exchanged for equity interests in Absci Corporation. All of the share information referenced throughout this Quarterly Report has been retroactively adjusted to reflect the change in capital structure.

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 titled "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

- **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 molecules and programs under existing partnerships:** The execution of our long term strategy relies substantially on the value our partners believe can be recognized from the product candidates and/or production cell lines that we provide to them. Our continued growth depends on our ability to expand the scope of our existing partnerships and add new molecules for CLD or Discovery partnerships with current partners.
- **Successfully complete our technology development activities and enter licensing arrangements with our partners:** Our business model depends upon partners licensing the technologies we develop and advancing the drug candidates we generate through clinical development to commercialization. Both our ability to successfully complete technology development activities to meet the needs of our partner, and the partner's prioritization of the subject program, impact the likelihood and timing of any election by a partner to license the technologies we develop. There is no assurance that a partner will elect to license the technologies we develop.
- **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 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 in the future also invest significantly in developing our own proprietary lead drug candidates and advancing them through preclinical 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.
- **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 are in the process of identifying 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.

	March 31, 2022	December 31, 2021
Partners, Cumulative	18	18
Programs, Cumulative	37	34
Active Programs	15	12

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.

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.

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 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), 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 and upon the achievement of specified project-based milestones. In addition, in certain TDAs, we earn success-based fees upon achievement of specified technology goals.

We expect revenue to increase over time as we enter into additional partnership agreements and 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.

KBI BioPharma, Inc. Collaboration Agreement

In December 2019, we executed a four-year Joint Marketing Agreement (JMA) with KBI BioPharma, Inc. (KBI) to co-promote technologies through joint marketing efforts. The JMA provides for a non-refundable upfront payment of $0.8 million and milestone payments of $2.8 million in the aggregate, of which $2.3 million had been received as of March 31, 2022, upon the achievement of specific milestones. Upfront payments that relate to ongoing collaboration efforts required throughout the contract term such as joint marketing are recognized ratably throughout the contract term. We fully constrain revenue associated with the milestone payments until the specified milestones are probable of achievement. Additionally, KBI is obligated to make royalty payments to us during the fourth year of the JMA representing a percentage of its sales generated

through the arrangement. Any costs incurred to KBI through the duration of the JMA are recognized as a reduction to collaboration revenue in the period in which they are incurred.

In September 2021, the JMA was amended to shorten the term to approximately three years, while all remaining payments, including potential royalty payments, were replaced with a one-time fee due from KBI in the amount of $0.3 million. We determined the remaining services were distinct from those provided prior to the modification and therefore recognize the total remaining transaction price prospectively over the remaining contractual term.

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), 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 target discovery and technology development for partners, as well as continued development of our Integrated Drug Creation Platform. We derive improvements to our platform from both types of activities. Research and development efforts apply to our platform broadly and across programs.

We expect research and development to continue to increase in absolute dollars as we enter into additional partnerships and continue to invest in platform enhancements.

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 and other administrative functions. Marketing expenses include costs associated with attending conferences and other promotion efforts of our Integrated Drug Creation Platform. Additionally, these expenses include external legal expenses, accounting and tax service expenses, consulting fees, and allocated facilities costs (including occupancy and information technology). 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 continue to increase in absolute dollars as we increase total headcount and incur 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 increase in absolute dollars and 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 covering 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 deep learning 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 continue to increase in absolute dollars as we continue to purchase additional lab equipment within our operating facilities.

Other Expenses

Interest Expense

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

Other Expense, net

Other expenses to date consist primarily of adjustments of our convertible notes and preferred stock warrant liability to fair value and a gain on extinguishment for the forgiveness of our Payroll Protection Plan (PPP) loan.

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 March 31,	
	2022	**2021**
Revenues		
Technology development revenue	$ 454	$ 940
Collaboration revenue	365	123
Total revenues	819	1,063
Operating expenses		
Research and development	15,827	7,050
Selling, general and administrative	10,889	4,685
Depreciation and amortization	2,906	476
Total operating expenses	29,622	12,211
Operating loss	(28,803)	(11,148)
Other expense		
Interest expense	(195)	(455)
Other income, net	125	164
Total other expense, net	(70)	(291)
Loss before income taxes	(28,873)	(11,439)
Income tax (expense) benefit	(621)	477
Net loss	$ (29,494)	$ (10,962)

Comparison of the Three Months Ended March 31, 2022 and 2021

The following table summarizes our results of operations for the three months ended March 31, 2022 and 2021 (In thousands, except for percentages):

Revenue

	For the Three Months Ended March 31,			
	2022	**2021**	**$ Change**	**% Change**
Revenues				
Technology development revenue	$ 454	$ 940	$ (486)	(52)%
Collaboration revenue	365	123	242	197 %
Total revenues	$ 819	$ 1,063	$ (244)	(23)%

Total revenue was $0.8 million for the three months ended March 31, 2022 compared to $1.1 million for the three months ended March 31, 2021.

Technology development revenue decreased by $0.5 million, or 52%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, driven by a combination of overall program progress, the timing of project-based milestones achieved, and the mix of ongoing programs activity.

Collaboration revenue increased by $0.2 million, or 197%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, as a result of the September 2021 contract modification which resulted in a shortened term and modified consideration.

Operating Expenses

	For the Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Operating expenses				
Research and development	$ 15,827	$ 7,050	$ 8,777	124 %
Selling, general and administrative	10,889	4,685	6,204	132 %
Depreciation and amortization	2,906	476	2,430	511 %
Total operating expenses	$ 29,622	$ 12,211	$ 17,411	143 %

Research and development

Research and development expenses increased by $8.8 million, or 124%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was generally driven by increased costs associated with increased technology development activity with our partners and increased costs associated with continued platform development. These increased costs were primarily attributable to increased headcount and related personnel costs in the amount of $4.1 million, increased purchases of supplies and services related to lab operations in the amount of $3.5 million specifically for our technology development agreements and internal research and platform development activities, and increased rent and facility overhead. Additionally, stock-based compensation increased $0.3 million, and research and development related administrative costs increased $0.9 million, primarily due to the remeasurement of the contingent consideration.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased by $6.2 million, or 132%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily driven by increased headcount and related personnel costs in the amount of $1.3 million, increased stock-based compensation of $1.3 million, increased administrative costs of $2.4 million, and increased professional service fees in the amount of $0.8 million. The increases in the administrative and professional service fees are the result of our operating as a public company.

Depreciation and amortization

Depreciation and amortization expense increased by $2.4 million, or 511%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to the increased purchases of lab equipment necessary to complete our increased level of technology development agreements and research and development, purchases of property, equipment, and leasehold improvements related to our new corporate headquarters, and the amortization of intangible assets acquired in 2021.

Other Expenses

	For the Three Months Ended March 31,			
	2022	2021	$ Change	% Change
Other expense				
Interest expense	$ (195)	$ (455)	$ 260	(57)%
Other income, net	125	164	(39)	(24)%
Total other expense, net	$ (70)	$ (291)	$ 221	(76)%

Interest Expense

Interest expense was $0.2 million for the three months ended March 31, 2022 compared to $0.5 million for the three months ended March 31, 2021, representing a decrease of $0.3 million, or 57%. During the three months ended March 31, 2021, we recognized interest expense related to the convertible promissory notes issued in March 2021. These notes converted into common stock in connection with the IPO, resulting in decreased interest expense for the three months ended March 31, 2022.

Other Income, net

Other income, net, was $0.1 million for the three months ended March 31, 2022 compared to $0.2 million for the three months ended March 31, 2021, representing a decrease of $0.1 million. For the three months ended March 31, 2021 Other income included the recognition of a gain on extinguishment for the forgiveness of our PPP loan partially and interest income offset by the change in the preferred stock warrant liability's fair value. For the three months ended March 31, 2022, Other income primarily included interest income.

Liquidity and Capital Resources

Overview

As of March 31, 2022, we had $226.0 million of cash and cash equivalents. As of December 31, 2021, we had $252.6 million of cash and cash equivalents.

We have incurred net operating losses since inception. As of March 31, 2022, our accumulated deficit was $220.5 million. As of December 31, 2021, our accumulated deficit was $191.0 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 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.

Redeemable convertible preferred stock

Through March 31, 2022, we have raised a total of $104.3 million from the issuance of redeemable convertible preferred stock, net of issuance costs, including shares of Series E redeemable convertible preferred stock for net proceeds of $4.9 million in February 2021. In July 2021, all convertible preferred stock converted into an aggregate of 46,266,256 shares of common stock immediately prior to our IPO.

Bridge Bank Loan and Security Agreement

In June 2018, we entered into a Loan and Security Agreement (LSA) with Bridge Bank (Bank), a division of Western Alliance Bank. We initially borrowed the first tranche of $0.3 million in June 2018. We increased our borrowings to $3.0 million in March 2019, and to $5.0 million in May 2020. As of March 31, 2022, we had $2.8 million in outstanding principal under the facility. The loan originally matured in May 2022, at which time all outstanding principal and accrued and unpaid interest is due and payable. In June 2021, we entered into a fifth amendment to the LSA. This amendment modified the term loan's maturity date to June 16, 2023. This loan is secured by substantially all our tangible assets; intellectual property is excluded from this secured collateral, but is subject to a negative pledge in favor of Bank.

Convertible notes

In March 2021, we issued $125.0 million aggregate principal amount of Convertible Notes to certain existing and new investors. In July 2021, the Convertible Notes converted into an aggregate of 9,732,593 shares of common stock immediately prior to our IPO, at a price per share calculated based on 82% of the IPO price of $16.00.

Initial Public Offering

In July 2021, we completed our 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.

Cash Flows

The following summarizes our cash flows for the three months ended March 31, 2022 and 2021 (In thousands):

	For the Three Months Ended March 31,	
	2022	**2021**
Net cash provided by (used in)		
Operating activities	(21,149)	(7,285)
Investing activities	(6,857)	(8,876)
Financing activities	(1,058)	129,576
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ (29,064)	$ 113,415

Cash Flows from Operating Activities

In the three months ended March 31, 2022, net cash used in operating activities was $21.1 million and consisted primarily of a net loss of $29.5 million adjusted for non-cash items, including depreciation and amortization expense of $2.9 million, stock-based compensation of $3.7 million, an increase to our contingent consideration liability of $0.8 million, and a net decrease in operating assets and liabilities in the amount of $0.3 million.

In the three months ended March 31, 2021, net cash used in operating activities was $7.3 million and consisted primarily of a net loss of $11.0 million adjusted for non-cash items, including stock-based compensation of $2.2 million, depreciation and amortization expense of $0.5 million, an increase to our preferred stock warrant liability of $0.5 million, and the gain on extinguishment of our PPP loan of $0.6 million.

Cash Flows from Investing Activities

In the three months ended March 31, 2022, net cash used in investing activities was $6.9 million. The net cash used resulted primarily from purchases of lab equipment and leasehold improvements of $6.9 million as we expanded our operations and overall capacity.

In the three months ended March 31, 2021, net cash used in investing activities was $8.9 million primarily from purchases of lab equipment of $6.4 million and cash paid as part of our acquisition of Denovium of $2.5 million.

Cash Flows from Financing Activities

In the three months ended March 31, 2022, net cash used in financing activities was $1.1 million. The net cash used resulted primarily from principal payments made for leased equipment under finance leases and the term loan in the amount of $1.3 million, partially offset by proceeds from the issuance of common stock of $0.2 million, net of issuance costs.

In the three months ended March 31, 2021, net cash provided by financing activities was $129.6 million. The net cash provided resulted primarily from the issuance of $125.0 million of convertible promissory notes and Series E redeemable convertible preferred stock, net of issuance costs, in the amount of $4.9 million, partially offset by principal payments made for leased equipment under finance leases in the amount of $0.4 million.

Income taxes

The Company's effective income tax rate from continuing operations was 2.2% for the three months ended March 31, 2022. 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.

While our significant accounting policies are described in more detail in Note 2: Summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2021, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Revenue recognition

We recognize revenue as control of our products and services are transferred to our customers in an amount that reflects the consideration expected to be received in exchange for those products and services. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when or as the performance obligations are satisfied. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. We consider a performance obligation satisfied once control of a good or service has been transferred to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. Technology development revenue includes revenue associated to the discovery, development and technology readiness phases of technology development agreements. We refer to our customers as “partners” when describing our relationship in an agreement.

Technology development revenue

Our TDAs generally include multiple phases of Discovery and/or CLD; such as target discovery, library design, assay development, strain screening, fermentation optimization, purification, and analytics that typically all

represent a single performance obligation. These agreements may include options for additional goods and services such as readying the technology to transfer to the partner and licensing terms. The transaction prices for these arrangements include fixed and variable consideration for the single performance obligation as well as variable consideration for success-based achievements. Any variable consideration is constrained to the extent that it is probable that a significant reversal of cumulative revenue will not occur. Depending on the specific terms of the arrangement, we either recognize revenue over time or at a point in time. While there is no alternative use for the asset created, the agreement's terms vary as to whether an enforceable right to payment exists for performance completed as of that date. Primarily all of our contracts with our partners include an enforceable right to payment.

We measure progress toward the completion of the performance obligations satisfied over time using an input method based on an overall estimate of the effort incurred to date at each reporting period to satisfy a performance obligation. This method provides an appropriate depiction of completed progress toward fulfilling our performance obligations for each respective arrangement. In certain TDAs that require a portion of the contract consideration to be received in advance at the commencement of the contract, such advance payment is initially recorded as a contract liability.

Business combinations

We utilize the acquisition method of accounting for business combinations and allocate the purchase price of an acquisition to the various tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. We primarily establish fair value using the replacement cost approach or the income approach based upon a discounted cash flow model. The replacement cost approach measures the value of an asset by the cost to reconstruct or replace it with another of like utility. The income approach requires the use of many assumptions and estimates including future revenues and expenses, as well as discount factors and income tax rates. Other estimates include:

- The use of carrying value as a proxy for fair values of fixed assets and liabilities assumed from the target; and
- Fair values of intangible assets and contingent consideration.

While we use best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business acquisition date, these estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price measurement period, which is no more than one year from the business acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. We have recorded adjustments during the period ended December 31, 2021 related to our Totient acquisition. Business combinations also require us to estimate the useful life of certain intangible assets acquired and this estimate requires significant judgment.

Stock-based compensation

Stock-based compensation includes compensation expense for incentive units, restricted stock, and stock option grants to employees and is measured on the grant date based on the fair value of the award and recognized on a straight-line basis over the requisite service period. The fair value of options to purchase common stock are measured using the Black-Scholes option-pricing model. The Company accounts for forfeitures as they occur. Prior to the LLC Conversion, the Company also granted phantom units which due to the presence of an exercise condition contingent upon a liquidity event, the Company determined that it was not probable that the phantom units would become exercisable.

See Note 8: Stock-based compensation to our financial statements included elsewhere in this Quarterly Report on form 10-Q for more information concerning certain of the specific assumptions we used in applying the Black-Scholes option pricing model to determine the estimated fair value of our stock options. Certain of such assumptions involve inherent uncertainties and the application of significant judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation could be materially different.

Recent Accounting Pronouncements

See “Recently issued accounting pronouncements, not yet adopted” under Note 2: Summary of significant accounting policies to our financial statements included elsewhere in this Quarterly Report for more information.

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 $1.07 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

Inflation has increased during the periods covered by this Quarterly Report, and is expected to continue to increase for the near future. Inflationary factors, such as increases in the cost of our product components, interest rates and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the near future, especially if inflation rates continue to rise.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 ensure 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.

Based upon our evaluation of the Company’s disclosure controls and procedures, as of March 31, 2022, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls were not effective, due to the material weakness in internal control over financial reporting disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. In light of this fact, our management has performed

additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weakness in our internal control over financial reporting, the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with US GAAP.

Changes in Internal Control over Financial Reporting

We are taking actions to remediate the material weakness relating to our internal control over financial reporting, as described below. Except as otherwise described herein, there was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Ongoing Remediation of Material Weakness in Internal Control over Financial Reporting

We are working to remediate the material weakness and are taking steps to strengthen our internal control over financial reporting through the continued hiring of additional finance and accounting personnel with the requisite technical knowledge and skills. With the additional personnel, we are taking appropriate and reasonable steps to remediate this material weakness through the implementation of appropriate segregation of duties, formalization of accounting policies and controls and retention of appropriate expertise for complex accounting transactions. We will not be able to fully remediate these control deficiencies until these steps have been completed and have been operating effectively for a sufficient period of time. While management believes that progress has been made in enhancing internal controls as of March 31, 2022, and in the period since, the material weakness described in Part II, Item 9A, “Controls and Procedures” in our Annual Report on Form 10-K for the year ended December 31, 2021, has not been fully remediated due to insufficient time to assess the design, fully implement remediation and assess operating effectiveness of the related controls. Management will continue to evaluate and improve our disclosure controls and procedures and internal control over financial reporting throughout 2022, and will make any further changes management deems appropriate. This material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that the enhanced controls are operating effectively.

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, 2021 filed with the SEC on March 22, 2022. 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, 2021 filed with the SEC on March 22, 2022.

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

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the three months ended March 31, 2022.

Use of Proceeds

We completed our IPO pursuant to the registration statement on Form S-1, as amended (File No. 333-257553) 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 March 31, 2022, we have used $84.4 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 Index

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 July 26, 2021 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Absci Corporation (filed as Exhibit 3.2 to the Form 8-K, File No. 001-40646, filed by Absci Corporation on July 26, 2021 and incorporated herein by reference).
4.2	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).
4.3	Description of the Registrant's securities registered pursuant to Section 12 of the Securities and Exchange Act of 1934, as amended (filed as Exhibit 4.3 to the Registrant's Annual Report on Form 10-K, File No. 001-40646, filed by Absci Corporation on March 22, 2022 and incorporated herein by reference).
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.

\# 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: May 11, 2022

By: /s/ Gregory Schiffman

Gregory Schiffman

Chief Financial Officer (Principal Financial Officer)

Date: May 11, 2022

By: /s/ Todd Bedrick

Todd Bedrick

Vice President, Corporate Controller (Principal Accounting Officer)

Exhibit 31.1

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

I, 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: May 11, 2022

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: May 11, 2022

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 March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

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 March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 11, 2022

By: /s/ Gregory Schiffman

Gregory Schiffman

Chief Financial Officer