UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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: 001-38443

Cogent Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-5308248**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
200 Cambridge Park Drive, Suite 2500 Cambridge, Massachusetts	**02140**
(Address of principal executive offices)	**(Zip code)**

(617) 945-5576
(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, $0.001 Par Value	**COGT**	**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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of November 8, 2021, there were 39,851,022 shares of the registrant's Common Stock, $0.001 par value per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “might,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” “seek,” “would” or “continue,” or the negative of these terms or other similar expressions. The forward looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and assumptions described in Item 1A. “Risk Factors” in our most recent Annual Report on Form 10-K. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- the potential impacts of raising additional capital, including dilution to our existing stockholders, restrictions on our operations or requirements that we relinquish rights to our technologies or product candidates;
- business interruptions resulting from the coronavirus disease (“COVID-19”) outbreak or similar public health crises, which could cause a disruption to the development of our product candidates and adversely impact our business;
- the success, cost, and timing of our product development activities and clinical trials;
- the timing of our planned regulatory submissions to the FDA for our product candidate bezuclastinib, also known as CGT9486;
- our ability to obtain and maintain regulatory approval for our bezuclastinib product candidate and any other product candidates we may develop, and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- the potential for our identified research priorities to advance our bezuclastinib product candidate or for our research team to discover additional product candidates;
- the ability to license additional intellectual property rights relating to our current or future product candidates from third-parties and to comply with our existing or future license agreements and/or collaboration agreements;
- our ability to commercialize our current and future product candidates in light of the intellectual property rights of others;
- our ability to obtain funding for our operations, including funding necessary to complete further discovery, development and commercialization of our existing and future product candidates;
- the scalability and commercial viability of our manufacturing methods and processes;
- the commercialization of our product candidates, if approved;
- our plans to research, discover, develop, and commercialize our product candidates;
- our ability to attract collaborators with development, regulatory, and commercialization expertise;
- future agreements with third parties in connection with the commercialization of our product candidates and any other approved product;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- the rate and degree of market acceptance of our product candidates;
- the pricing and reimbursement of our product candidates, if approved;
- regulatory developments in the United States and foreign countries;

- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- the development and success of competing therapies that are or may become available in clinical trials or commercially;
- our ability to attract and retain key scientific and management personnel;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing;
- our expectations regarding the period during which we qualify as an emerging growth company under the JOBS Act;
- our use of the proceeds from the private placements, sales of our preferred stock and public offerings of our common stock from time to time; and
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates.

While we may elect to update these forward-looking statements at some point in the future, whether as a result of any new information, future events, or otherwise, we have no current intention of doing so except to the extent required by applicable law.

Cogent Biosciences, Inc.
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

COGENT BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 202,888	$ 242,190
Prepaid expenses and other current assets	4,616	2,722
Total current assets	207,504	244,912
Operating lease, right-of-use asset	3,249	4,615
Property and equipment, net	1,341	134
Restricted cash	1,255	1,255
Other assets	2,036	—
Total assets	$ 215,385	$ 250,916
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,349	$ 732
Accrued expenses and other current liabilities	7,047	4,779
CVR liability (Note 3)	3,060	5,531
Operating lease liability	2,253	2,052
Total current liabilities	16,709	13,094
Operating lease liability, net of current portion	1,438	3,155
Total liabilities	18,147	16,249
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 9,000,000 shares authorized; no shares issued or outstanding	—	—
Series A non-voting convertible preferred stock, $0.001 par value; 1,000,000 shares authorized; 103,289 and 132,244 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	85,400	110,881
Common stock, $0.001 par value; 150,000,000 shares authorized; 39,851,022 shares and 32,347,905 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	40	32
Additional paid-in capital	357,859	322,454
Accumulated deficit	(246,061)	(198,700)
Total stockholders' equity	197,238	234,667
Total liabilities and stockholders' equity	$ 215,385	$ 250,916

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

COGENT BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Collaboration revenue	$ —	$ 312	$ —	$ 7,871
Operating expenses:				
Research and development	14,798	5,003	35,399	19,630
General and administrative	5,021	5,598	14,512	12,074
Acquired in-process research and development	—	46,910	—	46,910
Total operating expenses	19,819	57,511	49,911	78,614
Loss from operations	(19,819)	(57,199)	(49,911)	(70,743)
Other income:				
Interest income	115	23	360	73
Gain on disposal of long-lived assets	—	7,463	—	7,470
Other income	620	239	1,847	239
Change in fair value of CVR liability	—	(509)	343	(509)
Total other income	735	7,216	2,550	7,273
Net loss and comprehensive loss	$ (19,084)	$ (49,983)	$ (47,361)	$ (63,470)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.48)	$ (5.07)	$ (1.25)	$ (7.56)
Weighted average common shares outstanding, basic and diluted	39,848,943	9,850,530	37,741,526	8,392,741

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

COGENT BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Series A Non-Voting Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at December 31, 2020	132,244	$ 110,881	32,347,905	$ 32	$ 322,454	$ (198,700)	$ 234,667
Conversion of Series A non-voting preferred stock into common stock	(18,409)	(16,200)	4,602,250	5	16,195	—	—
Issuance of common stock to settle CVR liability	—	—	212,429	—	2,043	—	2,043
Issuance of common stock for services	—	—	31,683	—	260	—	260
Stock-based compensation expense	—	—	—	—	1,521	—	1,521
Net loss	—	—	—	—	—	(11,728)	(11,728)
Balances at March 31, 2021	113,835	$ 94,681	37,194,267	$ 37	$ 342,473	$ (210,428)	$ 226,763
Conversion of Series A non-voting preferred stock into common stock	(10,546)	(9,281)	2,636,500	3	9,278	—	—
Stock-based compensation expense	—	—	—	—	2,590	—	2,590
Net loss	—	—	—	—	—	(16,549)	(16,549)
Balances at June 30, 2021	103,289	$ 85,400	39,830,767	$ 40	$ 354,341	$ (226,977)	$ 212,804
Issuance of common stock upon exercise of stock options	—	—	15,758	—	24	—	24
Issuance of common stock under Employee Stock Purchase Plan	—	—	4,497	—	31	—	31
Stock-based compensation expense	—	—	—	—	3,463	—	3,463
Net loss	—	—	—	—	—	(19,084)	(19,084)
Balances at September 30, 2021	103,289	85,400	39,851,022	40	357,859	(246,061)	197,238

	Series A Non-Voting Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at December 31, 2019	—	$ —	7,665,763	$ 8	$ 155,646	$ (123,892)	$ 31,762
Issuance of common stock upon exercise of stock options	—	—	51,823	—	38	—	38
Issuance of common stock under Employee Stock Purchase Plan	—	—	14,252	—	35	—	35
Issuance of common stock to LPC as a commitment fee	—	—	181,595	—	262	—	262
Acquisition and retirement of treasury stock	—	—	(207,961)	—	(808)		(808)
Stock-based compensation expense	—	—	—	—	507	—	507
Net loss	—	—	—	—	—	(6,094)	(6,094)
Balances at March 31, 2020	—	$ -	7,705,472	$ 8	$ 155,680	$ (129,986)	$ 25,702
Issuance of common stock upon exercise of stock options	—	—	85,012	—	62	—	62
Stock-based compensation expense	—	—	—	—	870	—	870
Net loss	—	—	—	—	—	(7,393)	(7,393)
Balances at June 30, 2020	—	$ —	7,790,484	$ 8	$ 156,612	$ (137,379)	$ 19,241
Issuance of common stock upon exercise of stock options	—	—	201,017	—	335	—	335
Issuance of common stock under Employee Stock Purchase Plan	—	—	8,293	—	13	—	13
Issuance of common stock upon RSU vesting	—	—	56,933	—	—	—	—
Issuance of common stock to LPC	—	—	1,061,583	1	10,669	—	10,670
Issuance of Series A non-voting preferred stock and common stock in connection with the Kiq acquisition	44,687	39,325	1,558,975	2	5,486	—	5,488
Issuance of Series A non-voting preferred stock, net of issuance costs of $5,493	118,638	98,907	—	—	—	—	—
Dividend payable to common stockholders	—	—	—	—	(11,450)	—	(11,450)
Stock-based compensation expense	—	—	—	—	3,512	—	3,512
Net loss	—	—	—	—	—	(49,983)	(49,983)
Balances at September 30, 2020	163,325	138,232	10,677,285	$ 11	$ 165,177	$ (187,362)	$ (22,174)

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

COGENT BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (47,361)	$ (63,470)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	79	703
Stock-based compensation expense	7,834	5,151
Noncash consideration received from a customer	—	(808)
Noncash portion of acquired in-process research and development	—	44,812
Gain on disposal of long-lived assets	—	(7,470)
Change in fair value of CVR liability	(343)	509
Changes in operating assets and liabilities:		
Accounts receivable	—	2,000
Prepaid expenses and other current assets	(1,894)	(2,769)
Operating lease, right-of-use asset	1,366	239
Other assets	(2,036)	427
Accounts payable	3,617	(2,544)
Accrued expenses and other current liabilities	2,268	(1,596)
Operating lease liability	(1,516)	(353)
Deferred revenue	—	(1,315)
Net cash used in operating activities	(37,986)	(26,484)
Cash flows from investing activities:		
Purchases of property and equipment	(1,286)	—
Proceeds from sale of property and equipment	—	320
Proceeds from sale of BOXR Platform assets	—	8,100
Net cash (used in) provided by investing activities	(1,286)	8,420
Cash flows from financing activities:		
Proceeds from issuance of Series A non-voting convertible preferred stock, net of issuance costs of $5,493	—	98,907
Proceeds from issuance of common stock	—	10,670
Proceeds from issuance of common stock upon stock option exercises	24	435
Proceeds from issuance of stock from employee stock purchase plan	31	48
Payment to CVR Holders	(85)	—
Net cash (used in) provided by financing activities	(30)	110,060
Net (decrease) increase in cash, cash equivalents and restricted cash	(39,302)	91,996
Cash, cash equivalents and restricted cash at beginning of period	243,445	38,679
Cash, cash equivalents and restricted cash at end of period	$ 204,143	$ 130,675
Supplemental disclosure of noncash investing and financing information:		
Conversion of Series A non-voting convertible preferred stock into common stock	$ 25,481	$ —
Issuance of shares in partial settlement of CVR liability	$ 2,043	$ —

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

1. Nature of the Business and Basis of Presentation

Cogent Biosciences, Inc. ("Cogent" or the "Company") is a biotechnology company focused on developing precision therapies for genetically defined diseases. Cogent's approach is to design rational precision therapies that treat the underlying cause of disease and improve the lives of patients. Cogent's most advanced program is bezuclastinib, also known as CGT9486, a highly selective tyrosine kinase inhibitor designed to potently inhibit the KIT D816V mutation as well as other mutations in KIT exon 17. In the vast majority of cases, KIT D816V is responsible for driving Systemic Mastocytosis ("SM"), a serious disease caused by unchecked proliferation of mast cells. Exon 17 mutations are also found in patients with advanced gastrointestinal stromal tumors ("GIST"), a type of cancer with strong dependence on oncogenic KIT signaling. Bezuclastinib is a highly selective and potent KIT inhibitor with the potential to provide a new treatment option for these patient populations. In addition to bezuclastinib, the Company's research team is developing a portfolio of novel targeted therapies to help patients fighting serious, genetically driven diseases. The Company was incorporated in March 2014 under the laws of the State of Delaware. On October 2, 2020 the Company filed an amendment to its certificate of incorporation to change its name from Unum Therapeutics Inc. to Cogent Biosciences, Inc. The name change became effective on October 6, 2020. In connection with the name change, the Company's common stock began trading under the ticker symbol "COGT" and the new CUSIP for the Company's common stock is 19240Q 201.

On July 6, 2020, the Company completed its asset acquisition of Kiq Bio LLC ("Kiq") (the "Kiq Acquisition"), in accordance with the terms of the Agreement and Plan of Merger (the "Merger Agreement"), signed and closed on July 6, 2020. Under the terms of the Merger Agreement, at the closing of the Merger, the Company issued the securityholders of Kiq 1,558,975 shares of common stock and 44,687 shares of Series A Preferred Stock.

On July 9, 2020, the Company completed a Private Investment in Public Equity ("PIPE") of 118,638 Series A Non-Voting Convertible Preferred Stock to new and existing investors in exchange for gross proceeds of $104.4 million, or net proceeds of $98.9 million, after deducting commissions and offering costs.

On August 28, 2020, the Company sold its assets, rights and interests relating to its Bolt-on Chimeric Receptor ("BOXR") technology and Autologous Cell Therapy Industrial Automation ("ACTIA") technology (collectively, the "BOXR Platform"), to Sotio LLC ("Sotio") (the "BOXR Platform Transaction"), pursuant to an asset purchase agreement by and among the Company, Sotio and Sotio NV as Guarantor (the "BOXR Platform Purchase Agreement"). Pursuant to the BOXR Platform Purchase Agreement, Sotio has agreed to pay the Company total cash consideration of up to $11.5 million, consisting of an upfront payment of $8.1 on the Closing Date and potential milestone payments of up to $3.4 million in the aggregate upon the achievement of certain milestones related to the issuance of Specified Claims (as described in the BOXR Platform Purchase Agreement) by the U.S. Patent and Trademark Office and the European Patent Office. No amounts related to the potential future milestone payments to be received from Sotio have been recognized as of September 30, 2021.

On December 4, 2020, the Company completed an underwritten public offering of 11,794,872 shares of its common stock at a public offering price of $9.75 per share. This included the exercise in full by the underwriters of their 30-day option to purchase up to 1,538,461 additional shares of common stock. The net proceeds from the offering were approximately $107.7 million, after deducting the underwriting discounts and commissions of $6.9 million and offering expenses of $0.4 million.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, the impact of COVID-19, compliance with government regulations and the ability to secure additional capital to fund operations. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure and extensive compliance-reporting capabilities. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will realize revenue from product sales.

The accompanying condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. The Company has incurred recurring losses since inception, including a net loss of $47.4 million for the nine months ended September 30, 2021. As of September 30, 2021, the Company had an accumulated deficit of $246.1 million. The Company expects to continue to generate operating losses in the foreseeable future. As of the issuance date of the interim condensed consolidated financial statements, the Company expects that its cash and cash equivalents will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from issuance of the condensed consolidated financial statements.

The Company expects that it will continue to incur significant expenses in connection with its ongoing business activities. The Company will need to seek additional funding through equity offerings, debt financings, collaborations, licensing arrangements and other marketing and distribution arrangements, partnerships, joint ventures, combinations or divestitures of one or more of its assets or businesses. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter

into collaborative arrangements or divest its assets. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. Arrangements with collaborators or others may require the Company to relinquish rights to certain of its technologies or product candidates. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate its research and development programs or commercialization efforts, which could adversely affect its business prospects, or the Company may be unable to continue operations.

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The consolidated balance sheet at December 31, 2020 was derived from audited financial statements but does not include all disclosures required by GAAP. The accompanying unaudited condensed consolidated financial statements as of September 30, 2021 and for the three and nine months ended September 30, 2021 and 2020 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2020 included in the Company's Annual Report on Form 10-K on file with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's financial position as of September 30, 2021 and results of operations for the three and nine months ended September 30, 2021 and 2020 and cash flows for the nine months ended September 30, 2021 and 2020 have been made. The Company's results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2021.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Mono, Inc. and Kiq Bio LLC. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, revenue recognition, the accrual of research and development expenses, the valuation of the CVR liability and the valuation of stock-based awards. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in circumstances, facts and experience. Actual results may differ from those estimates or assumptions.

Risks and Uncertainties

Impact of the COVID-19 Coronavirus

The Company is subject to risks and uncertainties as a result of the COVID-19 pandemic. The impact of the pandemic has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world.

The spread of COVID-19 has caused the Company to modify its business practices, including implementing a work-from-home policy for all employees who are able to perform their duties remotely and restricting all nonessential travel, and it expects to continue to take actions as may be required or recommended by government authorities or as the Company determines are in the best interests of its employees, the patients it serves and other business partners in light of COVID-19. Potential impacts to the Company's business include temporary closures of its facilities or those of its vendors, disruptions or restrictions on its employees' ability to travel, disruptions to or delays in ongoing laboratory experiments and operations, the potential diversion of healthcare resources away from the conduct of clinical trials to focus on pandemic concerns, and its ability to raise capital. As of September 30, 2021, there have been no material impacts to the Company. As the impact of COVID-19 continues to unfold, the Company will make continual assessments of the situation, as the extent to which the COVID-19 pandemic may materially impact the Company's financial condition, liquidity or results of operations in the future is uncertain.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued *ASU 2019-12 Simplifying the Accounting for Income Taxes*, which eliminates the need for an organization to analyze whether the following apply in a given period: (1) exception to the incremental approach for intra-period tax allocation; (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments; and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2020, the FASB issued *ASU 2020-06 Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)* related to the measurement and disclosure requirements for convertible instruments and contracts in an entity's own equity. The pronouncement simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021 and early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact that this standard will have on its condensed consolidated financial statements.

3. Fair Value of Financial Assets and Liabilities

The following tables present information about the Company's assets that are measured at fair value on a recurring basis *(in thousands)*:

	Fair Value Measurements at September 30, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Liabilities:				
CVR Liability	$ —	$ —	$ 3,060	$ 3,060
Total Liabilities	$ —	$ —	$ 3,060	$ 3,060

	Fair Value Measurements at December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ —	$ 486	$ —	$ 486
Total Assets	$ —	$ 486	$ —	$ 486
Liabilities:				
CVR Liability	$ —	$ —	$ 5,531	$ 5,531
Total Liabilities	$ —	$ —	$ 5,531	$ 5,531

Money market funds were valued by the Company using quoted prices in active markets for similar securities, which represent a Level 2 measurement within the fair value hierarchy.

On July 6, 2020, the Company issued a non-transferrable CVR, which was distributed to stockholders of record as of the close of business on July 6, 2020, and prior to the issuance of any shares to acquire Kiq or sold to the PIPE investors. Holders of the CVR are entitled to receive certain stock and/or cash payments from proceeds received by the Company, if any, related to the disposition of its legacy cell therapy assets for a period of three years from July 2020. On August 28, 2020, the Company sold the BOXR Platform and subsequently sold additional fixed assets, triggering the CVR payment and, per the terms of the CVR agreement, the payment will be made in shares or cash, depending on the timing of cash receipt. The Company classifies the CVR as a liability on its condensed consolidated balance sheet.

The fair value of the CVR liability was determined using the probability weighted discounted cash flow method to estimate future cash flows associated with the sale of the legacy cell therapy assets, including the BOXR platform, ACTR platform and other fixed assets based on assumptions at the date of the CVR issuance and each subsequent quarterly period end, less certain permitted deductions. The number of common shares is determined by dividing the proceeds by the closing price of the Company's stock on July 6, 2020 of $8.80. The closing price of the Company's common stock at each measurement date was used to determine the fair value of the share payments included in the CVR liability. The liability measured at the date of issuance was recorded as a common stock dividend, returning capital to the legacy stockholders of record as of the close of business on July 6, 2020. Changes in fair value of the liability

are recognized as a component of Other income (expense) in the condensed consolidated statement of operations and comprehensive loss for the three and nine months ended September 30, 2021. The liability was valued based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. In November 2020, the Company issued 707,938 CVR shares of common stock in partial settlement of the CVR liability. In February 2021, the Company issued an additional 212,429 shares of common stock and paid $0.1 million in partial settlement of the CVR. Any settlement of the remaining CVR liability will be a cash settlement.

The following table sets forth a summary of the changes in the fair value of the Company's CVR liability *(in thousands)*:

	For the Nine Months Ended September 30, 2021
Beginning balance	$ 5,531
Fair value at CVR issuance	—
Change in fair value	(343)
CVR settlement	(2,128)
Ending balance	$ 3,060

During the three and nine months ended September 30, 2021 and 2020, there were no transfers between Level 1, Level 2 and Level 3.

4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following *(in thousands)*:

	September 30, 2021	December 31, 2020
Accrued employee compensation and benefits	$ 2,054	$ 1,443
Accrued external research and development expense	2,025	2,191
Accrued external manufacturing costs	1,335	161
Accrued professional and consulting services	1,408	671
Other	225	313
	$ 7,047	$ 4,779

5. Preferred Stock, Series A Non-Voting Convertible Preferred Stock and Common Stock

The Company's authorized capital stock consists of 150,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share, 1,000,000 of which are designated as Series A Preferred Stock and 9,000,000 of which shares of preferred stock are undesignated.

Series A Non-Voting Convertible Preferred Stock

On July 6, 2020, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of the Series A Non-Voting Convertible Preferred Stock ("Series A Preferred Stock") with the Secretary of State of the State of Delaware (the "Certificate of Designation") in connection with the Merger and the PIPE. The Certificate of Designation provides for the issuance of shares of Series A Preferred Stock, par value $0.001 per share.

Holders of Series A Preferred Stock are entitled to receive dividends on shares of Series A Preferred Stock equal, on an as-if-converted-to-common-stock basis, and in the same form as dividends actually paid on shares of the common stock. Except as otherwise required by law, the Series A Preferred Stock does not have voting rights. However, as long as any shares of Series A Preferred Stock are outstanding, the Company will not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series A Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock, (b) alter or amend the Certificate of Designation, (c) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the holders of Series A Preferred Stock, (d) increase the number of authorized shares of Series A Preferred Stock, (e) prior to the stockholder approval of the Conversion Proposal or at any time while at least 40% of the originally issued Series A Preferred Stock remains issued and outstanding, consummate a Fundamental Transaction (as defined in the Certificate of Designation)

or (f) enter into any agreement with respect to any of the foregoing. The Series A Preferred Stock does not have a preference upon any liquidation, dissolution or winding-up of the Company.

Each share of Series A Preferred Stock is convertible at any time at the option of the holder thereof, into 250 shares of common stock, subject to certain limitations, including that a holder of Series A Preferred Stock is prohibited from converting shares of Series A Preferred Stock into shares of common stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own more than a specified percentage (to be established by the holder between 4.9% and 19.9%) of the total number of shares of common stock issued and outstanding immediately after giving effect to such conversion. Cumulatively, through September 30, 2021, 60,036 shares of Series A Preferred Stock, or 36.8% of the issued Series A Preferred Stock, have been converted into 15,009,000 shares of common stock.

No other classes of preferred stock have been designated and no other preferred shares have been issued or are outstanding as of September 30, 2021.

Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors. In the event of the Company's liquidation, dissolution or winding up, holders of the Company's common stock will be entitled to share ratably in all assets remaining after payment of all debts and other liabilities and any liquidation preference of any outstanding preferred stock. The shares to be issued by us in this offering will be, when issued and paid for, validly issued, fully paid and non-assessable.

On September 22, 2020, the Company filed a registration statement on Form S-3 for the registration of (i) 1,558,975 shares of common stock issued in the acquisition of Kiq, (ii) 11,171,750 shares of common stock issuable upon the conversion of 44,687 shares of the Series A Preferred Stock issued in the acquisition of Kiq and (iii) 29,659,500 shares of common stock issuable upon the conversion of 118,638 shares of the Series A Preferred Stock issued in the PIPE, for a total of 42,390,225 shares of common stock.

On December 4, 2020, the Company completed an underwritten public offering of 11,794,872 shares of its common stock at a public offering price of $9.75 per share. This included the exercise in full by the underwriters of their 30-day option to purchase up to 1,538,461 additional shares of common stock. The net proceeds from the offering were approximately $107.7 million, after deducting the underwriting discounts and commissions and offering expenses of $7.3 million.

On February 8, 2021, the Company filed a shelf registration statement on Form S-3 with the SEC. The shelf registration statement allows the Company to sell from time-to-time up to $200.0 million of common stock, preferred stock, debt securities, warrants or units comprised of any combination of these securities, for its own account in one or more offerings. The terms of any offering under the shelf registration statement will be established at the time of such offering and will be described in a prospectus supplement filed with the SEC prior to the completion of any such offering.

Additionally, on February 8, 2021, pursuant to the Form S-3, the Company entered into a Sales Agreement (the "Sales Agreement") with SVB Leerink LLC ("SVB Leerink"), pursuant to which the Company may issue and sell, from time to time, shares of its common stock having an aggregate offering price of up to $75.0 million through SVB Leerink as the sales agent. As of September 30, 2021, no shares have been sold under the Sales Agreement.

6. Stock-Based Compensation

2018 Stock Option and Incentive Plan

The Company's 2018 Stock Option and Incentive Plan, (the "2018 Plan"), which became effective on March 27, 2018, provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock units, restricted stock awards, unrestricted stock awards, cash-based awards and dividend equivalent rights. The number of shares initially reserved for issuance under the 2018 Plan was 700,180. Additionally, the shares of common stock that remained available for issuance under the previously outstanding 2015 Stock Incentive Plan (the "2015 Plan") became available under the 2018 Plan. The number of shares reserved for the 2018 Plan automatically increases on each January 1 by 4% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31 or a lesser number of shares determined by the Company's board of directors. The shares of common stock underlying any awards that are forfeited, canceled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, repurchased or are otherwise terminated by the Company under the 2018 Plan or the 2015 Plan will be added back to the shares of common stock available for issuance under the 2018 Plan. The number of authorized shares reserved for issuance under the 2018 Plan was increased by 1,293,916 shares effective as of January 1, 2021.

On June 16, 2021, at the Company's 2021 annual stockholder meeting, the Company's stockholders approved the amendment and restatement of the 2018 Stock Plan to increase the number of shares of common stock issuable under the 2018 Plan by 6,000,000 shares. Upon stockholder approval, in accordance with *ASC 718- Compensation- Stock Compensation*, a grant date was established for accounting purposes with respect to 3,402,768 options previously granted to employees and non-employee directors during the nine months ended September 30, 2021, which were subject to stockholder approval of the amendment and restatement of the 2018 Plan. As of September 30, 2021, 3,716,296 shares of common stock remain available for issuance under the 2018 Plan.

Inducement Plan

On October 22, 2020, the board of directors adopted the Cogent Biosciences, Inc. 2020 Inducement Plan (the "Inducement Plan"). The board of directors also adopted a form of non-qualified stock option agreement for use with the Inducement Plan. A total of 3,750,000 shares of common stock have been reserved for issuance under the Inducement Plan, subject to adjustment for stock dividends, stock splits, or other changes in Cogent's common stock or capital structure. On November 5, 2020, the Company filed a Registration on Form S-8 related to the 3,750,000 shares of its common stock reserved for issuance under the Inducement Plan. The Company has granted 3,021,005 options under the Inducement Plan, of which 1,160,400 were granted during the nine months ended September 30, 2021. As of September 30, 2021, 728,995 shares of common stock remain available for issuance under the Inducement Plan.

2018 Employee Stock Purchase Plan

The Company's 2018 Employee Stock Purchase Plan (the "ESPP") became effective on March 28, 2018, at which time a total of 78,500 shares of common stock were reserved for issuance. In addition, the number of shares of common stock that may be issued under the ESPP automatically increases on each January 1 through January 1, 2027, by the least of (i) 125,000 shares of common stock, (ii) 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31 or (iii) such lesser number of shares as determined by the ESPP administrator. The number of authorized shares reserved for issuance under the ESPP was increased by 125,000 shares effective as of January 1, 2021. In July 2021, 4,497 shares were issued to employees under the ESPP. As of September 30, 2021, 336,919 shares remain available for issuance under the ESPP.

Stock-Based Compensation

The Company recorded stock-based compensation expense in the following expense categories of its condensed consolidated statements of operations and comprehensive loss *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research and development expenses	$ 1,436	$ 1,876	$ 2,650	$ 2,579
General and administrative expenses	2,027	1,636	5,184	2,572
Total	$ 3,463	$ 3,512	$ 7,834	$ 5,151

On July 6, 2020, all then outstanding stock options became fully vested in connection with the Kiq Acquisition, resulting in acceleration of stock compensation expense of $2.9 million, which was recognized in the year ended December 31, 2020.

As of September 30, 2021, total unrecognized compensation cost related to the unvested stock-based options was $42.6 million, which is expected to be recognized over a weighted average period of 3.27 years.

7. Commitments and Contingencies

Operating Leases

Corporate Headquarters- Cambridge, MA

The Company leases office and laboratory space in Cambridge, MA for its corporate headquarters under a non-cancelable operating lease (the "Cambridge Lease") that expires in April 2023, with the Company's option to extend for an additional five-year term. The lessee has the right to terminate the lease in the event of the inability to use the space due to substantial damage while the lessor has the right to terminate the lease for tenant's default of lease financial obligations. Per the terms of the Cambridge Lease, the Company does not have any residual value guarantees. This extension has not been considered in the determination of the lease liability as the Company is not obligated to exercise its option and it is not reasonably certain that the option will be exercised. The lease payments include fixed lease payments that escalate over the term of the lease on an annual basis. The Cambridge Lease is a net lease, as the non-lease components (i.e. common area maintenance) are paid separately from rent based on actual costs incurred. Therefore, the non-lease component and related payments are not included in the right-of-use asset and liability and are reflected as an expense in the period incurred. The discount rate used in determining the lease liability represents the Company's incremental borrowing rate as the rate implicit in the lease could not be readily determined.

On August 28, 2020, the Company amended the lease (the "Cambridge Lease Amendment") resulting in increased annual rent payments. No other terms of the Cambridge Lease were changed. The Company determined that the lease modification did not grant an additional right of use and concluded that the modification was not a separate new lease, but rather that it should reassess and remeasure the right-of-use asset and lease liability on the effective date of the modification. The Company increased the right-of-use asset and operating lease liabilities by $0.9 million, respectively.

Concurrent with the Cambridge Lease Amendment and the BOXR sale, the Company entered into a sublease (the "Cambridge Sublease Agreement") for a significant portion of the leased premises for the remaining term of the lease. Under the terms of the Cambridge Sublease Agreement, the sublessee leased approximately 70% of the facility and is responsible for the corresponding percentage of operating lease costs and variable lease costs. Variable lease costs include common area maintenance and other operating charges.

The elements of the lease expense, net of sublease income, were as follows (in thousands):

	Nine Months Ended September 30, 2021
Lease cost	
Operating lease cost	$ 1,812
Variable lease cost (1)	616
Sublease Income	(1,848)
Total lease cost	$ 580
Other information	
Cash paid for amounts included in the measurement of lease liabilities	$ 2,428
Remaining lease term	1.58
Discount rate	9.50%

(1) The variable lease costs for the nine months ended September 30, 2021 include common area maintenance and other operating charges.

Future minimum lease payments under the operating lease as of September 30, 2021 are as follows (in thousands):

Year Ending December 31,	
2021	816
2022	2,497
2023	841
Total future minimum lease payments	4,154
Less: imputed interest	463
Total operating lease liability	$ 3,691
Included in the consolidated balance sheet:	
Current operating lease liability	$ 2,253
Operating lease liability, net of current portion	1,438
Total operating lease liability	$ 3,691

Under the terms of the Cambridge Lease, the Company issued a $1.3 million letter of credit to the landlord as collateral for the leased facility. The underlying cash collateralizing this letter of credit has been classified as non-current restricted cash in the accompanying condensed consolidated balance sheets. This is a refundable deposit and not a lease payment. Under the terms of the Cambridge Sublease Agreement, the sublessee obtained a letter of credit for $1.3 million for the benefit of the Company. This has been excluded from the undiscounted cash flows above.

Boulder Lease

On July 6, 2021, the Company entered into a lease agreement (the "Boulder Lease") pursuant to which the Company leases approximately 38,075 square feet at 4840 Pearl East Circle, Boulder, Colorado, which will include office and laboratory space.

The landlord will contribute an aggregate of approximately $6.9 million toward the cost of landlord assets (the "Improvements"), as well as an additional amount of up to approximately $2.3 million in the form of a tenant improvement loan at an annual interest rate of 6%. Any monies borrowed under the tenant improvement loan are required to be repaid over the Boulder Lease term.

Boulder Lease payments will begin upon the earlier of (i) substantial completion of the Improvements or (ii) May 1, 2022. The Company will be entitled to 14 months of free rent, followed by an initial Boulder Lease term of 12 years. The Company also has the option to extend the Boulder Lease for three successive five-year terms. Upon the commencement of its obligation to pay rent, the Company will pay the landlord base rent at an initial rate of $40.00 per square foot per year. Rent will be payable in equal monthly installments and subject to 2.5% annual increases over the term. Additionally, the Company is responsible for reimbursing the landlord for its share of the building's property taxes and operating expenses. In connection with the Boulder Lease, the Company provided a cash security deposit to the landlord in an amount of $0.7 million which is recorded in Other Assets in the condensed consolidated balance sheet as of September 30, 2021.

The Company has determined this is a lease under ASC 842. The Company gained access to the leased space on August 14, 2021, to commence construction of the Improvements. As of September 30, 2021, the Company has determined that it does not have control of the space, as defined in ASC 842, during the construction period and as such, the accounting lease commencement date has not occurred for the Boulder Lease as of September 30, 2021. Therefore, the Company will not record a right-of-use asset or lease liability for the Boulder Lease until the accounting lease commencement date which is expected to be in 2022. The Company has determined the cost of Improvements during the construction period are lessor assets and considered a prepayment of lease under ASC 842. The Company has paid $0.9 million towards the construction of lessor assets, which is included in Other Assets in the condensed consolidated balance sheet as of September 30, 2021.

License Agreements

Plexxikon License Agreement

In July 2020, the Company obtained an exclusive, sublicensable, worldwide license (the "License Agreement") to certain patents and other intellectual property rights to research, develop and commercialize bezuclastinib and CGT0206. Under the terms of the License Agreement, the Company is required to pay Plexxikon Inc. ("Plexxikon") aggregate payments of up to $7.5 million upon the satisfaction of certain clinical milestones and up to $25.0 million upon the satisfaction of certain regulatory milestones.

The Company is also required to pay Plexxikon tiered royalties ranging from a low-single digit percentage to a high-single digit percentage on annual net sales of products. These royalty obligations last on a product-by-product basis and country-by-country basis until the latest of (i) the date on which there is no validate claim of a licensed Plexxikon patent covering a subject product in such country or (ii) the 10th anniversary of the date of the first commercial sale of the product in such country. In addition, if the Company sublicenses the rights under the License Agreement, the Company is required to pay a certain percentage of the sublicense revenue to Plexxikon ranging from mid-double digit percentages to mid-single digit percentages, depending on whether the sublicense is entered into prior to or after certain clinical trial events.

The license agreement will expire on a country-by-country and licensed product-by-licensed product basis until the later of the last to expire of the patents covering such licensed products or services or the 10-year anniversary of the date of first commercial sale of the licensed product in such country. The Company may terminate the license agreement within 30 days after written notice in the event of a material breach. The Company may also terminate the agreement upon written notice in the event of the Company's bankruptcy, liquidation or insolvency. In addition, the Company has the right to terminate this agreement in its entirety at will upon 90 days' advance written notice to Plexxikon.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not aware of any claims under indemnification arrangements that will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of September 30, 2021 or its consolidated financial statements as of December 31, 2020.

Legal Proceedings

The Company is not currently party to any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to such legal proceedings.

8. Net Loss Per Share

Basic and diluted net loss per common share was calculated as follows *(in thousands, except share and per share amounts)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (19,084)	$ (49,983)	$ (47,361)	$ (63,470)
Net loss attributable to common stockholders	$ (19,084)	$ (49,983)	$ (47,361)	$ (63,470)
Denominator:				
Weighted average common shares outstanding, basic and diluted	39,848,943	9,850,530	37,741,526	8,392,741
Net loss per common share, basic and diluted	$ (0.48)	$ (5.07)	$ (1.25)	$ (7.56)

The Company's potential dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be anti-dilutive and would result in a reduction to net loss per share. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated above because including them would have had an anti-dilutive effect:

	September 30,	
	2021	2020
Stock options to purchase common stock	8,156,538	668,360
Series A Preferred Stock	25,822,250	40,831,250
	33,978,788	41,499,610

9. Retirement Plan

The Company has a defined-contribution plan under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). The 401(k) Plan covers all employees who meet defined minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The 401(k) Plan allows for discretionary matching contributions of 100% of the first 4% of elective contributions, which vest immediately. Contributions under the plan were approximately $0.1 million for the three months ended September 30, 2021 and $0.3 million for the nine months ended September 30, 2021. The Company did not make any matching contributions during the three and nine months ended September 30, 2020.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under the caption "Risk Factors" in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

We are a biotechnology company focused on developing precision therapies for genetically defined diseases. Our approach is to design rational precision therapies that treat the underlying cause of disease and improve the lives of patients. Our most advanced program is bezuclastinib (also known as CGT9486), a selective tyrosine kinase inhibitor designed to potently inhibit the KIT D816V mutation as well as other mutations in KIT exon 17. In the vast majority of cases, KIT D816V is responsible for driving Systemic Mastocytosis ("SM"), a serious disease caused by unchecked proliferation of mast cells. Exon 17 mutations are also found in patients with advanced gastrointestinal stromal tumors ("GIST"), a type of cancer with strong dependence on oncogenic KIT signaling. Bezuclastinib is a highly selective and potent KIT inhibitor with the potential to provide a new treatment option for these patient populations.

Bezuclastinib has been administered to more than 50 advanced solid tumor and GIST patients in a Phase 1/2 clinical trial, with the vast majority of those patients living with advanced GIST. GIST is a disease frequently driven by KIT mutations, and resistance to currently available therapeutics is frequently associated with the emergence of other KIT mutations. Anti-tumor activity for bezuclastinib was observed in both single agent and combination settings, including in combination with sunitinib, an approved treatment option for GIST patients. Clinical data from this trial have been published in the Journal of American Medical Association ("JAMA") and have been presented at several scientific conferences, including most recently by Cogent at the 2020 annual Connective Tissue Oncology Society ("CTOS") meeting, and previously by Plexxikon Inc. ("Plexxikon"), a member of the Daiichi Sankyo Group, at the 2018 annual American Society of Clinical Oncology ("ASCO") meeting and the 2017 annual CTOS meeting. Within the group of 15 heavily pre-treated GIST patients who received the combination of bezuclastinib and sunitinib, and who had not received prior treatment with bezuclastinib, the confirmed objective response rate ("ORR") was twenty percent, including two partial responses and one complete response, while the estimated median progression free survival ("mPFS") for this group was twelve months. Four subjects continued to receive bezuclastinib via individual patient INDs beyond the conclusion of the trial. In October 2021, we presented preclinical data in a virtual poster at the 2021 AACR-NCI-EORTC Virtual International Conference on Molecular Targets and Cancer Therapeutics that identified bezuclastinib as a differentiated KIT inhibitor with unique selectivity to KIT D816V and minimal evidence of brain penetration.

Based on these results and recent positive interactions with the U.S. Food and Drug Administration ("FDA"), we remain on track and expect to initiate a randomized clinical trial, known as PEAK, evaluating the safety, tolerability, and efficacy of bezuclastinib in combination with sunitinib in imatinib-resistant GIST patients in the second half of 2021. The FDA has granted orphan drug designation to bezuclastinib for the treatment of GIST.

In addition to continuing the development of bezuclastinib in GIST patients, we are pursuing development of the compound in patients living with Advanced Systemic Mastocytosis ("AdvSM") and Non-Advanced Systemic Mastocytosis ("Non-AdvSM"). The vast majority of AdvSM and Non-AdvSM patients have a KIT D816V mutation. Patients with AdvSM have a significantly diminished lifespan with a median survival of less than 3.5 years. For patients with Non-AdvSM, there are no available approved therapies, and while their lifespan is not impacted by the disease, these patients suffer from a poor quality of life and new treatment options are badly needed. Emerging clinical data for other kinase inhibitors with activity against KIT D816V have shown that the disease is highly sensitive to inhibition of the target. Bezuclastinib was specifically designed to selectively inhibit KIT mutations on exon 17, including KIT D816V, and we have expanded the clinical development program to include clinical trials in SM patients.

The FDA has cleared our Investigational New Drug ("IND") submission for a Phase 2 trial in patients with AdvSM, known as APEX, which was initiated in the second quarter of 2021. We expect to report preliminary data from patients treated in the APEX trial in the first half of 2022. Following recent positive interactions with FDA, we have initiated a clinical trial in Non-AdvSM patients, known as SUMMIT, in the fourth quarter of 2021. By monitoring relevant biomarkers of disease activity, including levels of serum tryptase, we expect to rapidly assess bezuclastinib activity in SM patients.

In November 2021, through a partnership with Serán Biosciences, we announced the development of an updated formulation of bezuclastinib. This formulation is expected to reduce the number of daily tablets, improving the overall patient experience. The updated formulation will be used in the PEAK trial.

Worldwide rights to develop and commercialize bezuclastinib, as well as an additional selective KIT inhibitor, CGT0206, are exclusively licensed from Plexxikon. Under the terms of the license agreement, Plexxikon received an upfront payment and is eligible for additional development milestones and mid- to high- single-digit royalty payments.

Patents protecting bezuclastinib include composition of matter claims which have issued in the US and other key territories and provide exclusivity through 2033 and potentially beyond through patent term extensions.

In addition to bezuclastinib, our research team is developing a portfolio of novel targeted therapies to help patients fighting serious, genetically driven diseases.

Since our inception in 2014, we have focused significant efforts and financial resources on establishing and protecting our intellectual property portfolio, conducting research and development of our product candidates, manufacturing drug product material for use in preclinical studies and clinical trials, staffing our company, and raising capital. We do not have any products approved for sale and have not generated any revenue from product sales. To date, we have funded our operations primarily with proceeds from the sales of preferred stock, our public offerings of our common stock and private placements.

On July 6, 2020, we issued a contingent value right ("CVR"), which was distributed to stockholders of record as of the close of business on July 6, 2020, and prior to the issuance of any shares to acquire Kiq Bio LLC ("Kiq") or sold to the Private Investment in Public Equity ("PIPE") investors. In November 2020, in partial settlement of the CVR obligation, we issued 707,938 shares of common stock. In February 2021, we issued an additional 212,428 shares of common stock and paid $0.1 million in partial settlement of the CVR obligation.

On July 9, 2020, we completed a PIPE with existing and new investors to raise gross proceeds of $104.4 million, or net proceeds of $98.9 million after deducting commissions and offering costs, in which the investors were issued shares of Series A Preferred Stock at a price of $880 per share or, $3.52 per share on an as-converted-to-common basis.

On December 4, 2020, we completed an underwritten public offering of 11,794,872 shares of our common stock at a public offering price of $9.75 per share. This included the exercise in full by the underwriters of their 30-day option to purchase up to 1,538,461 additional shares of common stock. The net proceeds from the offering, after deducting the underwriting discounts and commissions and estimated offering expenses, were approximately $107.7 million.

Since our inception, we have incurred significant operating losses. Our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our product candidates. Our net losses were $47.4 million for the nine months ended September 30, 2021 compared to net losses of $63.5 million for the nine months ended September 30, 2020. As of September 30, 2021, we had an accumulated deficit of $246.1 million. We expect to continue to incur significant expenses and operating losses for at least the next several years. We expect that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly if and as we:

- initiate and increase enrollment for our existing and planned clinical trials for our product candidates;
- continue to discover and develop additional product candidates, including through the creation of our research team in Boulder, CO;
- acquire or in-license other product candidates and technologies;
- maintain, expand, and protect our intellectual property portfolio;
- hire additional research, clinical, scientific, and commercial personnel;
- establish a commercial manufacturing source and secure supply chain capacity sufficient to provide commercial quantities of any product candidates for which we may obtain regulatory approval;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing, and distribution infrastructure to commercialize any products for which we may obtain regulatory approval; and
- add operational, financial, and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts.

We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for our product candidates. If we obtain regulatory approval for any of our product candidates and do not enter into a commercialization partnership, we expect to incur significant expenses related to developing our internal commercialization capability to support product sales, marketing, and distribution.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances, and marketing, distribution, or licensing arrangements. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back, or discontinue the development and commercialization of one or more of our product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of September 30, 2021, we had cash and cash equivalents of $202.9 million. Based on our current plans, we expect that our current cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements into 2024.

The COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, or COVID-19, as a pandemic, which has spread throughout the United States and worldwide. We could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19 or variants thereof. We continue to monitor the pandemic and have taken steps to identify and mitigate the adverse impacts on, and risks to, our business posed by its spread and actions taken by governmental and health authorities to address the COVID-19 pandemic. The spread of COVID-19 has caused us to modify our business practices, including implementing a work-from-home policy for all employees who are able to perform their duties remotely and restricting all nonessential travel, and we expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees, the patients we serve and other business partners in light of COVID-19. Given the fluidity of the COVID-19 pandemic however, we do not yet know the full extent of the potential impact of COVID-19 on our business operations. The ultimate extent of the impact of any epidemic, pandemic, outbreak, or other public health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic, outbreak, or other public health crisis and actions taken to contain or prevent the further spread, among others. Accordingly, we cannot predict with certainty the extent to which our business, financial condition and results of operations will be affected. We will continue to work diligently with our partners and stakeholders to continue advancing our product candidate under regulatory review as well as in our clinical studies to the extent safe to do so for patients, caregivers and healthcare practitioners, and ensuring the continuity of our manufacturing and supply chain.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. If our development efforts for our product candidates are successful and result in regulatory approval or additional license or collaboration agreements with third parties, we may generate revenue in the future from a combination of product sales or payments from additional collaboration or license agreements that we may enter into with third parties. We expect that our revenue for the next several years will be derived primarily from any collaborations that we may enter into in the future.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our drug discovery efforts, and the development of our product candidates, which include:

- expenses incurred in connection with the preclinical and clinical development of our product candidates, including under agreements with third parties, such as consultants, contractors and contract research organizations (“CROs”);
- the cost of manufacturing drug products for use in our preclinical studies and clinical trials, including under agreements with third parties, such as consultants, contractors and contract manufacturing organizations (“CMOs”);
- employee-related expenses, including salaries, related benefits and stock-based compensation expense for employees engaged in research and development functions;
- laboratory supplies and animal care;
- facilities, depreciation and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and insurance; and
- payments made under third-party licensing agreements.

We expense research and development costs as incurred. Advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

Our direct research and development expenses are tracked on a program-by-program basis and consist of costs, such as fees paid to consultants, contractors, CMOs, and CROs in connection with our preclinical and clinical development activities. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities, including depreciation or other indirect costs, to specific product development programs because these costs are deployed across multiple product development programs and, as such, are not separately classified.

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will increase substantially in connection with our planned clinical and preclinical development activities in the near term and in the future. At this time, we cannot reasonably estimate or know the nature, timing, and costs of the efforts that will be necessary to complete the preclinical and clinical development of any of our product candidates. The successful development and commercialization of our product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with product development and commercialization, including the following:

- the timing and progress of our preclinical and clinical development activities;
- the number and scope of preclinical and clinical programs we decide to pursue;
- the progress of the development efforts of parties with whom we have entered, or may enter, into collaboration arrangements;
- our ability to maintain our current research and development programs and to establish new ones;
- our ability to establish new licensing or collaboration arrangements;
- the future productivity of our research team in Boulder, CO and its ability to discover new product candidates and build our pipeline;
- the successful completion of clinical trials with safety, tolerability, and efficacy profiles that are satisfactory to the U.S. Food and Drug Administration (“FDA”) or any comparable foreign regulatory authority;
- the receipt of regulatory approvals from applicable regulatory authorities;
- the success in establishing and operating a manufacturing facility, or securing manufacturing supply through relationships with third parties;
- our ability to obtain and maintain patents, trade secret protection, and regulatory exclusivity, both in the United States and internationally;
- our ability to protect our rights in our intellectual property portfolio;
- the commercialization of our product candidates, if and when approved;
- the acceptance of our product candidates, if approved, by patients, the medical community, and third-party payors;
- competition with other products; and
- a continued acceptable safety profile of our therapies following approval.

A change in the outcome of any of these variables with respect to the development of any of our product candidates could significantly change the costs and timing associated with the development of that product candidate. We may never succeed in obtaining regulatory approval for any of our product candidates.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs, including stock-based compensation, for personnel in executive, finance, and administrative functions. General and administrative expenses also include direct and allocated facility-related costs as well as professional fees for legal, patent, consulting, investor and public relations, accounting, and audit services. We anticipate that our general and administrative expenses will increase in the future as of a result of the costs associated with the expansion of operations to support our on-going clinical and preclinical activities.

Other Income (Expense)

Interest Income

Interest income consists of interest earned on our cash equivalents balances. Our interest income has not been significant due to low interest earned on invested balances.

Other Income

Other income consists of miscellaneous income and expense unrelated to our core operations, primarily income from subleasing a portion of our headquarters facilities.

Change in Fair Value of the CVR liability

This consists of changes in the fair value of the CVR liability.

Income Taxes

Since our inception, we have not recorded any current or deferred tax benefit for the net losses we have incurred in each year or for our research and development tax credits generated, as we believe, based upon the weight of available evidence, that it is more likely than not that our net operating loss carryforwards and tax credits will not be realized. Accordingly, a full valuation allowance has been established against the deferred tax assets as of December 31, 2020. We reevaluate the utilization of net operating loss carryforwards and tax credits at each reporting period. As of December 31, 2020, we had U.S. federal and state net operating loss carryforwards of $63.1 million and $5.7 million, respectively, which may be available to offset future income tax liabilities and begin to expire in 2035. Of the federal net operating loss carryforwards at December 31, 2020, $59.9 million is available to be carried forward indefinitely but can only offset 80% of taxable income per year. As of December 31, 2020, we also had U.S. federal and state research and development tax credit carryforwards of $0.6 million and $0.3 million, respectively, which may be available to offset future income tax liabilities and begin to expire in 2040 and 2035, respectively.

As a result of the shares issued in July 2020 related to the acquisition of Kiq and the sale of Series A convertible preferred stock, the Company has experienced a change in ownership, as defined by Section 382. As a result of the ownership change, utilization of the federal and state net operating loss carryforwards and research and development tax credit carryforwards is subject to annual limitation under Section 382. Under Section 382, the annual limitation is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax-exempt rate, and then could be subject to additional adjustments, as required. This limitation resulted in the expiration of federal and state net operating loss carryforwards before utilization of $26.9 million and $79.5 million, respectively, and federal and state research and development tax credit carryforwards before utilization of $6.6 million and $2.0 million, respectively. We have written off these gross deferred tax attributes, which were previously fully reserved for, in 2020. As of December 31, 2020, approximately $59.4 million and $3.9 million of federal and state net operating losses, respectively, as well as $14.2 million of future amortization for federal purposes are subject to the July 2020 limitation of $0.3 million per year. A second ownership change occurred in December 2020 as a result of the underwritten public offering of common stock which resulted in a limitation of tax attributes generated from July 7, 2020 to December 1, 2020. The December 1, 2020 ownership change is not expected to have a material impact to the Company's net operating loss carryforwards or research and development tax credit carryforwards as these net operating losses and tax credit carryforwards may be utilized, subject to annual limitation, assuming sufficient taxable income is generated before expiration.

We have recorded a full valuation allowance against our net deferred tax assets at each balance sheet date.

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations for the three months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		
	2021	2020	Change
	(in thousands)		
Collaboration revenue	$ —	$ 312	$ (312)
Operating expenses:			
Research and development	14,798	5,003	9,795
General and administrative	5,021	5,598	(577)
Acquired in-process research and development	—	46,910	(46,910)
Total operating expenses	19,819	57,511	(37,692)
Loss from operations	(19,819)	(57,199)	37,380
Other income (expense):			
Interest income	115	23	92
Gain on disposal of long-lived assets	—	7,463	(7,463)
Other income	620	239	381
Change in fair value of CVR liability	—	(509)	509
Total other income (expense), net	735	7,216	(6,481)
Net loss	$ (19,084)	$ (49,983)	$ 30,899

Collaboration Revenue

No collaboration revenue was recognized during the three months ended September 30, 2021. Collaboration revenue recognized during the three months ended September 30, 2020 was $0.3 million related to our legacy assets. All performance obligations were completed and all remaining revenue was recognized in 2020.

Research and Development Expenses

Research and development expenses were $14.8 million for the three months ended September 30, 2021, compared to $5.0 million for the three months ended September 30, 2020. The increase in research and development expense during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is driven by the manufacture and development of bezuclastinib, as well as higher personnel costs driven by an increase in headcount.

General and Administrative Expenses

General and administrative expenses for the three months ended September 30, 2021 were $5.0 million, compared to $5.6 million for the three months ended September 30, 2020. The decrease in general and administrative expenses was primarily due to higher professional and consultant fees in the prior year based on the completion of various business transactions occurring during the three-months ended September 30, 2020.

Acquired In-process Research and Development (“IPR&D”)

No acquired IPR&D was expensed during the three months ended September 30, 2021. During the three months ended September 30, 2020, we expensed acquired IPR&D, with an estimated fair value of $46.9 million, including $2.1 million of associated transaction costs, in connection with the Kiq Acquisition.

Interest Income

Interest income for the three months ended September 30, 2021 and September 30, 2020 was $0.1 million, respectively. The impact of higher average invested balances in the current year was offset by lower interest rates in the current year compared to the prior period.

Gain on disposal of long-lived assets

No disposals of long-lived assets occurred in the three months ended September 30, 2021. During the three months ended September 30, 2020, we recorded a gain on disposal of long-lived assets of $7.5 million, representing the net proceeds of the sale of BOXR Platform assets as well as the proceeds from the sale of other long-lived assets.

Other Income

Other income, net was $0.6 million in the three months ended September 30, 2021, compared to $0.2 million for the three months ended September 30, 2020. Other income represents sublease income resulting from the sublease of a portion of our leased office space.

Change in Fair Value of CVR Liability

There was no change in fair value of CVR liability for the three months ended September 30, 2021 as any settlement of the remaining liability will be a cash settlement.

Comparison of the Nine Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,		
	2021	2020	Change
	(in thousands)		
Collaboration revenue	$ —	$ 7,871	$ (7,871)
Operating expenses:			
Research and development	35,399	19,630	15,769
General and administrative	14,512	12,074	2,438
Acquired in-process research and development	—	46,910	(46,910)
Total operating expenses	49,911	78,614	(28,703)
Loss from operations	(49,911)	(70,743)	20,832
Other income (expense):			
Interest income	360	73	287
Gain on disposal of long-lived assets	—	7,470	(7,470)
Other income	1,847	239	1,608
Change in fair value of CVR liability	343	(509)	852
Total other income (expense), net	2,550	7,273	(4,723)
Net loss	$ (47,361)	$ (63,470)	$ 16,109

Collaboration Revenue

No collaboration revenue was recognized during the nine months ended September 30, 2021. Collaboration revenue recognized during the nine months ended September 30, 2020 was $7.9 million related to our legacy assets. All performance obligations were completed and all remaining revenue was recognized in 2020.

Research and Development Expenses

Research and development expenses were $35.4 million for the nine months ended September 30, 2021, compared to $19.6 million for the nine months ended September 30, 2020. The increase in research and development expense during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is driven by increased costs associated with the manufacture and development of bezuclastinib, as well as higher personnel costs driven by an increase in headcount.

General and Administrative Expenses

General and administrative expenses for the nine months ended September 30, 2021 were $14.5 million, compared to $12.1 million for the nine months ended September 30, 2020. The increase in general and administrative expenses was primarily due to higher personnel costs driven by an increase in headcount.

Acquired In-process Research and Development ("IPR&D")

No acquired IPR&D was expensed during the nine months ended September 30, 2021. During the nine months ended September 30, 2020, we expensed acquired IPR&D, with an estimated fair value of $46.9 million, including $2.1 million of associated transaction costs, in connection with the Kiq Acquisition.

Interest Income

Interest income for the nine months ended September 30, 2021 was $0.4 million, compared to $0.1 million for the nine months ended September 30, 2020. The impact of higher average invested balances in the current year was partially offset by lower interest rates in the current year compared to the prior period.

Gain on disposal of long-lived assets

No disposals of long-lived assets occurred in the nine months ended September 30, 2021. During the nine months ended September 30, 2020, we recorded a gain on disposal of long-lived assets of $7.5 million, representing the net proceeds of the sale of BOXR Platform assets as well as the proceeds from the sale of other long-lived assets.

Other Income

Other income, net was $1.8 million in the nine months ended September 30, 2021, compared to $0.2 million for the nine months ended September 30, 2020. Other income represents sublease income resulting from the sublease of a portion of our leased office space.

Change in Fair Value of CVR Liability

The change in fair value of CVR liability for the nine months ended September 30, 2021, represents the remeasurement of the CVR liability as a result of changes in our stock price prior to issuance of the common stock issued in partial settlement of the CVR.

Liquidity and Capital Resources

We have incurred certain costs related to the COVID-19 outbreak as a result of taking necessary precautions for essential personnel to operate safely both in person as well as remotely. Costs incurred include items like incremental payroll costs, consulting support, IT infrastructure and facilities related costs. The estimated impact of COVID-19 is currently unknown. The final impact may vary based on the duration of the current social and economic conditions. To the extent the COVID-19 pandemic continues, it may materially impact our financial condition, liquidity or results of operations in the future. We do not currently believe the accumulated costs will present a material impact to our financial liquidity or position.

Since our inception, we have incurred significant operating losses. We have generated limited revenue to date from funding arrangements with our former collaboration partner. We have not yet commercialized any of our product candidates and we do not expect to generate revenue from sales of any product candidates for several years, if at all. We have historically funded our operations primarily through the public offering and private placement of our securities and consideration received from our collaborative agreements.

On July 9, 2020, we completed a PIPE and issued 118,638 Series A Preferred Stock to new and existing investors in exchange gross proceeds of $104.4 million, or net proceeds of $98.9 million, after deducting commissions and offering costs.

On December 4, 2020, we completed an underwritten public offering of 11,794,872 shares of our common stock at a public offering price of $9.75 per share (including the exercise in full by the underwriters of their 30-day option to purchase up to 1,538,461 additional shares of common stock), or net proceeds from the offering of $107.7 million, after deducting the underwriting discounts and commissions and offering expenses.

As of September 30, 2021, we had cash and cash equivalents of $202.9 million, which we believe will be sufficient to fund our operating expenses and capital expenditure requirements into 2024.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Nine Months Ended September 30,	
	2021	2020
	(in thousands)	
Cash used in operating activities	$ (37,986)	$ (26,484)
Net cash (used in) provided by investing activities	$ (1,286)	$ 8,420
Net cash (used in) provided by financing activities	(30)	110,060
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (39,302)	$ 91,996

Operating Activities

During the nine months ended September 30, 2021, operating activities used $38.0 million of cash, primarily resulting from our net loss of $47.4 million, partially offset by net cash provided by changes in our operating assets and liabilities of $1.8 million and by net noncash charges of $7.6 million. Net cash provided by changes in our operating assets and liabilities for the nine months ended September 30, 2021 consisted primarily of a $5.9 million increase in accounts payable and accrued expenses and other current liabilities, and a $1.3 million decrease in the right-of-use asset, partially offset by a $1.9 million increase in prepaid expenses and other current assets, a $2.0 million increase in other assets and a $1.5 million decrease in the operating lease liability.

During the nine months ended September 30, 2020, operating activities used $26.5 million of cash, primarily resulting from our net loss of $63.5 million and net cash used by changes in our operating assets and liabilities of $5.9 million, partially offset by net non-cash charges of $42.9 million. Net cash used by changes in our operating assets and liabilities for the nine months ended September 30, 2020 consisted primarily of a $4.1 million decrease in accounts payable and accrued expenses and other current liabilities, a $1.3 million decrease in deferred revenue, a $0.4 million decrease in operating lease liabilities, and a $2.8 million increase in prepaid expenses and other current assets, partially offset by a $2.0 million decrease in accounts receivable, a $0.2 million decrease in the right-of-use asset and a $0.4 million decrease in other assets.

Investing Activities

During the nine months ended September 30, 2021, net cash used in investing activities was $1.3 million, consisting of purchases of property and lab equipment.

During the nine months ended September 30, 2020, net cash provided by investing activities of $8.4 million consisted of $8.1 million in proceeds from the disposal of BOXR Platform assets as well as $0.3 million in proceeds from the sale of other property and equipment.

Financing Activities

During the nine months ended September 30, 2021, net cash used in financing activities was $0.1 million, which consisted of the proceeds from the issuance of common stock upon stock option exercises and from the issuance of common stock under the Employee Stock Purchase Plan.

During the nine months ended September 30, 2020, net cash used in financing activities was $110.1 million which consisted of the proceeds from the issuance of Series A Preferred Stock and common stock, from the issuance of common stock upon stock option exercises and from the issuance of common stock under the Employee Stock Purchase Plan.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we advance the clinical development of our product candidates and conduct preclinical activities. The timing and amount of our operating expenditures will depend largely on:

- the initiation, progress, timing, and completion of preclinical studies and clinical trials for our current and future potential product candidates, including the impact of COVID-19 on our ongoing and planned research and development efforts;
- any delay in our regulatory filings for our product candidates and any adverse development or perceived adverse development with respect to the applicable regulatory authority's review of such filings, including without limitation the FDA's issuance of a "refusal to file" letter or a request for additional information;
- adverse results or delays in clinical trials;

- our decision to initiate a clinical trial, not to initiate a clinical trial, or to terminate an existing clinical trial;
- adverse regulatory decisions, including failure to receive regulatory approval of our product candidates;
- changes in laws or regulations applicable to our products, including but not limited to clinical trial requirements for approvals;
- adverse developments concerning our manufacturers;
- our inability to obtain adequate product supply for any approved product or our inability to do so at acceptable prices;
- our inability to establish collaborations, if desired or needed;
- our failure to commercialize our product candidates;
- additions or departures of key scientific or management personnel;
- unanticipated serious safety concerns related to the use of our product candidates; and
- the impact of COVID-19 on the operations of key governmental agencies, such as the FDA, which may delay the development of our current product candidates or any future product candidates.

Based on our current plans, we believe that our existing cash and cash equivalents of $202.9 million as of September 30, 2021 will enable us to fund our operating expenses and capital expenditure requirements into 2024. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. The Company will require additional funding to complete the critical activities planned to support ongoing research and development programs.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances, and marketing, distribution, or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures, or declaring dividends. If we raise additional funds through collaborations, strategic alliances, or marketing, distribution, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce, or terminate our research, product development, or future commercialization efforts, or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that of our critical accounting policies described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates” in our Annual Report on Form 10-K, the following involve the most judgment and complexity:

- accrued research and development expenses; and
- stock-based compensation.

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012 ("JOBS Act") permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and President and our Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company 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 include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate 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 on the evaluation of our disclosure controls and procedures as of September 30, 2021, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings. From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, litigation can have a material adverse effect on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors.

There have been no material changes from our risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 16, 2021. The risks described in our Form 10-K are not the only risks facing our Company. Additional risk and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Lease by and between Cogent Biosciences, Inc. and BCSP Pearl East Property LLC dated July 6, 2021 (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 001-38443) filed on July 9, 2021)
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*†	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*†	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page for the Company's Quarterly Report on Form 10-Q has been formatted in Inline XBRL and contained in Exhibit 101

* Filed herewith

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Cogent Biosciences, Inc. 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 Quarterly Report on 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.

COGENT BIOSCIENCES, INC.

Date: November 10, 2021

By: /s/ Andrew Robbins
Andrew Robbins
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 10, 2021

By: /s/ John Green
John Green
Chief Financial Officer
(Principal Accounting and Financial 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, Andrew Robbins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cogent Biosciences, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2021

By: /s/ Andrew Robbins

Andrew Robbins
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

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

I, John Green, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cogent Biosciences, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 10, 2021

By: /s/ John Green

John Green
Chief Financial Officer
(Principal Accounting and 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 on Form 10-Q of Cogent Biosciences, Inc. (the "Company") for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Andrew Robbins, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Date: November 10, 2021

By: /s/ Andrew Robbins
Andrew Robbins
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Cogent Biosciences, Inc. (the "Company") for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, John Green, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

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

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

Date: November 10, 2021

By: /s/ John Green
John Green
Chief Financial Officer
(Principal Accounting and Financial Officer)