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

FORM 10-Q

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from _____to_____.

Commission File Number: 001-39094

PHATHOM PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**82-4151574**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 Campus Drive, Suite 102 Florham Park, New Jersey	**07932**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (877) 742-8466

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	PHAT	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 May 4 2022, the registrant had 39,072,027 shares of common stock ($0.0001 par value) outstanding.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

PHATHOM PHARMACEUTICALS, INC.
Balance Sheets
(Unaudited)
(in thousands, except share and par value amounts)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 138,090	$ 183,259
Prepaid expenses and other current assets	7,651	3,267
Total current assets	145,741	186,526
Property, plant and equipment, net	708	650
Operating lease right-of-use assets	1,795	1,914
Other long-term assets	805	341
Total assets	$ 149,049	$ 189,431
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (including related party amounts of $82 and $1,343, respectively)	2,858	5,150
Accrued clinical trial expenses	—	1,402
Accrued expenses (including related party amounts of $872 and $2,330, respectively)	7,565	11,405
Accrued interest	481	477
Operating lease liabilities, current	490	487
Total current liabilities	11,394	18,921
Long-term debt, net of discount	91,037	89,671
Operating lease liabilities	1,083	1,183
Other long-term liabilities	7,500	7,500
Total liabilities	111,014	117,275
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; authorized shares — 40,000,000; no shares issued and outstanding at March 31, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; authorized shares — 400,000,000; issued shares — 39,072,046 and 31,656,035 at March 31, 2022 and December 31, 2021, respectively; outstanding shares — 38,149,813 and 30,511,226 at March 31, 2022 and December 31, 2021, respectively	3	3
Treasury stock — 19 and 1 at March 31, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	608,067	601,523
Accumulated deficit	(570,035)	(529,370)
Total stockholders' equity	38,035	72,156
Total liabilities and stockholders' equity	$ 149,049	$ 189,431

See accompanying notes.

PHATHOM PHARMACEUTICALS, INC.
Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2022	2021
Operating expenses:		
Research and development (includes related party amounts of $1,430 and $939 respectively)	$ 17,660	$ 20,580
General and administrative (includes related party amounts of $0 and $16, respectively)	20,246	13,004
Total operating expenses	37,906	33,584
Loss from operations	(37,906)	(33,584)
Other income (expense):		
Interest income	7	14
Interest expense	(2,759)	(1,272)
Other (expense)	(7)	(1)
Total other (expense)	(2,759)	(1,259)
Net loss and comprehensive loss	$ (40,665)	$ (34,843)
Net loss per share, basic and diluted	$ (1.07)	$ (0.96)
Weighted-average shares of common stock outstanding, basic and diluted	38,036,960	36,298,968

See accompanying notes.

PHATHOM PHARMACEUTICALS, INC.
Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares			
Balance at December 31, 2021	30,511,226	$ 3	1	$ 601,523	$ (529,370)	$ 72,156
Cashless exercise of common stock warrants	7,359,285	—	18	—	—	—
401(k) matching contribution	16,756	—	—	254	—	254
Vesting of restricted shares	222,595	—	—	—	—	—
Stock-based compensation	—	—	—	5,775	—	5,775
ESPP shares issued	39,951	—	—	515	—	515
Net loss	—	—		—	(40,665)	(40,665)
Balance at March 31, 2022	38,149,813	$ 3	19	$ 608,067	$ (570,035)	$ 38,035

See accompanying notes.

PHATHOM PHARMACEUTICALS, INC.
Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Treasury Stock	Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Capital	Deficit	Equity
Balance at December 31, 2020	28,516,010	$ 3	—	$ 579,755	$ (385,487)	$ 194,271
Issuance of common stock from exercise of stock options	36,998	—	—	412	—	412
401(k) matching contribution	8,356	—	—	323	—	323
Vesting of restricted shares	301,656	—	—	—	—	—
Stock-based compensation	—	—	—	3,818	—	3,818
ESPP shares issued	13,490	—	—	358	—	358
Net loss	—	—	—	—	(34,843)	(34,843)
Balance at March 31, 2021	28,876,510	$ 3	—	$ 584,666	$ (420,330)	$ 164,339

See accompanying notes.

PHATHOM PHARMACEUTICALS, INC.
Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities		
Net loss	$ (40,665)	$ (34,843)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	128	125
Stock-based compensation	5,775	3,818
Issuance of PIK interest debt	848	—
Amortization of debt discount	518	364
Other	591	357
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets (includes the change in related party amounts of $0, and $82, respectively)	(4,384)	(965)
Accounts payable and accrued expenses (includes the change in related party amounts of $2,719, and $428, respectively)	(6,073)	(9,516)
Accrued clinical trial expenses	(1,402)	(9,129)
Accrued interest	4	0
Operating right-of-use asset and lease liabilities	22	25
Other long-term assets	(464)	(1)
Net cash used in operating activities	(45,102)	(49,765)
Cash flows from investing activities		
Cash paid for property, plant and equipment	(67)	(169)
Net cash used in investing activities	(67)	(169)
Cash flows from financing activities		
Proceeds from issuance of common stock from exercise of stock options	—	412
Net cash provided by financing activities	—	412
Net (decrease) in cash and cash equivalents	(45,169)	(49,522)
Cash and cash equivalents – beginning of period	183,259	287,496
Cash and cash equivalents – end of period	$ 138,090	$ 237,974
Supplemental disclosure of cash flow information		
Interest paid	$ 1,388	$ 906
Supplemental disclosure of noncash investing and financing activities		
Property and equipment purchases included in accounts payable and accrued liabilities	$ 120	$ 21
Settlement of ESPP liability in common stock	$ 515	$ 358
Settlement of 401(k) liability in common stock	$ 254	$ 323

See accompanying notes.

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Phathom Pharmaceuticals, Inc., or the Company or Phathom, was incorporated in the state of Delaware in January 2018. The Company is a biopharmaceutical company focused on developing and commercializing novel treatments for gastrointestinal diseases. The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP.

Liquidity and Capital Resources

From inception to March 31, 2022, the Company has devoted substantially all of its efforts to organizing and staffing the Company, business planning, raising capital, in-licensing its initial product candidate, vonoprazan, meeting with regulatory authorities, managing the clinical trials of vonoprazan, and providing other general and administrative support for these operations. The Company has a limited operating history, has never generated any revenue, and the sales and income potential of its business is unproven. The Company has incurred net losses and negative cash flows from operating activities since its inception and expects to continue to incur additional net losses in the future as it continues to develop and prepares for commercialization of vonoprazan. From inception to March 31, 2022, the Company has funded its operations through the issuance of convertible promissory notes, commercial bank debt, the sale of 10,997,630 shares of common stock for net proceeds of approximately $191.5 million in its 2019 IPO, and the sale of 2,250,000 shares of common stock for net proceeds of approximately $88.6 million in its December 2020 follow-on public offering.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities in accordance with GAAP. Management is required to perform a two-step analysis over the Company's ability to continue as a going concern. Management must first evaluate whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern (Step 1). If management concludes that substantial doubt is raised, management is also required to consider whether its plans alleviate that doubt (Step 2).

Management believes that it has sufficient working capital on hand to fund operations through at least the next twelve months from the date these financial statements were issued. There can be no assurance that the Company will be successful in acquiring additional funding, if needed, that the Company's projections of its future working capital needs will prove accurate, or that any additional funding would be sufficient to continue operations in future years.

Use of Estimates

The preparation of the Company's financial statements requires it to make estimates and assumptions that impact the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to accruals for research and development expenses and the valuation of various equity instruments. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results could differ materially from those estimates and assumptions.

Fair Value Measurements

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

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

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

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

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, are classified within the Level 1 designation discussed above, while prepaid and other current assets, accounts payable, and accrued liabilities, approximate fair value due to their short maturities.

The Company has no financial assets measured at fair value on a recurring basis. None of the Company's non-financial assets or liabilities are recorded at fair value on a non-recurring basis. No transfers between levels have occurred during the periods presented.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents include cash in readily available checking accounts and money market funds.

Concentrations of Credit Risk

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

Property, Plant, and Equipment, Net

Property, plant and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is recognized using the straight-line method over the useful life of the asset. Computer equipment and related software are depreciated over two to three years. Furniture and fixtures are depreciated over three years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the related assets. Expenditures for repairs and maintenance of assets are charged to expense as incurred. Upon retirement or sale, the cost and related accumulated depreciation of assets disposed of are removed from the accounts and any resulting gain or loss is included in loss from operations.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property, plant and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. The impairment loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. No impairment losses have been recorded through March 31, 2022.

Leases

At the inception of a contractual arrangement, the Company determines whether the contract contains a lease by assessing whether there is an identified asset and whether the contract conveys the right to control the use of the identified asset in exchange for consideration over a period of time. If both criteria are met, the Company records the associated lease liability and corresponding right-of-use asset upon commencement of the lease using the implicit rate or a discount rate based on a credit-adjusted secured borrowing rate commensurate with the term of the lease. The Company additionally evaluates leases at their inception to determine if they are to be accounted for as an operating lease or a finance lease. A lease is accounted for as a finance lease if it meets one of the following five criteria: the lease has a purchase option that is reasonably certain of being exercised, the present value of the future cash flows is substantially all of the fair market value of the underlying asset, the lease term is for a significant portion of the remaining economic life of the underlying asset, the title to the underlying asset transfers at the end of the lease term, or if the underlying asset is of such a specialized nature that it is expected to have no alternative uses to the lessor at the end of the term. Leases that do not meet the finance lease criteria are accounted for as an operating lease. Operating lease assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent an obligation to make lease payments arising from the lease. Operating lease liabilities with a term greater than one year and their corresponding right-of-use assets are recognized on the balance sheet at the commencement date of the lease based on the present value of lease payments over the expected lease term. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received. As the Company's leases do not typically provide an implicit rate, the Company utilizes the appropriate incremental borrowing rate, determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and in a similar economic environment. Lease cost is recognized on a straight-line basis over the lease term and variable lease payments are recognized as operating expenses in the period in which the obligation for those payments is incurred. Variable lease payments primarily include common area maintenance, utilities, real estate taxes, insurance, and other operating costs that are passed on from the lessor in proportion to the space leased by the Company. The Company has elected the practical expedient to not separate between lease and non-lease components. In addition, the Company elected the short-term lease exception for leases with an initial term of one year or less. Consequently, such leases are not recorded on the Company's balance sheets.

Research and Development Expenses and Accruals

All research and development costs are expensed in the period incurred and consist primarily of salaries, payroll taxes, employee benefits, stock-based compensation charges for those individuals involved in research and development efforts, external research and development costs incurred under agreements with contract research organizations and consultants to conduct and support the Company's ongoing clinical trials of vonoprazan, and costs related to manufacturing vonoprazan for clinical trials.

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

In-Process Research and Development

The Company evaluates whether acquired intangible assets are a business under applicable accounting standards. Additionally, the Company evaluates whether the acquired assets have a future alternative use. Intangible assets that do not have future alternative use are considered acquired in-process research and development. When the acquired in-process research and development assets are not part of a business combination, the value of the consideration paid is expensed on the acquisition date. Future costs to develop these assets are recorded to research and development expense as they are incurred.

General and Administrative Expenses

General and administrative expenses consist of salaries, stock-based compensation, facilities and third-party expenses. General and administrative expenses are associated with the activities of the executive, finance, accounting, information technology, legal, medical affairs and human resource functions.

Stock-Based Compensation

Stock-based compensation expense represents the cost of the grant date fair value of equity awards recognized over the requisite service period of the awards (generally the vesting period) on a straight-line basis with forfeitures recognized as they occur.

The Company also maintains an employee stock purchase program, or ESPP, under which it may issue shares. The Company estimates the fair value shares that will be issued under the ESPP, and of stock options using the Black-Scholes valuation model, which requires the use of estimates. The Company recognizes stock-based compensation cost for shares that it will issue under the ESPP on a straight-line basis over the requisite service period of the award.

Income Taxes

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

The Company recognizes net deferred tax assets to the extent that the Company believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If management determines that the Company would be able to realize its deferred tax assets in the future in excess of their net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

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

Beginning in 2022, the Tax Cuts and Jobs Act, or TCJA, eliminates the option to deduct research and development expenditures currently and requires taxpayers to amortize domestic and foreign research and development expenditures over 5 years and 15 years, respectively. The requirement did not impact cash from operations in the current period.

Comprehensive Loss

Comprehensive loss is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive loss was the same as its reported net loss for all periods presented.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions on how to allocate resources and assess performance. The Company views its operations and manages its business as one operating segment.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for potentially dilutive securities. The Company included 7,588,000 shares of common stock under its warrant (the "Takeda Warrant") issued to Takeda Pharmaceutical Company Limited ("Takeda") in connection with a May 2019 license agreement (see Note 4) in the calculation of basic weighted-average common shares outstanding from the time it became exercisable at the Company's IPO until its exercise because the Takeda Warrant was exercisable for little consideration. As of March 31, 2022, all Takeda Warrants has been exercised and no Takeda Warrants remain exercisable. For the three months ended March 31, 2022 and 2021, the Company has excluded weighted-average unvested shares of 1,022,885 and 2,582,666, respectively, from the weighted-average number of common shares outstanding. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and dilutive common stock equivalents outstanding for the period determined using the treasury-stock and if-converted methods. Dilutive common stock equivalents are comprised of unvested common stock, options and warrants. For the periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding as inclusion of the potentially dilutive securities (warrants, stock options, and common shares subject to repurchase) would be antidilutive.

Recently Adopted Accounting Standards

There were no recently adopted accounting standards which would have a material impact on the Company's financial statements.

Recently Issued Accounting Pronouncements

The Company assesses the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board or other standard setting bodies on the Company's financial statements as well as material updates to previous assessments, if any, from the Company's Annual Report on Form 10-K for the year ended December 31, 2021. There were no new material accounting standards issued in the first quarter of 2022 that impacted the Company.

2. Balance Sheet Details

Property, Plant and Equipment, net

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

	March 31, 2022	December 31, 2021
Computer equipment and software	$ 703	$ 646
Furniture and fixtures	900	780
Leasehold improvements	85	76
	1,688	1,502
Less: accumulated depreciation and amortization	(980)	(852)
Total property, plant and equipment, net	$ 708	$ 650

Depreciation expense for the three months ended March 31, 2022 and 2021 was approximately $128,000 and $125,000, respectively. No property, plant or equipment was disposed of during the three months ended March 31, 2022 or the year ended December 31, 2021.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Accrued research and development expenses	$ 2,845	$ 3,165
Accrued compensation expenses	2,594	6,344
Accrued professional & consulting expenses	2,067	1,855
Accrued other	59	41
Total accrued expenses	$ 7,565	$ 11,405

3. Related Party Transactions

Frazier is a principal stockholder of the Company. The Company has conducted operations within office space controlled by Frazier and Frazier allocated a portion of the costs associated with this office space to the Company. In addition, Frazier paid for various goods and services, such as employee wages, insurance and expense reimbursements and various administrative services associated with the operations of the Company and charged the Company for those expenses. As of March 31, 2022 and December 31, 2021 the Company had outstanding accounts payable and accrued expenses due to Frazier in the amount of $0, related to these shared operating expenses. For the three months ended March 31, 2022 and 2021, the Company incurred $0 and $16,000, respectively, of shared operating expenses.

Frazier is a principal stockholder in PCI Pharma Services ("PCI"). In the third quarter of 2019, the Company engaged PCI for clinical manufacturing services. As of March 31, 2022 and December 31, 2021, the Company had $0.1 million and $1.7 million, respectively, outstanding accounts payable and accrued expenses related to these manufacturing services. For the three months ended March 31, 2022 and 2021, the Company incurred $0.3 million and $0.9 million, respectively, of expenses related to services performed by PCI.

Takeda became a common stockholder of the Company in connection with the May 2019 license agreement (see Note 4). In conjunction with this license, Takeda provides proprietary supplies for the Company's ongoing clinical development of vonoprazan in addition to the exclusive license for the commercialization of vonoprazan in the United States, Canada and Europe. On May 5, 2020, the Company entered into a Commercial Supply Agreement, or the Commercial Supply Agreement, with Takeda, pursuant to which Takeda will supply commercial quantities of vonoprazan bulk drug product or drug substance. Pursuant to the Commercial Supply Agreement, Takeda has agreed to supply the Company with, and the Company has agreed to purchase from Takeda, certain quantities of vonoprazan bulk drug product according to approved specifications at a fixed price per batch of bulk drug product in order to commercialize vonoprazan in accordance with the Takeda License. Unless terminated earlier, the term of the Commercial Supply Agreement extends for a period of two years from the date the Company places an order for bulk drug product or drug substance for the first commercial launch of vonoprazan in any jurisdiction in the licensed territory, provided that this two-year period will expire no later than December 31, 2023. The Commercial Supply Agreement will terminate immediately upon the termination of the Takeda License in accordance with its terms. In connection with the Takeda License, the Company entered into a temporary services agreement, or the Temporary Services Agreement, with Takeda on November 24, 2020. Pursuant to the Temporary Services Agreement, Takeda agreed to provide or procure the provision of services related to the ongoing clinical development of vonoprazan. The Temporary Services Agreement will terminate immediately upon termination of the Takeda License in accordance with its terms. As of March 31, 2022 and December 31, 2021, the Company had $0.9 million, in outstanding accounts payable and accrued expenses related to these agreements. For the three months ended March 31, 2022 and 2021, the Company incurred $1.1 million and $0 million, respectively, of expenses related to these agreements. The Company has no remaining minimum purchase obligation related to these agreements.

4. Commitments and Contingencies

License Agreement

On May 7, 2019, the Company entered into a license agreement with Takeda pursuant to which it was granted an exclusive license to commercialize vonoprazan fumarate in the United States, Canada and Europe, or, the Takeda License. The Company also has the right to sublicense its rights under the agreement, subject to certain conditions. The agreement will remain in effect, on a country-by-country and product-by-product basis, until the later of (i) the expiration of the last to expire valid patent claim covering vonoprazan fumarate alone or in combination with at least one other therapeutically active ingredient, (ii) the expiration of the applicable regulatory exclusivity and (iii) 15 years from the date of first commercial sale, unless earlier terminated. The Company may terminate the Takeda License upon six months' written notice. The Company and Takeda may terminate the Takeda License in the case of the other party's insolvency or material uncured breach. Takeda may terminate the Takeda License if the Company challenges, or assists in challenging, licensed patents.

In consideration of the Takeda License, the Company (i) paid Takeda $25.0 million in cash, (ii) issued Takeda 1,084,000 shares of its common stock at a fair value of $5.9 million, (iii) issued the Takeda Warrant to purchase 7,588,000 shares of its common stock at an exercise price of $0.00004613 per share at an initial fair value of $47.9 million, and (iv) issued a right to receive an additional common stock warrant, or, the Takeda Warrant Right, should Takeda's fully-diluted ownership of the Company represent less than a certain specified percentage of the fully-diluted capitalization, including shares issuable upon conversion of then outstanding convertible promissory notes, calculated immediately before the closing of the Company's IPO, with a nominal initial fair value due to the low probability of issuance. The Takeda Warrant Right expired without effect since no fair value had been allocated to it upon completion of the IPO, and no additional warrant was issued. In addition, the Company is obligated to pay Takeda up to an aggregate of $250.0 million in sales milestones upon the achievement of specified levels of product sales, and a low double-digit royalty rate on aggregate net sales of licensed products, subject to certain adjustments. The Takeda Warrant has an exercise price of $0.00004613 per share, expires on May 7, 2029 and became exercisable upon the consummation of the IPO. As of March 31, 2022, all Takeda Warrants have been exercised.

Purchase Commitments

In December 2020, the Company entered into a supply agreement with Sandoz pursuant to which Sandoz will supply commercial quantities of amoxicillin capsules and clarithromycin tablets, package these antibiotics with vonoprazan, and provide in finished convenience packs. The supply agreement commits the Company to a minimum purchase obligation of approximately $3.8 million in the first 24-month period following the launch of the final product. The Company has not incurred any expenses under the agreement during the three months ended March 31, 2022 and 2021.

Contingencies

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

5. Lease Commitments

As of March 31, 2022, the Company had operating leases for office space in both Buffalo Grove, Illinois and Florham Park, New Jersey, with remaining lease terms of 3.1 years and 3.4 years, respectively. Both operating leases contain an option to extend the term for one additional five year period, which was not considered in the determination of the right-of-use asset or lease liability as the Company did not consider it reasonably certain that it would exercise such options.

The total rent expense for the three months ended March 31, 2022 and 2021 was approximately $0.2 million.

The following table summarizes supplemental balance sheet information related to the operating leases (in thousands):

	March 31, 2022	December 31, 2021
Assets:		
Operating lease right-of-use assets	1,795	1,914
Total right-of-use assets	$ 1,795	$ 1,914
Liabilities:		
Operating lease liabilities, current	490	487
Operating lease liabilities, non-current	1,083	1,183
Total operating lease liabilities	$ 1,573	$ 1,670

As of March 31, 2022, the future minimum annual lease payments under the operating leases were as follows (in thousands):

2022	$ 378
2023	516
2024	529
Thereafter	342
Total minimum lease payments	$ 1,765
Less: amount representing interest	(192)
Present value of operating lease liabilities	1,573
Less: operating lease liabilities, current	(490)
Operating lease liabilities	$ 1,083
Weighted-average remaining lease term (in years)	3.31
Weighted-average incremental borrowing rate	7.25%

Operating cash flows for the three months ended March 31, 2022 and 2021 included cash payments for operating leases of approximately $0.1 million and $0.2 million, respectively.

In February 2022, the Company entered into an operating lease for 6,250 rentable square feet of additional office space in Florham Park, New Jersey. The lease liability and the corresponding right-of-use asset associated with this lease obligation will be recorded upon the commencement of the lease, or the date in which the underlying asset is made available for use to the Company, which is expected to occur later in 2022.

The Company also entered into one year leases for passenger vehicles during the three months ended March 31, 2022. The Company elected the short-term lease exception for these leases and did not recognize a right-of-use asset and operating lease liability related to these leases.

6. Debt

Total debt consists of the following (in thousands):

	March 31, 2022
Long-term debt, current portion	$ —
Long-term debt, non-current portion	101,838
Unamortized debt discount	(10,801)
Total debt, net of debt discount	$ 91,037

On September 17, 2021, or the Closing Date, the Company entered into a Loan and Security Agreement, or, the Loan Agreement, with Hercules Capital, Inc., in its capacity as administrative agent and collateral agent and as a lender, or, in such capacity, the Agent or Hercules, and the other financial institutions that from time to time become parties to the Loan Agreement as lenders, or, collectively, the Lenders.

The Loan Agreement provides for term loans in an aggregate principal amount of up to $200.0 million, or the Term Loan, under multiple tranches. The tranches consist of (i) a first tranche consisting of term loans in an aggregate principal amount of $100.0 million, all of which was funded to the Company on the Closing Date, or First Advance, (ii) a second tranche consisting of up to an additional $50.0 million, which became available to the Company upon achievement of the protocol-specified primary efficacy endpoints in the Company's Phase 3 trial studying vonoprazan for the healing and maintenance of healing of erosive esophagitis with acceptable safety data, such that the results support the submission of a New Drug Application, or NDA, or supplemental NDA without the need to conduct another Phase 3 study and will be available, if specified conditions are met, through December 15, 2022, (iii) a third tranche consisting of an additional $25.0 million, which will become available to the Company upon the achievement of (a) Food and Drug Administration, or FDA, approval of the Company's NDA for vonoprazan and amoxicillin, or its New Drug Application for vonoprazan, amoxicillin and clarithromycin, in each case for an indication relating to the treatment of *Helicobacter pylori*, or *H. pylori,* with an approved indication on the claim that is generally consistent with that sought in the Company's NDA submission; and (b) filing of the Company's NDA or supplemental NDA for vonoprazan for indications relating to the healing and maintenance of healing of erosive esophagitis, or, milestones (a) and (b), together, the Second Performance Milestone, and will be available, if specified conditions are met, through September 30, 2023, and (iv) a fourth tranche consisting of up to an additional $25.0 million, which will be available, if specified conditions are met, through March 31, 2024, upon achievement of the Second Performance Milestone.

The Company paid a $1.25 million facility charge in connection with closing of the Loan Agreement and would need to pay 0.5% of any advances made under the third and fourth tranches.

The Term Loan will mature on October 1, 2026, or the Maturity Date. The Term Loan bears (i) cash interest at a variable annual rate equal to the greater of (a) 5.50% and (b) the Prime Rate (as reported in the Wall Street Journal) plus 2.25%, or the "Interest Rate", and (ii) payment-in-kind interest at a per annum rate of interest equal to 3.35%. Phathom may make payments of interest only through October 1, 2024, which may be extended to October 1, 2025, upon the achievement of the Second Performance Milestone on or prior to September 30, 2024 and the condition that no default or event of default exists, and which is further extendable to October 1, 2026, subject to FDA approval of the Company's NDA (or supplemental NDA) for vonoprazan for an indication relating to the healing and maintenance of healing of erosive esophagitis with an approved indication on the label that is generally consistent with that sought in the Company's NDA submission (or supplemental NDA submission), or the Third Performance Milestone, on or prior to September 30, 2025 and no default or event of default exists (the "interest only period"). After the interest-only period, the principal balance and related interest will be required to be repaid in equal monthly installments and continuing until the Maturity Date.

In addition, the Company is obligated to pay a final payment fee of 7.50% of the original principal amount of amounts actually advanced under the Term Loan, or, each a Term Loan Advance and together, the Term Loan Advances. As of March 31, 2022, the aggregate final payment fee for the first Term Loan Advance of $7.5 million has been recorded as an other long-term liability.

The Company may elect to prepay all or a portion of the Term Loan Advances prior to maturity, subject to a prepayment fee of up to 1.25% of the then outstanding principal balance of the Term Loan Advances being prepaid. After repayment, no Term Loan amounts may be borrowed again.

As collateral for the obligations, the Company has granted to Hercules a senior security interest in all of Company's right, title, and interest in, to and under substantially all of Company's property, inclusive of intellectual property.

The Loan Agreement contains customary closing fees, prepayment fees and provisions, events of default, and representations, warranties and covenants, including a financial covenant requiring Phathom to maintain certain levels of cash subject to a control agreement in favor of the Agent (minus accounts payable not paid within 120 days of invoice), or Qualified Cash, and commencing on May 15, 2023, trailing three-month net product revenue from the sale of vonoprazan and products containing vonoprazan. The revenue covenant will be waived at any time in which the Company maintains Qualified Cash equal to at least 60.0% (prior to the Third Performance Milestone), and 35% (following the Third Performance Milestone) of the total outstanding Term Loan principal amount, or the Company's market capitalization is at least $900.0 million. Upon the occurrence of an event of default, subject to any specified cure periods, all amounts owed by the Company may be declared immediately due and payable by Hercules, as collateral agent. As of March 31, 2022, the Company was in compliance with all applicable covenants under the Loan Agreement.

In connection with the entry into the Loan Agreement, the Company issued to Hercules a warrant, or, the Warrant, to purchase a number of shares of the Company's common stock equal to 2.5% of the aggregate amount of the Term Loan advances funded, and will issue to Hercules additional warrants when future Term Loan advances are funded. On the Closing Date, the Company issued a Warrant for 74,782 shares of common stock. The Warrant will be exercisable for a period of seven years from the date of issuance at a per-share exercise price equal to $33.43, which was the closing price of the Company's common stock on September 16, 2021. The Warrant is exercisable any time until September 17, 2028 and had an initial fair value of approximately $1.3 million.

The initial $1.3 million fair value of the Warrant, the $7.5 million final interest payment fee and $3.1 million of debt issuance costs have been recorded as debt discount and are being amortized to interest expense using the effective interest method over the term of the Term Loan.

Future minimum principal and interest payments under the Term Loan, including the final payment fee, as of March 31, 2022 are as follows (in thousands):

Year ending December 31:		
2022	$	4,315
2023		5,900
2024		17,308
2025		50,912
2026		66,948
Total principal and interest payments		145,383
Less interest and final payment fee		(45,383)
Total term loan borrowings	$	100,000

Prior to the Loan Agreement with Hercules, the Company had a loan with Silicon Valley Bank, or SVB, and approximately $54.3 million of the proceeds from the First Advance was used to satisfy in full and retire the Company's indebtedness under the SVB Term Loan with SVB, including accrued interest through the payoff date.

During the three months March 31, 2022 and 2021, the Company recognized $2.8 million and $1.3 million, respectively, of interest expense, including amortization of the debt discount, in connection with the Hercules Loan Agreement and SVB Term Loan. As of March 31, 2022, the Company had outstanding loan balance of $101.8 million and accrued interest of $0.5 million.

7. Stockholders' Equity

Common Stock

In March 2019, subsequent to the Merger, the Company sold 1,491,072 shares of the Company's common stock to Frazier.

In March 2019, the founders granted the Company a repurchase right for the 3,373,408 shares of common stock originally purchased in 2018. The Company has the right, but not the obligation, to repurchase unvested shares in the event the founder's relationship with the Company is terminated, subject to certain limitations, at the original purchase price of the stock. The repurchase right lapsed for 843,352 shares in March 2019 and the repurchase right for the remaining 2,530,056 shares lapses in equal monthly amounts over the following 48-month period ending in March 2023. The fair value of the founder shares at the date the repurchase right was granted is being recognized as stock-based compensation expense on a straight-line basis over the vesting period. As of March 31, 2022, 316,257 shares of common stock were subject to repurchase by the Company and the associated repurchase liability was not significant. The amount of recognized and unrecognized stock-based compensation related to the founder stock was immaterial for all periods presented.

In May 2019, the Company issued Takeda 1,084,000 shares of common stock in connection with the Takeda License.

For the period from January 1, 2019 to May 6, 2019, the Company issued 2,524,852 shares of common stock to various employees and consultants of the Company for aggregate proceeds of approximately $1,000. Upon issuance, these shares were subject to a repurchase option by the Company at the original purchase price of the shares. The repurchase rights generally lapse as to 25% of the shares on the first anniversary of the vesting commencement date, and the repurchase right lapses as to 1/48th of the shares each one-month period thereafter, subject to the purchaser remaining continuously an employee, consultant or director of the Company. In November 2019, the Company repurchased 17,560 shares at the original purchase price for an aggregate purchase price of $5.20. As of March 31, 2022, 605,957 shares remain available for repurchase by the Company and the associated repurchase liability was not significant.

On October 29, 2019, upon completion of the IPO, the Company sold 10,997,630 shares of common stock, which included the exercise in full by the underwriters of their option to purchase 1,434,473 additional shares at a public offering price of $19.00 per share. The net proceeds were approximately $191.5 million, after deducting underwriting discounts, commissions and offering costs.

In November 2020, the Company entered into an Open Market Sale Agreement℠, or, the Sales Agreement, with Jefferies LLC, or, the Sales Agent, under which it may, from time to time, sell shares of its common stock having an aggregate offering price of up to $125.0 million through the Sales Agent, or, the ATM Offering. Pursuant to the Sales Agreement, the Company will pay the Sales Agent a commission for its services in acting as an agent in the sale of common stock in an amount equal to 3% of the gross sales price per share sold. No shares were sold under the ATM Offering as of March 31, 2022.

On December 16, 2020, the Company completed an underwritten public offering, in which it sold 2,250,000 shares of its common stock at a price of $42.00 per share for total gross proceeds of $94.5 million. The net purchase price after deducting underwriting discounts and commissions was $39.48 per share, which generated net proceeds of $88.8 million. The Company incurred an additional $0.2 million of offering expenses in connection with this public offering.

A summary of the Company's unvested shares is as follows:

Balance at December 31, 2021	1,144,809
Share vesting	(222,595)
Balance at March 31, 2022	922,214

For accounting purposes, unvested shares of common stock are considered issued, but not outstanding until they vest.

Common stock reserved for future issuance consists of the following:

	March 31, 2022
Common stock warrants	91,228
Stock options, PSUs and RSUs outstanding	6,074,576
Shares available for issuance under the 2019 Incentive Plan	1,861,999
Shares available for issuance under the ESPP Plan	802,085
Balance at March 31, 2022	8,829,888

Preferred Stock

The Company is authorized to issue up to 40 million shares of preferred stock. As of March 31, 2022 and December 31, 2021, there were no shares of preferred stock issued or outstanding.

Equity Incentive Plan

The Company's 2019 Equity Incentive Plan (the "Existing Incentive Plan") provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, and other stock awards to eligible recipients, including employees, directors or consultants of the Company. The Company had 2,231,739 shares of common stock authorized for issuance under the Existing Incentive Plan, of which, 1,400,528 stock options and 16,260 restricted stock awards were granted. As a result of the adoption of the 2019 Incentive Award Plan (the "2019 Plan") in October 2019, no further shares are available for issuance under the Existing Incentive Plan.

2019 Incentive Award Plan

In October 2019, the board of directors adopted, and the Company's stockholders approved, the 2019 Plan, which became effective in connection with the IPO. Under the 2019 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other awards to individuals who are then employees, officers, non-employee directors or consultants of the Company or its subsidiaries. The number of shares initially available for issuance will be increased by (i) the number of shares subject to stock options or similar awards granted under the Existing Incentive Plan that expire or otherwise terminate without having been exercised in full after the effective date of the 2019 Plan and unvested shares issued pursuant to awards granted under the Existing Incentive Plan that are forfeited to or repurchased by the Company after the effective date of the 2019 Plan, with the maximum number of shares to be added to the 2019 Plan pursuant to clause (i) above equal to 1,416,788 shares, and (ii) an annual increase on January 1 of each calendar year beginning in 2020 and ending in 2029, equal to the lesser of (a) 5% of the shares of common stock outstanding on the final day of the immediately preceding calendar year and (b) such smaller number of shares as determined by the board of directors. As of March 31, 2022, 1,861,999 shares remain available for issuance, which reflects 1,520,009 of stock option, performance-based unit, or PSU, and restricted stock unit, or RSU, awards granted, and 26,462 of awards cancelled or forfeited, during the three months ended March 31, 2022 as well as an annual increase of 1,582,802 shares authorized on January 1, 2022.

Performance-based Units

During 2020, the Company granted the initial PSUs whereby vesting depends upon the approval by the FDA of vonoprazan for *H. pylori* and then, or concurrent with, erosive esophagitis. In 2022, the Company granted an additional 37,500 PSUs to employees. As of March 31, 2022, the PSU milestones had not been achieved and no related compensation cost had been recognized. The following table summarizes PSU activity under the 2019 Incentive Award Plan during the three months ended March 31, 2022.

	Number of Stock Units	Weighted-Average Grant Date Fair Value Per Share
Unvested balance at December 31, 2021	394,300	$ 32.23
Granted	37,500	20.06
Vested	-	-
Forfeited	(1,250)	34.93
Unvested balance at March 31, 2022	430,550	$ 31.16

As of March 31, 2022, there was approximately $13.4 million of related unrecognized compensation cost, which will begin to be recognized upon vesting.

Restricted Stock Units

During 2022, the Company granted 244,087 RSUs with vesting over time. The following table summarizes RSU activity under the 2019 Incentive Award Plan during the three months ended March 31, 2022.

	Number of Stock Units	Weighted-Average Grant Date Fair Value Per Share
Unvested balance at December 31, 2021	-	$ -
Granted	244,087	15.31
Vested	-	-
Forfeited	(900)	15.21
Unvested balance at March 31, 2022	243,187	$ 15.31

As of March 31, 2022, the Company had $3.5 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 2.8 years.

Employee Stock Purchase Plan

In October 2019, the board of directors adopted, and the Company's stockholders approved, the Employee Stock Purchase Plan, or the ESPP, which became effective in connection with the IPO. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation, which includes a participant's gross base compensation for services to the Company, including overtime payments and excluding sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments. A total of 270,000 shares of common stock was initially reserved for issuance under the ESPP. In addition, the number of shares available for issuance under the ESPP will be annually increased on January 1 of each calendar year beginning in 2020 and ending in 2029, by an amount equal to the lesser of: (i) 1% of the shares outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the board of directors. As of March 31, 2022, 802,085 shares of common stock remain available for issuance, which includes the 39,951 shares sold to employees during the three months ended March 31, 2022.

The ESPP is considered a compensatory plan, and the Company recorded related stock-based compensation of $0.1 million for the three months ended March 31, 2022 and 2021. The weighted-average assumptions used to estimate the fair value of ESPP awards using the Black-Scholes option valuation model were as follows:

	Three Months Ended March 31,	
	2022	2021
Assumptions:		
Expected term (in years)	0.49	0.75
Expected volatility	72.41%	81.83%
Risk free interest rate	0.37%	0.10%
Dividend yield	-	-

The estimated weighted-average fair value of ESPP awards for the three months ended March 31, 2022 and 2021, were $5.31 and $15.85, respectively. As of March 31, 2022, the total unrecognized compensation expense related to the ESPP was $0.2 million, which is expected to be recognized over a weighted-average period of approximately 0.3 years.

401(k) Plan

The Company established a 401(k) savings plan during the year ended December 31, 2020. The Company's contributions to the plan are discretionary. During the three months ended March 31, 2022 and 2021, the Company incurred $0.6 and $0.4 million, respectively, of expense related to estimated employer contribution liabilities, which was based on a 75% match of employees' contributions during the periods. In August 2021, the Board of Directors approved a semi-annual discretionary match for 2021, which was settled by contributing 18,394 shares. In January 2022, the Board of Directors approved a second semi-annual discretionary match for 2021, which was settled by contributing 16,756 shares.

Stock Options

The fair value of each employee and non-employee stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company, prior to the IPO on October 29, 2019, was a private company and lacked company-specific historical and implied volatility information. Therefore, it estimated its expected volatility based on the historical volatility of a publicly traded set of peer companies. Due to the lack of historical exercise history, the expected term of the Company's stock options for employees was determined utilizing the "simplified" method for awards. The expected term of stock options granted to non-employees was equal to the contractual term of the option award. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield was zero based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

A summary of the Company's stock option activity and related information is as follows:

	Options Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2021	4,186,729	$ 27.53	8.43	$ 13,973
Options granted	1,238,422	15.36		
Options exercised and shares vested	—	—		
Options forfeited, expired or cancelled	(24,312)	31.62		
Balance at March 31, 2022	5,400,839	$ 24.72	8.56	$ 6,168
Options exercisable as of March 31, 2022	1,678,218	$ 24.11	7.89	$ 3,462

The estimated weighted-average fair value of employee and nonemployee director stock options granted during 2022 was $9.30 per option. As of March 31, 2022, the Company had $52.3 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 2.5 years.

The weighted-average assumptions used to estimate the fair value of stock options using the Black-Scholes option valuation model were as follows:

	Three Months Ended March 31,	
	2022	2021
Assumptions:		
Expected term (in years)	6.08	6.07
Expected volatility	66.19%	67.49%
Risk free interest rate	1.70%	0.60%
Dividend yield	—	—

Stock-Based Compensation Expense

Stock-based compensation expense recognized for all equity awards, including founder stock, has been reported in the statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Research and development expense	$ 1,139	$ 859
General and administrative expense	4,636	2,959
Total	$ 5,775	$ 3,818

8. Subsequent Event

The Company announced signing of a revenue interest financing agreement for up to $260 million non-dilutive financing on May 4, 2022. The agreement provides for an upfront $100 million cash payment and an additional $160 million cash payment upon FDA approval of vonoprazan for treatment of EE. Subject to the initial investors' right of first offer, the Company has the right, upon the same terms, to obtain from new investors up to an additional $15 million upon EE approval and up to an additional $25 million upon achievement of a sales milestone, which could bring the total financing to $300 million. Under the agreement, the Company will pay the investors a 10% royalty on net sales of products containing vonoprazan, which royalty rate is subject to a step-down on net sales exceeding annual thresholds if the Company receives approval of vonoprazan for non-erosive reflux disease, or NERD. The funding of the initial $100 million will occur by May 17, 2022.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the unaudited interim financial statements and notes thereto included in this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2021 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Form 10-K").

Forward Looking Statements

The following discussion and other parts of this quarterly report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations and financial position, business strategy, research and development plans and costs, the impact of COVID-19, the timing and likelihood of regulatory filings and approvals, commercialization plans, pricing and reimbursement, the potential to develop future product candidates, the timing and likelihood of success of the plans and objectives of management for future operations, and future results of anticipated product development efforts, are forward-looking statements. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations. The forward-looking statements in this quarterly report 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 financial condition, operating results, business strategy, short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in the Part II, Item 1A under the heading "Risk Factors." 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. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are a biopharmaceutical company focused on developing and commercializing novel treatments for gastrointestinal, or GI, diseases. Our initial product candidate, vonoprazan, is an oral small molecule potassium-competitive acid blocker, or P-CAB. P-CABs are a novel class of medicines that block acid secretion in the stomach. Vonoprazan has shown rapid, potent, and durable anti-secretory effects and has demonstrated clinical benefits over the current standard of care as a single agent in the treatment of gastroesophageal reflux disease, or GERD, and in combination with antibiotics for the treatment of *H. pylori*, infection. Takeda Pharmaceutical Company Limited, or Takeda, developed vonoprazan and has received marketing approval in numerous countries in Asia and Latin America as well as Russia. Vonoprazan generated approximately $850 million in net sales in its seventh full year on the market since its approval in Japan in late 2014. In May 2019, we in-licensed the U.S., European, and Canadian rights to vonoprazan from Takeda.

In 2021 we reported topline data from two pivotal Phase 3 clinical trials for vonoprazan: one for the treatment of *H. pylori* infection (PHALCON-HP), and a second for the treatment of erosive GERD (PHALCON-EE), also known as erosive esophagitis, or EE. In April 2021, we reported positive topline data from PHALCON-HP, and in October 2021, we reported positive topline data from PHALCON-EE. In September 2021, we submitted new drug applications (NDAs) for two treatment regimens containing vonoprazan for the treatment of *H.* pylori, vonoprazan triple therapy (vonoprazan, amoxicillin, clarithromycin) and vonoprazan dual therapy (vonoprazan, amoxicillin), and in November 2021, the U.S. Food and Drug Administration, or FDA, accepted both NDAs for filing, granted each of them Priority Review, and assigned us a Prescription Drug User Fee Act (PDUFA) action date in May 2022. In addition, both of our *H. pylori* NDAs received qualified infectious disease product (QIDP) designations which provides a potential extension of any regulatory exclusivity awarded following approval. On May 3, 2022, we received FDA approval for vonoprazan triple therapy, under the brand name VOQUEZNA™ TRIPLE PAK™ and vonoprazan dual therapy, under the brand name VOQUEZNA™ DUAL PAK™, in each case for the treatment of *H. pylori* infection in adults and expect to launch both products in the third quarter of 2022. Further, in March 2022, we submitted an NDA for the use of vonoprazan as a treatment for adults for the healing of all grades of EE and relief of heartburn, and maintenance of healing of all grades of EE and relief of heartburn.

We have also progressed our clinical development program in NERD. In February 2022, we reported positive topline data from a Phase 2 trial studying vonoprazan for on-demand treatment of NERD, and in February 2022, we commenced enrollment of patients in a Phase 3 trial studying vonoprazan, dosed on a once-daily basis, for the treatment of NERD with topline data expected in 2023.

We plan to independently commercialize vonoprazan in the United States. We also plan to seek commercial partnerships for vonoprazan in Europe and Canada, expand development of vonoprazan into other indications, dosing regimens and alternative formulations and packaging, and in-license or acquire additional clinical or commercial stage product candidates for the treatment of GI diseases in a capital efficient manner.

We commenced our operations in 2018 and have devoted substantially all of our resources to date to organizing and staffing our company, business planning, raising capital, in-licensing our initial product candidate, vonoprazan, meeting with regulatory authorities, conducting our clinical trials of vonoprazan, preparing applications for regulatory approval for vonoprazan and preparing for the commercial launch. Our operations to date have been funded primarily through the issuance of convertible promissory notes, commercial bank debt, the proceeds from our initial public offering and our follow-on public offering. From our inception through March 31, 2022, we have raised aggregate gross proceeds of $90.3 million from the issuance of convertible promissory notes, $100.0 million of debt, net proceeds from our initial public offering of $191.5 million from the sale of 10,997,630 shares of common stock, which included the exercise in full by the underwriters of their option to purchase 1,434,473 additional shares at a public offering price of $19.00 per share, after deducting underwriting discounts, commissions and offering costs, and net proceeds of $88.6 million from the sale of 2,250,000 shares of common stock at a public offering price of $39.48 per share after deducting underwriting discounts and commissions, and an additional $0.2 million in offering costs.

We have incurred net losses since our inception. Our net losses for the three month periods ended March 31, 2022 and 2021 were $40.7 million and $34.8 million, respectively. As of March 31, 2022, we had an accumulated deficit of $570.0 million. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical development activities, other research and development activities, and pre-commercialization activities. We expect our expenses and operating losses will increase substantially as we advance vonoprazan through additional clinical trials, seek further regulatory approval for vonoprazan, expand our clinical, regulatory, quality, manufacturing and commercialization capabilities, incur significant commercialization expenses for marketing, sales, manufacturing and distribution, protect our intellectual property, expand our general and administrative support functions, including hiring additional personnel, and incur additional costs associated with operating as a public company.

We have never generated any revenue and do not expect to generate any revenues from product sales unless and until we commence commercialization of our initial approved products. Accordingly, until such time as we can generate significant revenue from sales of vonoprazan, if ever, we expect to finance our cash needs through equity offerings, our existing loan and security agreement, or the Loan Agreement, debt financings, or other capital sources, including potential collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all, and this risk could be exacerbated by the impact of COVID-19 on global economic conditions. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

License Agreement with Takeda

On May 7, 2019, we and Takeda entered into an exclusive license, or the Takeda License, pursuant to which we in-licensed the U.S., European, and Canadian rights to vonoprazan fumarate. During the term of the Takeda License, we and our affiliates are not permitted to commercialize any pharmaceutical product, other than vonoprazan, that treats acid-related disorders, except for certain generic and OTC competing products in specified circumstances. We will be responsible at our cost for the development, manufacture and commercialization of vonoprazan products. We are required to use commercially reasonable efforts to develop and commercialize the vonoprazan products in our licensed territory.

Under the Takeda License, Takeda has the sole right and authority, with our input, to prepare, file, prosecute, and maintain all Takeda and joint patents on a worldwide basis at its own cost. We are responsible, at our cost, for preparing, filing, prosecuting, and maintaining patents on inventions made solely by us in connection with vonoprazan, subject to input from Takeda.

We paid Takeda upfront consideration consisting of a cash fee of $25.0 million, 1,084,000 shares of our common stock, a warrant to purchase 7,588,000 shares of our common stock at an exercise price of $0.00004613 per share, or the Takeda Warrant, and issued Takeda a right to receive an additional common stock warrant, or the Takeda Warrant Right, if Takeda's fully-diluted ownership of the Company represented less than a certain specified percentage of the fully-diluted capitalization, including shares issuable upon conversion of then outstanding convertible promissory notes, calculated immediately prior to the closing of our IPO. The Takeda Warrant Right expired without effect since no fair value had been allocated to it upon completion of our IPO, and no additional warrant was issued. We agreed to make milestone payments to Takeda upon achieving certain tiered aggregate annual net sales of licensed products in the United States, Europe, and Canada up to a total maximum milestone amount of $250.0 million. We also agreed to make tiered royalty payments at percentages in the low double digits on net sales of licensed products, subject to specified offsets and reductions. Royalties will be payable, on a product-by-product and country-by-country basis from the first commercial sale of such product in such country, until the latest of expiration of the licensed patents covering the applicable product, expiration of regulatory exclusivity in such country, or 15 years following first commercial sale in such country.

Components of Results of Operations

Operating Expenses

Research and Development

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

Research and development expenses include:

- salaries, payroll taxes, employee benefits, and stock-based compensation charges for those individuals involved in research and development efforts;
- external research and development expenses incurred under agreements with contract research organizations, or CROs, and consultants to conduct and support our ongoing clinical trials of vonoprazan; and
- costs related to the manufacturing of vonoprazan for our clinical trials as well as for qualification of future third party commercial manufacturing.

We plan to increase our research and development expenses for the foreseeable future as we continue the development of vonoprazan. We cannot determine with certainty the timing of initiation, the duration or the completion costs of current or future clinical trials and nonclinical studies of vonoprazan or any future product candidates due to the inherently unpredictable nature of clinical and preclinical development. Clinical and preclinical development timelines, the probability of success and development costs can differ materially from expectations. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements

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

- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;

- the number of patients that participate in the trials;
- the number of doses evaluated in the trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the phase of development of the product candidate;
- the efficacy and safety profile of the product candidate; and
- delays and cost increases as a result of COVID-19.

General and Administrative

General and administrative expenses consist of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance, accounting, legal, human resources and other administrative functions, legal fees relating to intellectual property and corporate matters, and professional fees for accounting and consulting services. We anticipate that our general and administrative expenses will significantly increase in the future to support our continued research and development activities, pre-commercial preparation activities in light of the recent approval of VOQUEZNA™ TRIPLE PAK™ and VOQUEZNA™ DUAL PAK™ to treat *H. Pylori* infection in adults and, if any future product candidate receives marketing approval, commercialization activities. We also anticipate increased expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with exchange listing and Securities and Exchange Commission, or SEC, requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

Interest Income

Interest income consists of interest on our money market fund.

Interest Expense

Beginning on September 17, 2021, interest expense consists of (i) cash interest at a variable annual rate equal to the greater of (a) 5.50% and (b) the Prime Rate (as reported in the Wall Street Journal) plus 2.25% (the "Interest Rate"), (ii) payment-in-kind interest at a per annum rate of interest equal to 3.35%, and (iii) amortization of the Hercules Loan Agreement debt discount recorded in connection with the fair value of warrants issued to the lenders, the debt issuance costs incurred, and the obligation to make a final payment.

Prior to September 17, 2021, interest expense consisted of interest on our outstanding commercial bank debt with SVB at a variable annual rate equal to the greater of (a) 7.25% and (b) Prime Rate (as reported by the Wall Street Journal) plus 1.75% and amortization of the SVB Term Loan debt discount recorded in connection with the fair value of warrants issued to the lenders, the debt issuance costs incurred, and the obligation to make a final payment.

Results of Operations

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

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

	Three Months Ended March 31,		
	2022	2021	Change
Operating expenses:			
Research and development	$ 17,660	$ 20,580	$ (2,920)
General and administrative	20,246	13,004	7,242
Total operating expenses	37,906	33,584	4,322
Loss from operations	(37,906)	(33,584)	(4,322)
Other income (expense):			
Interest income	7	14	(7)
Interest (expense)	(2,759)	(1,272)	(1,487)
Other (expense)	(7)	(1)	(6)
Total other (expense)	(2,759)	(1,259)	(1,500)
Net loss	$ (40,665)	$ (34,843)	$ (5,822)

Research and Development Expenses. Research and development expenses were $17.7 million and $20.6 million for the three months ended March 31, 2022 and 2021, respectively. The decrease of $2.9 million consisted of a $5.3 million reduction of clinical trial cost partially offset by $1.2 million of chemistry manufacturing and controls, or CMC, costs related to vonoprazan, and $1.2 million of personnel-related and consulting expenses.

General and Administrative Expenses. General and administrative expenses were $20.2 million and $13.0 million for the three months ended March 31, 2022 and 2021, respectively. The increase of $7.2 million was due to increases of $5.7 million in professional services expenses for commercial, medical affairs and other services, $3.9 million in personnel-related expenses, partially offset by a $0.5 million reduction in consulting fees and a $1.9 million decrease in other expenses. Due to the planned continued buildout of administrative and commercial functions we expect general and administrative expenses to increase in future periods.

Other Income (Expense). Other expense of $2.8 million for the three months ended March 31, 2022 consisted of interest expense under the Hercules Loan Agreement. Other expense of $1.3 million for the three months ended March 31, 2021 consisted of interest expense under the SVB Term Loan.

Liquidity and Capital Resources

We have incurred net losses and negative cash flows from operations since our inception and anticipate we will continue to incur net losses for the foreseeable future. As of March 31, 2022, we had cash and cash equivalents of $138.1 million.

Loan Agreement with Hercules

On September 17, 2021, (the “Closing Date”), we entered into a Loan and Security Agreement (the “Loan Agreement”) with Hercules Capital, Inc., in its capacity as administrative agent and collateral agent and as a lender (in such capacity, the “Agent” or “Hercules”) and the other financial institutions that from time to time become parties to the Loan Agreement as lenders (collectively, the “Lenders”).

The Loan Agreement provides for term loans in an aggregate principal amount of up to $200.0 million (the "Term Loan") under multiple tranches. The tranches consist of (i) a first tranche consisting of term loans in an aggregate principal amount of $100.0 million, all of which was funded on the Closing Date (the "First Advance"), (ii) a second tranche consisting of up to an additional $50.0 million, which became available to us upon achievement of the protocol-specified primary efficacy endpoints in our Phase 3 trial studying vonoprazan for the healing and maintenance of healing of erosive esophagitis with acceptable safety data, such that the results support the submission of a New Drug Application ("NDA") or supplemental NDA without the need to conduct another Phase 3 study and will be available, if specified conditions are met, through December 15, 2022, (iii) a third tranche consisting of an additional $25.0 million, which will become available to us upon the achievement of (a) FDA approval of our NDA for vonoprazan and amoxicillin, or its NDA for vonoprazan, amoxicillin and clarithromycin, in each case for an indication relating to the treatment of H. pylori with an approved indication on the claim that is generally consistent with that sought in our NDA submission; and (b) filing of an NDA or supplemental NDA for vonoprazan for indications relating to the healing and maintenance of healing of erosive esophagitis (milestones (a) and (b), together, the "Second Performance Milestone"), and will be available, if specified conditions are met, through September 30, 2023, and (iv) a fourth tranche consisting of up to an additional $25.0 million, which will be available, if specified conditions are met, through March 31, 2024, upon achievement of the Second Performance Milestone. We intend to use the proceeds of the Term Loan advances for working capital and general corporate purposes. In addition, approximately $54 million of the proceeds from the First Advance was used to satisfy in full and retire our indebtedness under its previously outstanding credit facility with Silicon Valley Bank (the "SVB Term Loan").

The Term Loan will mature on October 1, 2026 (the "Maturity Date"). The Term Loan bears (i) cash interest at a variable annual rate equal to the greater of (a) 5.50% and (b) the Prime Rate (as reported in the Wall Street Journal) plus 2.25% (the "Interest Rate") and (ii) payment-in-kind interest at a per annum rate of interest equal to 3.35%. We may make payments of interest only through October 1, 2024, which may be extended to October 1, 2025, upon the achievement of the Second Performance Milestone on or prior to September 30, 2024 and the condition that no default or event of default exists, and which is further extendable to October 1, 2026, subject to FDA approval of our NDA (or supplemental NDA) for vonoprazan for an indication relating to the healing and maintenance of healing of erosive esophagitis with an approved indication on the label that is generally consistent with that sought in our NDA submission (or supplemental NDA submission) (the "Third Performance Milestone") on or prior to September 30, 2025 and no default or event of default exists (the "interest only period"). After the interest-only period, the principal balance and related interest will be required to be repaid in equal monthly installments and continuing until the Maturity Date.

The Loan Agreement contains customary closing fees, prepayment fees and provisions, events of default, and representations, warranties and covenants, including a financial covenant requiring us to maintain certain levels of cash subject to a control agreement in favor of the Agent (minus accounts payable not paid within 120 days of invoice) ("Qualified Cash"), and commencing on May 15, 2023, trailing three-month net product revenue from the sale of vonoprazan and products containing vonoprazan. The revenue covenant will be waived at any time in which we maintain Qualified Cash equal to at least 60.0% (prior to the Third Performance Milestone), and 35% (following the Third Performance Milestone) of the total outstanding Term Loan principal amount, or our market capitalization is at least $900.0 million.

As collateral for the obligations, we granted to Hercules a senior security interest in all of our right, title, and interest in, to and under substantially all of our property, inclusive of intellectual property.

In connection with the entry into the Loan Agreement, we issued to Hercules a warrant (the "Warrant") to purchase a number of shares of our common stock equal to 2.5% of the aggregate amount of the Term Loan advances funded, and will issue to Hercules additional warrants when future Term Loan advances are funded. On the Closing Date, we issued a Warrant for 74,782 shares of common stock. The Warrant will be exercisable for a period of seven years from the date of issuance at a per-share exercise price equal to $33.43, which was the closing price of our common stock on September 16, 2021.

At-the-Market-Offering

On November 10, 2020, we entered into an Open Market Sale Agreement℠, or the Sales Agreement, with Jefferies LLC, or the Sales Agent, under which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to $125.0 million through the Sales Agent, or the ATM Offering. Sales of our common stock made pursuant to the Sales Agreement, if any, will be made under our shelf registration statement on Form S-3 which was filed on November 10, 2020 and declared effective by the SEC on November 16, 2020. We are not obligated to, and we cannot provide any assurances that we will, make any sales of the shares under the Sales Agreement. The Sales Agreement may be terminated by the Sales Agent or us at any time. There were no sales of our common stock under the ATM Offering for the three-month period ended March 31, 2022.

Underwritten Public Offering

On December 16, 2020, the Company completed an underwritten public offering, in which it sold 2,250,000 shares of its common stock at a price of $42.00 per share for total gross proceeds of $94.5 million. The net purchase price after deducting underwriting discounts and commissions was $39.48 per share, which generated net proceeds of $88.8 million. We incurred an additional $0.2 million of offering expenses in connection with the public offering.

Funding Requirements

Based on our current operating plan, we believe that our existing cash and cash equivalents together with the drawdown of the remaining $100 million under our Loan Agreement with Hercules, receipt of amounts potentially available under the revenue interest financing agreement and anticipated future sales of products containing vonoprazan will be sufficient to fund our operations through 2024. We expect such amounts will allow us to complete our ongoing Phase 3 clinical trial studying vonoprazan for NERD (daily dosing), and launch vonoprazan for *H. pylori* and, if approved, erosive esophagitis. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

Our future capital requirements will depend on many factors, including:

- the initiation, type, number, scope, results, costs, and timing of our clinical trials of vonoprazan and preclinical studies or clinical trials of other potential product candidates we may choose to pursue in the future, including feedback received from regulatory authorities;
- delays and cost increases as a result of COVID-19;
- the costs and timing of manufacturing for vonoprazan or any future product candidates, including commercial scale manufacturing if any product candidate is approved;
- the costs, timing and outcome of regulatory review of vonoprazan or any future product candidates;
- the costs of obtaining, maintaining, and enforcing our patents and other intellectual property rights;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our business grows, including additional executive officers and clinical development personnel;
- the timing and amount of the milestone or other payments we must make to Takeda and any future licensors;
- the costs and timing of establishing or securing sales and marketing capabilities for vonoprazan or any future product candidate;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- patients' willingness to pay out-of-pocket for any approved products in the absence of coverage and/or adequate reimbursement from third-party payors;
- the terms and timing of establishing and maintaining collaborations, licenses, and other similar arrangements; and
- costs associated with any products or technologies that we may in-license or acquire.

Until such time, if ever, as we can generate substantial product revenues to support our cost structure, we expect to finance our cash needs through equity offerings, debt financings, or other capital sources, including potential collaborations, licenses, and other similar arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, or other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

Including our existing cash and cash equivalents, we believe that we have sufficient working capital on hand to fund operations such that there is no substantial doubt as to our ability to continue as a going concern at the date the financial statements were issued. There can be no assurance that we will be successful in acquiring additional funding, that our projections of future working capital needs will prove accurate, or that any additional funding would be sufficient to continue operations in future years.

Cash Flows

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

	Three Months Ended March 31,		
	2022	2021	Change
Net cash provided by (used in):			
Operating activities	$ (45,102)	$ (49,765)	$ 4,663
Investing activities	(67)	(169)	102
Financing activities	—	412	(412)
Net (decrease) in cash	$ (45,169)	$ (49,522)	$ 4,353

Operating Activities

Net cash used in operating activities was approximately $45.1 million and $49.8 million for the three months ended March 31, 2022 and 2021, respectively. The net cash used in operating activities for the three months ended March 31, 2022 was due to approximately $32.8 million spent on ongoing research and development and general and administrative activities and a $12.3 million net change in operating assets and liabilities. The net change in operating assets and liabilities primarily related to a $7.5 million decrease in accounts payable and accrued expenses (including clinical trial expenses), a $4.3 million increase in prepaid assets and other current assets, and a $0.5 million increase in other long-term assets. The net cash used in operating activities for the three months ended March 31, 2021 was due to approximately $30.2 million spent on ongoing research and development and general and administrative activities and a $19.6 million net change in operating assets and liabilities. The net change in operating assets and liabilities primarily related to a $0.9 million increase in prepaid clinical activities, and an $18.7 million decrease in accounts payable and accrued expenses in support of the growth in our operating activities.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2022 and 2021, was primarily due to the cash we paid for acquiring property, plant and equipment.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2022 was $0 million. Net cash provided by financing activities for the three months ended March 31, 2021 was $0.4 million, due to issuance of common stock from exercise of stock options.

Contractual Obligations and Commitments

Other than disclosed below, there were no material changes outside the ordinary course of our business during the three months ended March 31, 2022 to the information regarding our contractual obligations that was disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our 2021 Form 10-K.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in our financial statements and accompanying notes. We evaluate these estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of our critical accounting policies, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Significant Judgments and Estimates" contained in our 2021 Form 10-K. There have not been any material changes to the critical accounting policies discussed therein during the three months ended March 31, 2022.

Other Company Information

JOBS Act

As an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. We intend to rely on other exemptions provided by the JOBS Act, including without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of Sarbanes-Oxley.

We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year following the fifth anniversary of the consummation of our IPO, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Recent Accounting Pronouncements

The information required by this item is included in Note 1, Organization, Basis of Presentation and Summary of Significant Accounting Policies included in Part 1, Item 1 of this quarterly report.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2022, there have been no material changes surrounding our market risk, including interest rate risk, foreign currency exchange risk, and inflation risk, from the discussion provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk" of our 2021 Form 10-K.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive officer and principal financial officer have 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

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2022 that have materially affected, or are 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 involved in legal proceedings or subject to claims incident to the ordinary course of business. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A, “Risk Factors” of our 2021 Form 10-K.

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

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation	8-K	10/29/19	3.1	
3.2	Amended and Restated Bylaws	8-K	09/25/2020	3.1	
4.1	Form of Common Stock Certificate	S-1/A	10/15/19	4.1	
4.2	Warrant to purchase shares of common stock issued to Takeda Company Limited, dated May 7, 2019	S-1	9/30/19	4.2	
4.3	Warrant to purchase stock issued to Silicon Valley Bank, dated May 14, 2019	S-1	9/30/19	4.3	
4.4	Warrant to purchase stock issued to WestRiver Innovation Lending Fund VIII, L.P., dated May 14, 2019	S-1	9/30/19	4.4	
4.5	Note Purchase Agreement, dated May 7, 2019, by and among the Registrant and the other parties party thereto, as amended	S-1/A	10/15/19	4.5	
4.6	Description of Registered Securities	10-K	12/31/21	4.6	
10.1#	Employment Letter Agreement, dated March 22, 2022, by and between Molly Henderson and the Company				X
31.1	Certification of Chief Executive Officer of Phathom Pharmaceuticals, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Financial Officer of Phathom Pharmaceuticals, Inc., as required by Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Label Linkbase Document				X
101.PRE	Inline XBRL Presentation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

# Indicates management contract or compensatory plan

* This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

PHATHOM PHARMACEUTICALS, INC.

Date: May 10, 2022

By: /s/ Terrie Curran
Terrie Curran
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 10, 2022

By: /s/ Molly Henderson
Molly Henderson
Chief Financial and Business Officer
(Principal Financial and Accounting Officer)

March 22, 2022

Molly Henderson
Basking Ridge, New Jersey
mhender1221@gmail.com

Re: Employment Offer Letter

Dear Molly:

Phathom Pharmaceuticals, Inc. (the "***Company***") is pleased to offer you a position on the terms set forth in this letter (this "***Agreement***").

- **EMPLOYMENT TERMS.**

  - **DUTIES.** Following the Start Date (as defined below), you shall serve as the Company's Chief Financial and Business Officer. In such position, you shall report directly to the Chief Executive Officer of the Company (the "**Supervising Officer**"). You will be responsible for the Company's accounting, financial planning and analysis (FP&A), investor relations, and business development functions, as well as such other duties as are assigned to you by your Supervising Officer; provided, however, such other duties shall be consistent with your role as Chief Financial Officer and Business Officer. You shall perform your services on a full-time basis at the Company's headquarters at 100 Campus Drive, Florham Park, New Jersey, or at a mutually agreed location by you and the Supervising Officer, with travel as needed in connection with your duties at the Company's expense. This is an exempt position.

  - **EXCLUSIVE SERVICES.** During the term of your employment, you shall devote your full working time and attention to the business affairs of the Company. Subject to the terms of the Company's form of Proprietary Information and Inventions Assignment Agreement, as described below, this shall not preclude you from (a) devoting time to personal and family investments, (b) participating in industry associations, or (c) serving on professional, educational, community and civic boards, provided such activities do not interfere with your duties to the Company, as determined in good faith by the Supervising Officer. You agree that you will not join any boards, other than professional, educational, community and civic boards (which do not interfere with your duties to the Company), without the prior approval of the Supervising Officer, which approval shall not be unreasonably withheld, and that you shall be limited to service on two outside boards, other than professional, educational, community and civic boards.

  - **START DATE.** We expect that your employment start date (the "***Start Date***") will occur as soon as reasonably practicable but in no event later than April 15, 2022 (the "***Start Date Deadline***"). The employment offer contained in this Agreement will automatically expire if you have not commenced full-time employment with the Company prior to the Start Date Deadline. This offer, if not accepted, will expire at the close of business on March 24, 2022.

  - **PUBLIC ANNOUNCEMENT**. We expect to make a public announcement regarding your employment within four business days following your current employer, UroGen Pharma, reporting its 2021 results, provided such public announcement shall be no later than March 31,

2022 (the "***Public Announcement Deadline***").

- **EMPLOYMENT COMPENSATION.** Your initial employment compensation will be as follows:

  - **BASE SALARY.** You will receive an annual base salary of **$480,000** for all hours worked, less taxes, authorized withholdings and other legally required deductions. You will be paid in accordance with the Company's customary payroll procedures as established and modified from time-to-time. Your base salary will be subject to annual reviews for increases by and at the sole discretion of the Board of Directors of the Company (the "***Board***") or its compensation committee.

  - **ANNUAL BONUS.** In addition to your base salary, you shall be eligible to earn, for each fiscal year of the Company ending during the term of your employment with the Company, an annual cash performance bonus under the Company's bonus plan, as approved from time to time by the Board. Your target annual bonus will be **forty five percent (45%)** of your base salary actually paid for the year to which such annual bonus relates (your "***Target Bonus***"). Your actual annual bonus will be determined on the basis of your and/or the Company's attainment of financial or other performance criteria established by the Board or its designee in accordance with the terms and conditions of such bonus plan. You must be employed by the Company on the date of payment of such annual bonus in order to be eligible to receive such annual bonus. If you have accepted this Agreement and have approved the Company to announce your employment on or before the Public Announcement Deadline, your bonus for your initial year of employment will not be prorated. Otherwise, your bonus for your initial year of employment will be prorated to reflect the portion of the year that you were an employee of the Company.

  - **SIGN-ON BONUS**. If you have accepted this Agreement and have approved the Company to announce your employment on or before the Public Announcement Deadline, you will receive a sign-on bonus of **$75,000** within 10 days of your Start Date. Such sign-on bonus is subject to repayment in the event your employment with the Company is terminated by the Company for Cause or by you without Good Reason (each as defined below). Repayment of the signing bonus shall be forgiven by 50% on each of the first and second anniversaries of your Start Date. The Company will have the right to offset such amount against any compensation otherwise payable to you on the date of your termination of employment.

  - **BENEFITS.** You shall be eligible to participate in all of the employee benefit plans or programs the Company generally makes available to similarly situated employees, pursuant to the terms and conditions of such plans. You will also be entitled to vacation and/or paid time off each year in accordance with Company policy and all holidays observed by the Company each year. The Company reserves the right to change benefits provided to its employees from time to time in its discretion.

  - **WITHHOLDING.** All amounts payable to you will be subject to appropriate payroll deductions and withholdings.

- **STOCK OPTIONS.** Subject to approval of the Board, you will be granted stock options to purchase **100,000 shares** of the Company's common stock at an exercise price per share equal to the fair market value per share of the Company's common stock on the date of grant (the "***Stock Options***"). The Stock Options will be granted pursuant to the Company's equity incentive plan (the "***Plan***"). The Stock Options will be subject to the terms and conditions of the Plan and your stock option agreement. The Stock Options will vest over a four year vesting schedule. The Stock Options will vest over a four year vesting schedule, with twenty-five percent (25%) of the Stock Options vesting on the first anniversary of the Start Date and the remaining Stock Options vesting in thirty-six (36) equal monthly installments thereafter, subject solely to your continued employment or service to the Company on each such vesting

date (except as set forth herein). Except as otherwise expressly provided herein, in the event of your termination of employment or service for any reason, all of your unvested Stock Options will terminate immediately.

- **Restricted Stock Units.** In addition to the Stock Options, subject to approval by the Board, you will be eligible to receive a one-time grant of **20,000 restricted stock units** (the "***RSUs***"). The RSUs will be granted under the Plan. The RSUs will be subject to the terms and conditions of the Plan and your RSU agreement. Each RSU will represent the right to receive one share of our common stock. The RSUs will vest over a three year vesting schedule, with one-third (1/3rd) of the RSUs vesting on each of the first, second and third anniversary of the grant date, subject solely to your continued employment or service to the Company on each such vesting date. Except as otherwise expressly provided herein, in the event of your termination of employment or service for any reason, all of your unvested RSUs will terminate immediately.

- **Expenses.** You will be entitled to reimbursement for all ordinary and reasonable out-of- pocket business expenses which are reasonably incurred by you in furtherance of the Company's business, with appropriate documentation and in accordance with the Company's standard policies.

- **Severance.**

  - **Accrued Obligations.** If your employment terminates for any reason, you are entitled to your fully earned but unpaid base salary, through the date such termination is effective at the rate then in effect, and all other amounts or benefits to which you are entitled under any compensation, retirement or benefit plan of the Company at the time of your termination of employment in accordance with the terms of such plans, including, without limitation, any accrued but unpaid paid time off and any continuation of benefits required by applicable law (the "***Accrued Obligation***s").

  - **Non-CIC Severance Benefits.** In addition to your Accrued Obligations, subject to your continued compliance with the Proprietary Information and Inventions Assignment Agreement, as described below, and the effectiveness of your Release, as defined below, if, following the Start Date, your employment is involuntarily terminated by the Company without Cause (and other than by reason of your death or disability) or you resign for Good Reason (either such termination, a "***Qualifying Termination***"), and such Qualifying Termination does not occur during the Change in Control Period (as defined below), you shall be entitled to receive, as the sole severance benefits to which you are entitled, the benefits provided below (the "***Non-CIC Severance Benefits***"):

    - An amount equal to 9 months' base salary (at the rate in effect immediately prior to the date of your termination of employment, or in the case of a material diminution in your base salary which would give rise to Good Reason for your resignation, the base salary in effect prior to such material diminution), which amount will be paid over a period of 9 months following your termination of employment in accordance with the Company's standard payroll practices, with the first such installment occurring on the first regularly-scheduled payroll date following the date your Release becomes effective (which first installment will include any installments that would have occurred prior to such date but for the fact your Release was not yet effective);

    - An amount equal to your Target Bonus for the calendar year in which your termination date occurs, prorated for the portion of the calendar year in which your termination date occurs that has elapsed prior to such termination, plus any unpaid annual bonus for the calendar year prior to the year in which your Qualifying Termination occurs, to the extent you are entitled to such bonus and if such bonus has not already been paid, which

amount(s) will be paid in a lump sum on the first regularly- scheduled payroll date following the date your Release becomes effective, but in no event more than 75 days following your termination date;

(i) For the 9 month period beginning on the date of your termination of employment (or, if earlier, (a) the date on which the applicable continuation period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("***COBRA***") expires, or (b) the date on which you become eligible to receive the equivalent or increased healthcare coverage by means of subsequent employment or self- employment) (such period, the "***COBRA Coverage Period***"), if you and/or your eligible dependents who were covered under the Company's health insurance plans as of the date of your termination of employment elect to have COBRA coverage and are eligible for such coverage, the Company shall pay for or reimburse you on a monthly basis for an amount equal to the monthly premium you and/or your covered dependents, as applicable, are required to pay for continuation coverage pursuant to COBRA for you and/or your eligible dependents, as applicable, who were covered under the Company's health plans as of the date of your termination of employment (calculated by reference to the premium as of the date of your termination of employment) less (ii) the amount you would have had to pay to receive group health coverage for you and/or your covered dependents, as applicable, based on the cost sharing levels in effect on the date of your termination of employment. If any of the Company's health benefits are self-funded as of the date of your termination of employment, or if the Company cannot provide the foregoing benefits in a manner that is exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), or that is otherwise compliant with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), instead of providing the payments or reimbursements as set forth above, the Company shall instead pay to you the foregoing monthly amount as a taxable monthly payment for the COBRA Coverage Period (or any remaining portion thereof). You shall be solely responsible for all matters relating to continuation of coverage pursuant to COBRA, including, without limitation, the election of such coverage and the timely payment of premiums. You shall notify the Company immediately if you become eligible to receive the equivalent or increased healthcare coverage by means of subsequent employment or self-employment; and

- Notwithstanding anything else set forth herein, in the Plan or in any award agreement, such number of the unvested Stock Awards (as defined below) then held by you (including the Stock Options and RSUs) will vest on the effective date of your Release as would have vested during the 9-month period following your Qualifying Termination had you remained employed by the Company during such period. The foregoing provisions are hereby deemed to be a part of each Stock Award and to supersede any less favorable provision in any agreement or plan regarding such Stock Award.

o **CIC SEVERANCE BENEFITS.** In addition to your Accrued Obligations, subject to your continued compliance with the Proprietary Information and Inventions Assignment Agreement, as described below, and the effectiveness of your Release, if your Qualifying Termination occurs following the Start Date and during the Change in Control Period, you shall be entitled to receive, as the sole severance benefits to which you are entitled and in lieu of any Non-CIC Severance Benefits, the benefits provided below (the "***CIC Severance Benefits***") (and for the avoidance of doubt: (a) in no event will you be entitled to both the Non-CIC Severance Benefits and the CIC Severance Benefits, and (b) if the Company has commenced providing the Non-CIC Severance Benefits to you prior to the date that you become eligible to receive the CIC Severance Benefits, the Non-CIC Severance Benefits previously provided to you shall reduce the CIC Severance Benefits provided below by the amount of such Non-CIC Severance Benefits already provided to you):

- An amount equal to 12 months' base salary (at the rate in effect immediately prior to the date of your termination of employment, or in the case of a material diminution in your base salary which would give rise to Good Reason for your resignation, the base salary in effect prior to such material diminution), which amount will be paid over a period of 12 months following your termination of employment in accordance with the Company's standard payroll practices, with the first such installment occurring on the first regularly-scheduled payroll date following the date your Release becomes effective (which first installment will include any installments that would have occurred prior to such date but for the fact your Release was not yet effective);

- An amount equal to your Target Bonus for the calendar year in which your termination date occurs, plus any unpaid annual bonus for the calendar year prior to the year in which your Qualifying Termination occurs, to the extent you are entitled to such bonus and if such bonus has not already been paid, which amount(s) will be paid as follows: (a) an amount equal to your Target Bonus for the calendar year in which your termination date occurs, prorated for the portion of the calendar year in which your termination date occurs that has elapsed prior to such termination, plus any unpaid annual bonus for the calendar year prior to the year in which your Qualifying Termination occurs, to the extent you are entitled to such bonus and if such bonus has not already been paid, which amount(s) will be paid in a lump sum on the first regularly-scheduled payroll date following the date your Release becomes effective, but in no event more than 75 days following your termination date, and (b) any remaining portion of your Target Bonus for the calendar year in which your termination date occurs (above the prorated portion payable pursuant to clause (a)), will be paid on the first regularly-scheduled payroll date following the later of (i) the date your Release becomes effective or (ii) the date of the Change in Control;

- For the 12 month period beginning on the date of your termination of employment (or, if earlier, (a) the date on which the applicable continuation period under COBRA expires, or (b) the date on which you become eligible to receive the equivalent or increased healthcare coverage by means of subsequent employment or self-employment) (such period, the "***CIC COBRA Coverage Period***"), if you and/or your eligible dependents who were covered under the Company's health insurance plans as of the date of your termination of employment elect to have COBRA coverage and are eligible for such coverage, the Company shall pay for or reimburse you on a monthly basis for an amount equal to (i) the monthly premium you and/or your covered dependents, as applicable, are required to pay for continuation coverage pursuant to COBRA for you and/or your eligible dependents, as applicable, who were covered under the Company's health plans as of the date of your termination of employment (calculated by reference to the premium as of the date of your termination of employment) less (ii) the amount you would have had to pay to receive group health coverage for you and/or your covered dependents, as applicable, based on the cost sharing levels in effect on the date of your termination of employment. If any of the Company's health benefits are self-funded as of the date of your termination of employment, or if the Company cannot provide the foregoing benefits in a manner that is exempt from Section 409A of Code, or that is otherwise compliant with applicable law (including, without limitation, Section 2716 of the Public Health Service Act), instead of providing the payments or reimbursements as set forth above, the Company shall instead pay to you the foregoing monthly amount as a taxable monthly payment for the CIC COBRA Coverage Period (or any remaining portion thereof). You shall be solely responsible for all matters relating to continuation of coverage pursuant to COBRA, including, without limitation, the election of such coverage and the timely payment of premiums. You shall notify the Company immediately if you become eligible to receive the equivalent or increased healthcare

coverage by means of subsequent employment or self- employment; and

- Notwithstanding anything else set forth herein, in the Plan or in any award agreement, any unvested Stock Awards then held by you (including the Stock Options and RSUs) will vest on the later of (i) the effective date of your Release or (ii) the date of the Change in Control. The foregoing provisions are hereby deemed to be a part of each Stock Award and to supersede any less favorable provision in any agreement or plan regarding such Stock Award.

o As a condition to your receipt of any post-termination payments and benefits pursuant to the preceding paragraphs, you shall execute and not revoke a general release of all claims in favor of the Company (the "***Release***") in a form reasonably acceptable to the Company in order to effectuate a valid general release of claims. In the event the Release does not become effective within the 60-day period following the date of your termination of employment, you will not be entitled to the aforesaid payments and benefits.

o For purposes of this Agreement, "***Cause***" means any of the following: (a) your commission of an act of fraud, embezzlement or dishonesty, or the commission of some other illegal act by you, that has a demonstrable adverse impact on the Company or any successor or affiliate thereof; (b) your conviction of, or plea of "guilty" or "no contest" to, a non-vehicular felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (c) any intentional, unauthorized use or disclosure by you of confidential information or trade secrets of the Company or any successor or affiliate thereof; (d) your gross negligence, insubordination or material violation of any duty of loyalty to the Company or any successor or affiliate thereof, or any other demonstrable material misconduct on your part; (e) your ongoing and repeated failure or refusal to perform or neglect of your duties as required by this Agreement or your ongoing and repeated failure or refusal to comply with the lawful instructions given to you by the Board, which failure, refusal or neglect continues for 15 days following your receipt of written notice from the Board stating with specificity the nature of such failure, refusal or neglect; provided that it is understood that this clause (e) shall not permit the Company to terminate your employment for Cause solely because of (i) your failure to meet specified performance objectives or achieve a specific result or outcome, or (ii) Company's dissatisfaction with the quality of services provided by you in the good faith performance of your duties to the Company; or (f) your willful, material breach of any material Company policy or any material provision of this Agreement or the Proprietary Information and Inventions Assignment Agreement. Prior to the determination that "Cause" under clauses (d), (e) or (f) has occurred, the Company shall (i) provide to you in writing, in reasonable detail, the reasons for the determination that such "Cause" exists, (ii) other than with respect to clause (e) above which specifies the applicable period of time for you to remedy your breach, afford you a reasonable opportunity to remedy any such breach, (iii) provide you an opportunity to be heard prior to the final decision to terminate your employment hereunder for such "Cause" and (iv) make any decision that such "Cause" exists in good faith. The foregoing definition shall not in any way preclude or restrict the right of the Company or any successor or affiliate thereof to discharge or dismiss you for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of this Agreement, to constitute grounds for termination for Cause.

o For purposes of this Agreement, "***Change in Control***" shall have the meaning set forth in the Plan. If a Change in Control would give rise to a payment or settlement event with respect to any payment or benefit that constitutes "nonqualified deferred compensation," the transaction or event constituting the Change in Control must also constitute a "change in control event" (as defined in Treasury Regulation §1.409A-3(i)(5)) in order to give rise to the payment or settlement event for such payment or benefit, to the extent required by Section 409A.

o For purposes of this Agreement, "***Change in Control Period***" means the three months prior to

or 24 months following a Change in Control.

- For purposes of this Agreement, "***Good Reason***" means any of the following without your written consent: (a) a material diminution in your authority, duties or responsibilities, including a requirement that you report to a corporate officer other than the Chief Executive Officer; (b) a material diminution in your base compensation (and you and the Company agree that any diminution of 10% or more shall be considered material for this purpose, regardless of whether such diminution occurs due to a single reduction or a series of reductions in your base compensation), unless such a reduction is imposed across-the-board to senior management of the Company; (c) a material change in the geographic location at which you must perform your duties (and you and the Company agree that a relocation of the geographic location at which you must perform your duties to a location that increases your one-way commute from your residence by more than 50 miles as compared to your principal place of employment prior to such relocation shall be considered material for this purpose); or (d) any other action or inaction that constitutes a material breach by the Company or any successor or affiliate of its obligations to you under this Agreement. You must provide written notice to the Company of the occurrence of any of the foregoing events or conditions without your written consent within 60 days of the occurrence of such event. The Company or any successor or affiliate shall have a period of 30 days to cure such event or condition after receipt of written notice of such event from you. Your termination of employment by reason of resignation from employment with the Company for Good Reason must occur within 30 days following the expiration of the foregoing 30-day cure period.

- For purposes of this Agreement, "***Stock Awards***" means all stock options, restricted stock and such other awards granted pursuant to the Company's stock option and equity incentive award plans or agreements and any shares of stock issued upon exercise thereof, including the Stock Options and RSUs.

- To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from Section 409A of the Code and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance with such intention. To the extent that any provision in this Agreement is ambiguous as to its compliance with or exemption from Section 409A of the Code, the provision shall be read in such a manner that no payments payable under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A of the Code, any right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. For purposes of this Agreement, all references to your "termination of employment" shall mean your "separation from service" (as defined in Treasury Regulation Section 1.409A-1(h)) ("***Separation from Service***"). If you are a "specified employee" (as defined in Section 409A of the Code), as determined by the Company in accordance with Section 409A of the Code, on the date of your Separation from Service, to the extent that the payments or benefits under this Agreement are "non-qualified deferred compensation" subject to Section 409A of the Code and the delayed payment or distribution of all or any portion of such amounts to which you are entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, then such portion deferred pursuant to this paragraph shall be paid or distributed to you in a lump sum on the earlier of
  (a) the date that is 6 months and one day following your Separation from Service.
  (b) the date of your death or (c) the earliest date as is permitted under Section 409A of the Code. Any remaining payments due under this Agreement shall be paid as otherwise provided herein.

- To the extent that the payments or benefits under this Agreement are "non- qualified deferred compensation" subject to Section 409A of the Code, if the period during which you may deliver

the Release required hereunder spans two calendar years, the payment of your post-termination benefits shall occur (or commence) on the later of (a) January 1 of the second calendar year, or (b) the first regularly-scheduled payroll date following the date your Release becomes effective.

- Any reimbursement of expenses or in-kind benefits payable under this Agreement shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) and shall be paid on or before the last day of your taxable year following the taxable year in which you incurred the expenses. The amount of expenses reimbursed or in-kind benefits payable in one year shall not affect the amount eligible for reimbursement or in-kind benefits payable in any other taxable year of yours, and your right to reimbursement for such amounts shall not be subject to liquidation or exchange for any other benefit.

- **COMPANY POLICIES AND PROPRIETARY INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT.** As both a consultant and an employee of the Company, you shall be expected to abide by all of the Company's policies and procedures and the Company's employee handbook, if any. As a condition of your commencement of services hereunder, you agree to execute and abide by the terms of the Company's form of the Proprietary Information and Inventions Assignment Agreement, which shall survive termination of your employment or service with the Company and the termination of the Proprietary Information and Inventions Assignment Agreement. You acknowledge that a remedy at law for any breach or threatened breach by you of the provisions of the Proprietary Information and Inventions Assignment Agreement may be inadequate, and you therefore agree that the Company shall be entitled to seek injunctive relief in case of any such breach or threatened breach. The Company may modify, revoke, suspend or terminate any of the terms, plans, policies and/or procedures described in the employee handbook, if any, or as otherwise communicated to you, in whole or part, at any time, with or without notice; provided that any such action does not affect your rights under this Agreement.

- **EMPLOYMENT TERMS.** As a condition to your employment with the Company on the Start Date, you are required to (a) sign and return a satisfactory I-9 Immigration form providing sufficient documentation establishing your employment eligibility in the United States, and (b) provide satisfactory proof of your identity as required by United States law.

- **OTHER AGREEMENTS.** You represent and agree that your performance of your duties for the Company shall not violate any agreements, obligations or understandings that you may have with any third party or prior employer. Without limiting the foregoing, you represent and agree that you are not bound by any non-compete or non-solicitation agreement or any other type of agreement that would prohibit your employment with or service to the Company. You agree not to make any unauthorized disclosure or use, on behalf of the Company, of any confidential information belonging to any of your former employers. You also represent that you are not in unauthorized possession of any materials containing a third party's confidential and proprietary information. While employed by or providing services to the Company, you will not engage in any business activity in competition with the Company nor make preparations to do so. In the event that you wish to undertake a business activity outside the scope of your employment by or services to the Company, which activity you believe entails no conflict with the Company's activities, you agree to inform the Company of your intentions before the initiation of such outside business activity, and you furthermore agree to abide by the Company's decision as to whether or not there is no conflict. If, in the Company's reasonable determination, a conflict exists or is likely to develop, you agree not to undertake such outside business activity.

- **AT-WILL EMPLOYMENT.** Following the Start Date, your employment with the Company will be "at-will" at all times, meaning that either you or the Company will be entitled to terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this offer. This Agreement in no way represents a fixed-term employment contract. This is the full and complete agreement between you and the Company on this term. The "at will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company.

- **NON-INTERFERENCE.** While employed by or providing services to the Company, and for one (1) year immediately following the date on which you terminate employment or otherwise cease providing services to the Company, you agree not to interfere with the business of the Company by (a) soliciting or attempting to solicit any employee or consultant of the Company to terminate such employee's or consultant's employment or service in order to become an employee, consultant or independent contractor to or for any other person or entity or (b) soliciting or attempting to solicit any vendor, supplier, customer or other person or entity either directly or indirectly, to direct his, her or its purchase of the Company's products and/or services to any person, firm, corporation, institution or other entity in competition with the business of the Company. The foregoing restrictions shall not apply with respect to the bona fide hiring and firing of Company personnel to the extent such acts are part of your duties for Company. Your duties under this paragraph shall survive termination of your employment with or service to the Company and the termination of this Agreement.

- **REASONABLENESS OF TERMS.** You agree that the terms contained in the "Other Agreements" and "Non-Interference" paragraphs above are reasonable in all respects and that the restrictions contained therein are designed to protect the Company against unfair competition. In the event a court determines that any of the terms or provisions of this Agreement are unreasonable, the court may limit the application of any provision or term, or modify any provision or term, and proceed to enforce this Agreement as so limited or modified.

- **GOVERNING LAW; JURISDICTION AND VENUE.** This Agreement, for all purposes, shall be construed in accordance with the laws of the State of New Jersey without regard to conflicts-of-law principles. Any action or proceeding by either party to enforce this Agreement shall be brought only in any state or federal court located in the State of New Jersey. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

- **SEVERABILITY.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

- **SUCCESSORS AND ASSIGNS.** This Agreement is intended to bind and inure to the benefit of and be enforceable by you and the Company, and their respective successors, assigns, heirs, executors and administrators, except that you may not assign any of your duties hereunder and you may not assign any of your rights hereunder, without the written consent of the Company, which shall not be withheld unreasonably.

- **ENTIRE AGREEMENT.** This Agreement and the Proprietary Information and Inventions Assignment Agreement constitute the complete, final and exclusive embodiment of the entire agreement between you and the Company with respect to the terms and conditions of your employment or service specified herein and therein. This Agreement and the Proprietary Information and Inventions Assignment Agreement supersede any other such promises, obligations, warranties, representations or agreements between you and the Company, and you agree that any and all such prior promises, obligations, warranties, representations and agreements are hereby terminated. This Agreement may not be amended or modified except by a written instrument signed by you and a duly authorized officer of the Company.

If you choose to accept this Agreement under the terms described above, please acknowledge your acceptance of our offer by returning a signed copy of this letter and the Proprietary Information and Inventions Assignment Agreement to our attention.

Sincerely,

Phathom Pharmaceuticals, Inc.

Name: Joe Hand
Chief Administrative Officer

Agreed and Accepted:

I have read and understood this Agreement and hereby acknowledge, accept and agree to the terms as set forth above and further acknowledge and agree that no other commitments were made to me as part of my offer except as specifically set forth herein.

/s/ Molly Henderson Date: March 22, 2022
Molly Henderson

Attachments: Proprietary Information and Inventions Assignment Agreement

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Terrie Curran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, 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)) 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) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

   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: May 10, 2022

/s/ Terrie Curran

Terrie Curran
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Molly Henderson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, 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)) 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) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

   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: May 10, 2022

/s/ Molly Henderson

Molly Henderson
Chief Financial and Business Officer
(Principal Financial and Accounting 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 Phathom Pharmaceuticals, Inc. (the "Company") for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrie Curran, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 10, 2022

/s/ Terrie Curran
Terrie Curran
Chief Executive Officer and President
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

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 Phathom Pharmaceuticals, Inc. (the "Company") for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Molly Henderson, as Chief Financial and Business Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 10, 2022

/s/ Molly Henderson
Molly Henderson
Chief Financial and Business Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.