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 June 30, 2023

OR

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

For the transition period from _____to_____.

Commission File Number: 001-39094

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 August 8, 2023, the registrant had 56,803,183 shares of common stock ($0.0001 par value) outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 248,847	$ 155,385
Prepaid expenses and other current assets	8,760	5,127
Inventory	111	—
Total current assets	257,718	160,512
Property, plant and equipment, net	1,158	1,207
Operating lease right-of-use assets	1,886	2,287
Restricted cash	528	505
Other long-term assets	3,749	299
Total assets	$ 265,039	$ 164,810
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (including related party amounts of $27 and $35, respectively)	$ 4,174	$ 9,997
Accrued expenses (including related party amounts of $2,786 and $2,499, respectively)	15,451	14,678
Accrued interest	927	854
Operating lease liabilities, current	717	708
Current portion of revenue interest financing liability	276	—
Total current liabilities	21,545	26,237
Long-term debt, net of discount	97,806	95,264
Revenue interest financing liability	119,799	109,525
Operating lease liabilities	789	1,098
Other long-term liabilities	7,500	7,500
Total liabilities	247,439	239,624
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; authorized shares — 40,000,000 at June 30, 2023 and December 31, 2022; no shares issued and outstanding at June 30, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; authorized shares — 400,000,000 at June 30, 2023 and December 31, 2022; issued shares — 56,639,085 and 41,723,308 at June 30, 2023 and December 31, 2022, respectively; outstanding shares — 56,639,085 and 41,468,871 at June 30, 2023 and December 31, 2022, respectively	5	3
Treasury stock — 19 shares at June 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	823,467	652,276
Accumulated deficit	(805,872)	(727,093)
Total stockholders' equity (deficit)	17,600	(74,814)
Total liabilities and stockholders' equity	$ 265,039	$ 164,810

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating expenses:				
Research and development (includes related party amounts of $233, $370, $407 and $1,800, respectively)	$ 12,764	$ 18,815	$ 24,242	$ 36,475
General and administrative (includes related party amounts of $14, $0, $17 and $0, respectively)	18,937	26,548	37,536	46,795
Total operating expenses	31,701	45,363	61,778	83,270
Loss from operations	(31,701)	(45,363)	(61,778)	(83,270)
Other income (expense):				
Interest income	348	112	1,808	119
Interest expense	(9,615)	(5,667)	(18,832)	(8,426)
Other income (expense)	3	(2)	23	(8)
Total other expense	(9,264)	(5,557)	(17,001)	(8,315)
Net loss and comprehensive loss	$ (40,965)	$ (50,920)	$ (78,779)	$ (91,585)
Net loss per share, basic and diluted	$ (0.84)	$ (1.33)	$ (1.73)	$ (2.40)
Weighted-average shares of common stock outstanding, basic and diluted	48,500,516	38,272,044	45,444,496	38,155,151

See accompanying notes.

PHATHOM PHARMACEUTICALS, INC.
Statements of Stockholders' Equity (Deficit)
(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, 2022	41,468,871	$ 3	19	$ 652,276	$ (727,093)	$ (74,814)
401(k) matching contribution	52,130	—	—	456	—	456
Vesting of restricted shares and restricted stock units	414,119	—	—	—	—	—
Stock-based compensation	—	—	—	7,048	—	7,048
ESPP shares issued	121,801	—	—	856	—	856
Issuance of common stock under ATM facility	1,514,219	1	—	14,072	—	14,073
Net loss	—	—	—	—	(37,814)	(37,814)
Balance at March 31, 2023	43,571,140	$ 4	19	$ 674,708	$ (764,907)	$ (90,195)
Vesting of restricted shares and restricted stock units	259,194	—	—	6	—	6
Stock-based compensation	—	—	—	7,253	—	7,253
Issuance of common stock from exercise of stock options	15,000	—	—	111	—	111
Issuance of common stock in connection with underwritten public offering, net	12,793,750	1	—	141,389	—	141,390
Net loss	—	—	—	—	(40,965)	(40,965)
Balance at June 30, 2023	56,639,085	$ 5	19	$ 823,467	$ (805,872)	$ 17,600

	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 and restricted stock units	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
Vesting of restricted shares and restricted stock units	222,590	—	—	—	—	—
Stock-based compensation	—	—	—	5,885	—	5,885
Net loss	—	—	—	—	(50,920)	(50,920)
Balance at June 30, 2022	38,372,403	$ 3	19	$ 613,952	$ (620,955)	$ (7,000)

See accompanying notes.

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

	Six Months Ended June 30,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (78,779)	$ (91,585)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	269	277
Stock-based compensation	14,301	11,660
Issuance of PIK interest debt	1,772	1,713
Accrued interest on revenue interest financing liability	10,550	2,657
Amortization of debt discount	769	1,049
Other	1,157	874
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(3,633)	1,402
Accounts payable and accrued expenses (includes changes in related party amounts of $264 and $1,102, respectively)	(8,447)	2,865
Accrued clinical trial expenses	—	(1,061)
Accrued interest	73	88
Operating right-of-use assets and lease liabilities	99	(293)
Inventory	—	—
Other long-term assets	—	(119)
Net cash used in operating activities	(61,869)	(70,473)
Cash flows from investing activities		
Cash paid for property, plant and equipment	(220)	(495)
Net cash used in investing activities	(220)	(495)
Cash flows from financing activities		
Proceeds from issuance of common stock from exercise of stock options	111	—
Net proceeds from underwritten public offering	141,390	—
Net proceeds from revenue interest financing transaction	—	95,446
Net proceeds from issuance of common stock under ATM facility	14,073	—
Net cash provided by financing activities	155,574	95,446
Net increase in cash and cash equivalents and restricted cash	93,485	24,478
Cash and cash equivalents and restricted cash – beginning of period	155,890	183,419
Cash and cash equivalents and restricted cash – end of period	$ 249,375	$ 207,897
Supplemental disclosure of cash flow information		
Interest paid	$ 5,310	$ 2,920
Supplemental disclosure of noncash investing and financing activities		
Inventory purchases included in accounts payable and accrued expenses	$ 3,561	$ —
Property and equipment purchases included in accounts payable and accrued expenses	$ —	$ 16
Settlement of ESPP liability in common stock	$ 856	$ 515
Settlement of 401(k) liability in common stock	$ 456	$ 254
Operating lease liabilities arising from obtaining right-of-use assets	$ —	$ 554

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 June 30, 2023, 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, preparing for commercialization of its initial products containing 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 June 30, 2023, the Company has funded its operations through the issuance of convertible promissory notes, commercial bank debt, revenue interest financing debt, the sale of 10,997,630 shares of common stock for net proceeds of approximately $191.5 million in its 2019 IPO, 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 sale of 3,929,116 shares of common stock for net proceeds of approximately $38.7 million in its issuances of common stock pursuant to the Open Market Sale Agreement℠, or the Sales Agreement, with Jefferies LLC, or the Sales Agent, under which the Company may, from time to time, sell shares of its common stock having an aggregate offering price of up to $125.0 million, or the ATM Offering, and the sale of 12,793,750 shares of common stock for net proceeds of approximately $141.4 million in its May 2023 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.

As of June 30, 2023, the estimated fair value of the Company's long-term debt approximated the carrying amount given its floating interest rate basis. The fair value of the Company's long-term debt was estimated for disclosure purposes only and was determined based on quoted market data for valuation, and thus categorized as Level 2 in the fair value hierarchy.

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.

Inventory

The Company capitalizes inventory costs related to products to be sold in the ordinary course of business. The Company makes a determination of capitalizing inventory costs for a product based on, among other factors, status of regulatory approval, information regarding safety, efficacy and expectations relating to commercial sales and recoverability of costs. Current inventory consists of bulk active pharmaceutical ingredient that will be used to manufacture vonoprazan tablets. Inventory related to indications prior to regulatory approval has been included in research and development expense in the period of purchase.

The Company values its inventory at the lower of cost or net realizable value. The Company measures inventory approximating actual cost under a first-in, first-out basis. The Company assesses recoverability of inventory each reporting period to determine any write down to net realizable value resulting from excess or obsolete inventories.

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 June 30, 2023.

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.

Revenue Interest Financing Liability

The Company entered into a revenue interest financing agreement, or the Revenue Interest Financing Agreement, with entities managed or advised by NovaQuest Capital Management, or NQ, Sagard Holdings Manager LP, or Sagard, and Hercules Capital, Inc., or Hercules, together with NQ and Sagard, the Initial Investors, in which the Company received funds in return for royalties on net sales of products containing vonoprazan. The net proceeds received under the transaction were recognized as short-term and long-term liabilities with interest expense based on an imputed effective rate derived from the expected future payments. The Company recalculates the effective interest rate each period based on the current carrying value and the revised estimated future payments. Changes in future payments from previous estimates are included in current and future financing expense.

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, or CROs, 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 commercial, 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 of 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. For the three and six months ended June 30, 2023, the Company has excluded weighted-average unvested shares of 7,334 and 69,578, respectively, from the weighted-average number of common shares outstanding, compared to 800,002 and 910,828, respectively for the same periods in 2022. 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, 2022. There were no new material accounting standards issued in the second quarter of 2023 that impacted the Company.

2. Balance Sheet Details

Property, Plant and Equipment, net

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

	June 30, 2023	December 31, 2022
Computer equipment and software	$ 1,090	$ 1,078
Furniture and fixtures	1,089	1,086
Leasehold improvements	115	115
Construction in process	604	399
Total property, plant and equipment, gross	2,898	2,678
Less: accumulated depreciation	(1,740)	(1,471)
Total property, plant and equipment, net	$ 1,158	$ 1,207

Depreciation expense for each of the three months ended June 30, 2023 and 2022 was approximately $0.1 million. Depreciation expense for each of the six months ended June 30, 2023 and 2022 was approximately $0.3 million. No property, plant or equipment was disposed of during the six months ended June 30, 2023 or the year ended December 31, 2022.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Accrued research and development expenses	$ 6,716	$ 3,080
Accrued compensation expenses	6,531	8,447
Accrued professional & consulting expenses	2,183	3,000
Accrued other	21	151
Total accrued expenses	$ 15,451	$ 14,678

Inventory

Inventory consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 111	$ —
Total inventory, current	$ 111	$ —
Raw materials, noncurrent	3,450	—
Total inventory	$ 3,561	$ —

Raw materials consist of materials, including active pharmaceutical ingredients, to be consumed in the production of inventory related to the FDA approved products. $3.5 million of raw materials are included within other long-term assets as of June 30, 2023.

3. Related Party Transactions

Frazier is a principal stockholder of the Company with representation on the Board of Directors. Frazier is compensated for their participation on the Board of Directors and as of June 30, 2023 and December 31, 2022, the Company had $27,000 and $15,000, respectively, outstanding accounts payable and accrued expenses related to these services. For the three months ended June 30, 2023 and 2022, the Company incurred $14,000 and $0, respectively, of expenses related to participation on the Board of Directors. For the six months ended June 30, 2023 and 2022, the Company incurred $31,000 and $0, respectively of expenses related to participation on the Board of Directors. Frazier is also a principal stockholder in PCI Pharma Services, or PCI. In the third quarter of 2019, the Company engaged PCI for clinical manufacturing services. As of June 30, 2023 and December 31, 2022, the Company had $1.3 million and $1.1 million, respectively, outstanding accounts payable and accrued expenses related to these manufacturing services. For the three months ended June 30, 2023 and 2022, the Company incurred $0.2 million and $0.1 million, respectively, of expenses related to services performed by PCI. For the six months ended June 30, 2023 and 2022, the Company incurred $0.3 million and $0.4 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 June 30, 2023 and December 31, 2022, the Company had $1.5 million and $1.4 million, respectively, in outstanding accounts payable and accrued expenses related to these agreements. For the three months ended June 30, 2023 and 2022, the Company incurred $0.1 million and $0.2 million, respectively, of expenses related to these agreements. For the six months ended June 30, 2023 and 2022, the Company incurred $0.1 million and $1.3 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 had an exercise price of $0.00004613 per share, and was to expire on May 7, 2029 and became exercisable upon the consummation of the IPO. As of June 30, 2023, 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 six months ended June 30, 2023 and 2022.

Contingencies

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

5. Lease Commitments

As of June 30, 2023, the Company had operating leases for office space in both Buffalo Grove, Illinois and Florham Park, New Jersey, with remaining lease terms of 1.8 years and 2.2 years, respectively. All 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 June 30, 2023 and 2022 was $0.3 million and $0.2 million, respectively. The total rent expense for the six months ended June 30, 2023 and 2022 was $0.6 million and $0.4 million, respectively.

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

	June 30, 2023	December 31, 2022
Assets:		
Operating lease right-of-use assets	$ 1,886	$ 2,287
Total right-of-use assets	1,886	2,287
Liabilities:		
Operating lease liabilities, current	717	708
Operating lease liabilities, non-current	789	1,098
Total operating lease liabilities	$ 1,506	$ 1,806

As of June 30, 2023, the future minimum annual lease payments under the operating leases were as follows (in thousands):

2023	369
2024	753
2025	513
Total minimum lease payments	1,635
Less: amount representing interest	(129)
Present value of operating lease liabilities	1,506
Less: operating lease liabilities, current	(717)
Operating lease liabilities	$ 789
Weighted-average remaining lease term (in years)	2.1
Weighted-average incremental borrowing rate	8.21%

Operating cash flows for the six months ended June 30, 2023 and 2022 included cash payments for operating leases of approximately $0.5 million and $0.7 million, respectively.

6. Debt

Total debt consists of the following (in thousands):

	June 30, 2023
Long-term debt, current portion	$ —
Long-term debt, non-current portion	106,246
Unamortized debt discount	(8,440)
Total debt, net of debt discount	$ 97,806

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.

On September 27, 2022, the Company entered into an amendment to the Loan Agreement, or the Second Loan Amendment, pursuant to which the date the second tranche of funding of $50 million will remain available to the Company has been moved until May 15, 2023, rather than December 15, 2022.

On May 9, 2023, the Company entered into the Third Amendment to Loan and Security Agreement, or the Third Loan Amendment, with the lenders thereunder and Hercules Capital, Inc., in its capacity as administrative agent and collateral agent and as a lender (in such capacity, the “Agent” or “Hercules”), pursuant to which, among other things, (i) the second tranche availability

was extended from May 15, 2023, to December 15, 2023, and will become will become available upon the earliest to occur of (a) October 1, 2023, (b) the FDA's approval of Company's new drug application (or supplemental new drug application) 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 Company's new drug application submission (or Company's supplemental new drug application submission, or the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, (ii) the third tranche availability was extended from September 30, 2023, to December 15, 2023, to become available upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, (iii) the effective date of the Performance Covenants was amended to provide an option to extend the covenant trigger date to May 15, 2024, subject to the achievement of the EE Milestone prior to February 15, 2024, and (iv) the warrant agreement with Hercules was amended as described below. In connection with the Third Loan Amendment, a tranche extension amendment fee of $150,000 and a covenant extension amendment fee of $100,000 was paid to the Agent.

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, available in minimum of $25.0 million per draw, which will become available to the Company through December 15, 2023, upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, (iii) a third tranche consisting of an additional $25.0 million, which will become available to the Company through December 15, 2023, upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, 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 (a) FDA approval of the Company's 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 the Company's 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 GERD (milestones (a) and (b), or, together, the Second Performance Milestone). The fourth tranche is currently available as the Second Perfomance Milestone has been achieved.

The Company paid a $1.25 million facility charge in connection with the 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 was extended to October 1, 2025, upon the achievement of the Second Performance Milestone in May 2022 and met 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, or 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 June 30, 2023, 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 Hercules a senior security interest in all of the 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 the Company 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 November 15, 2023, if the outstanding loan amount is greater than $100.0 million, 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 65.0% (prior to the Third Performance Milestone), and 45% (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 June 30, 2023, the Company was in compliance with all applicable covenants under the Loan Agreement.

Pursuant to the Third Loan Amendment, the effective date of the Performance Covenants will be extended from November 15, 2023, to May 15, 2024, if the Company achieves the EE Milestone prior to February 15, 2024.

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.

In connection with the entry into the Third Loan Amendment, the Company amended the form of warrant agreement, the Revised Warrant Agreement, to purchase shares of the Company's common stock, par value $0.0001 per share, the Common Stock, to be issued upon drawdowns of future tranches under the Term Loan. The exercise price under the Revised Warrant Agreement shall be equal to the lesser of (i) $11.6783, which was the trailing ten-day volume-weighted average price, or VWAP, prior to entering into the Third Loan Amendment, and (ii) the trailing ten-day VWAP preceding the date on which the Company drawdown future tranches. The number of shares of Common Stock shall continue to be equal to 2.5% of the amount of the Term Loan advances funded, as such amounts are funded. The warrants shall be exercisable for a period of seven years from the date of issuance.

The exercise price and terms of the outstanding warrants to purchase 74,783 shares of our Common Stock previously issued to Hercules remain unchanged. The Company entered into the First Amendment to Warrant, or the Warrant Amendment, to make technical changes to the defined terms to provide that the outstanding warrant only covers the initial $100.0 million advance already drawn under the Term Loan.

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 payments under the Term Loan, including the final payment fee, as of June 30, 2023 are as follows (in thousands):

Year ending December 31:	
2023	—
2024	—
2025	29,707
2026	94,764
Total principal and interest payments	124,471
Less payment-in-kind and final payment fee	(24,471)
Total term loan borrowings	$ 100,000

During the three months ended June 30, 2023 and 2022, the Company recognized $4.2 million and $3.0 million, respectively, of interest expense, including amortization of the debt discount, in connection with the Hercules Loan Agreement. During the six months ended June 30, 2023 and 2022, the Company recognized $8.2 million and $5.8 million, respectively, of interest expense, including amortization of the debt discount, in connection with the Hercules Loan Agreement. As of June 30, 2023, the Company had an outstanding loan balance of $106.2 million and accrued interest of $0.9 million.

7. Revenue Interest Financing Liability

On May 3, 2022, Phathom entered into a Revenue Interest Financing Agreement with Initial Investors NQ, Sagard, and Hercules pursuant to which the Company will receive up to $260 million in funding from the Initial Investors. Under the terms of the Revenue Interest Financing Agreement, the Company received $100 million at the initial closing and can receive an additional $160 million upon FDA approval of vonoprazan for treatment of Erosive GERD on or before March 31, 2024. At any time prior to December 31, 2022, the Company also had the right to obtain a written commitment from a third party for up to $15 million of funding upon FDA approval of vonoprazan for Erosive GERD. In addition, the Company has the right at any time prior to June 30, 2024, to obtain a written commitment from a third party for up to $25 million of funding upon achievement of a sales milestone. The Initial Investors have a right of first offer if the Company seeks to obtain such additional funding. The total amount funded by the Initial Investors and any subsequent investors is referred to herein as the Investment Amount.

On October 31, 2022, the Company entered into a Joinder Agreement with the Initial Investors and CO Finance LVS XXXVII LLC, or the Additional Investor, and Hercules Capital, Inc. Under the terms of the Joinder Agreement, the Initial Investors waived their rights of first offer regarding the Additional Investor Funding and the Additional Investor joined the Revenue Interest Financing Agreement to extend commitments for the Additional Investor Funding.

Under the Revenue Interest Financing Agreement, the investors are entitled to receive a 10% royalty on net sales of products containing vonoprazan. The royalty rate is subject to a step-down on net sales exceeding certain annual thresholds and if the Company receives FDA approval for vonoprazan for an indication relating to the treatment of heartburn associated with Non-Erosive GERD. The investors' right to receive royalties on net sales will terminate when the investors have aggregate payments equal to 200% of the Investment Amount. In addition, at any time after the earlier of (i) April 30, 2024 and (ii) the date that the payment for Erosive GERD regulatory approval is made, the Company has the right to make a cap payment equal to 200% of the Investment Amount less any royalties already paid, at which time the agreement will terminate.

If the investors have not received aggregate payments of at least 100% of the Investment Amount by December 31, 2028, and at least 200% of the Investment Amount by December 31, 2037, each a Minimum Amount, then the Company will be obligated to make a cash payment to the investors in an amount sufficient to gross the investors up to the applicable Minimum Amount.

Upon the occurrence of an event of default taking place prior to April 1, 2025, between April 1, 2025, and April 1, 2028, and after April 1, 2028, the Company is obligated to pay 1.30 times Investment Amount, 1.65 times Investment Amount, and 2.0 times investment amount, respectively, less any amounts the Company previously paid pursuant to the agreement.

Upon the occurrence of a change in control event taking place prior to the earlier of April 1, 2024, or FDA approval of vonoprazan for Erosive GERD, the Company is obligated to pay 200% of the Investment Amount plus either 15% of the Investment Amount if occurrence prior to May 3, 2023, or plus 30% of the Investment Amount if occurrence thereafter.

During the year ended December 31, 2022, the Company received gross proceeds of $100.0 million before deducting transaction costs of $4.6 million, which resulted in net proceeds of $95.4 million.

The Company has evaluated the terms of the Revenue Interest Financing Agreement and concluded that the features of the Investment Amount are similar to those of a debt instrument. Accordingly, the Company has accounted for the transaction as a debt obligation with interest expense based on an imputed effective rate derived from the initial carrying value of the obligation and the expected future payments. The Company recalculates the effective interest rate each period based on the current carrying value and the revised estimated future payments. Changes in future payments from previous estimates are included in the current and future financing expense. The carrying value of the revenue interest financing liability was $120.1 million as of June 30, 2023.

Total revenue interest financing liability consists of the following (in thousands):

	June 30, 2023
Proceeds from the Revenue Interest Financing Agreement	$ 100,000
Less: transaction costs	(4,554)
Less: royalty payments and payables	—
Plus: interest expense	24,629
Ending liability balance	$ 120,075

During the three and six months ended June 30, 2023, the Company recognized $5.4 million and $10.6 million, respectively, of interest expense in connection with the revenue interest financing liability.

The Company will record liabilities associated with additional funding upon FDA approval of vonoprazan for Erosive GERD and achievement of the sales milestone when such contingent events occur. To determine the accretion of the liability related to the Revenue Interest Financing Agreement, the Company is required to estimate the total amount of future royalty payments and estimated timing of such payments based on the Company's revenue projections. As royalty payments are made, the balance of the debt obligation will be effectively repaid. Based on the Company's periodic review, the exact timing of repayment is likely to be different in each reporting period as compared to those estimated in the Company's initial revenue projections. A significant increase or decrease in actual net sales of vonoprazan compared to the Company's revenue projections could impact the interest expense associated with the revenue interest financing liability. Also, the Company's total obligation can vary depending on change in control or default events and the achievement of FDA approval of vonoprazan for Erosive GERD and achievement of the sales milestone.

8. 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 June 30, 2023, no shares of common stock were subject to repurchase by the Company and there is no associated repurchase liability. 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 June 30, 2023, no shares remain available for repurchase by the Company.

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 the Sales Agreement, pursuant to which, 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. In September 2022, the Company sold 2,414,897 shares for net proceeds of approximately $24.6 million under the ATM Offering after deducting $0.8 million of issuance costs. In February 2023, the Company sold 1,514,219 shares for net proceeds of approximately $14.1 million under the ATM Offering after deducting $0.4 million of issuance costs. As of June 30, 2023, the Company has utilized $39.9 million of the available $125.0 million under the ATM 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. The Company incurred an additional $0.2 million of offering expenses in connection with this public offering.

On May 23, 2023, the Company completed an underwritten public offering, in which it sold 12,793,750 shares of its common stock, which included the exercise in full by the underwriters of their option to purchase 1,668,750 shares, at a price of $11.75 per share for total gross proceeds of $150.3 million. The net purchase price after deducting underwriting discounts and commissions was $11.08 per share, which generated net proceeds of $141.8 million. The Company incurred an additional $0.4 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, 2022	254,437
Share vesting	(254,437)
Balance at June 30, 2023	—

For accounting purposes, unvested awards are considered issued, but not outstanding until they vest.

Common stock reserved for future issuance consists of the following:

	June 30, 2023
Common stock warrants	91,228
Stock options and performance-based awards outstanding	8,965,607
Shares available for issuance under the 2019 Incentive Plan	520,803
Shares available for issuance under the ESPP Plan	1,048,370
Balance at June 30, 2023	10,626,008

Preferred Stock

The Company is authorized to issue up to 40 million shares of preferred stock. As of June 30, 2023 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

Equity Incentive Plan

The Company's 2019 Equity Incentive Plan, or 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, or 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 June 30, 2023, 520,803 shares remain available for issuance, which reflects 2,559,070 of stock option, performance-based unit, or PSU, and restricted stock unit, or RSU, awards granted, and 35,823 of awards cancelled or forfeited, during the six months ended June 30, 2023 as well as an annual increase of 2,086,165 shares authorized on January 1, 2023.

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 GERD. In 2022, the Company granted an additional 37,500 PSUs to employees. In 2023, the Company granted an additional 597,650 PSUs to employees. As of June 30, 2023, 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 six months ended June 30, 2023.

	Number of Stock Units	Weighted-Average Grant Date Fair Value Per Share
Unvested balance at December 31, 2022	412,300	$ 30.97
Granted	597,650	10.89
Vested	—	—
Forfeited	—	—
Unvested balance at June 30, 2023	1,009,950	$ 19.09

As of June 30, 2023, there was approximately $19.3 million of related unrecognized stock-based compensation expense, which will begin to be recognized upon vesting.

Restricted Stock Units

The following table summarizes RSU activity under the 2019 Incentive Award Plan during the six months ended June 30, 2023.

	Number of Stock Units	Weighted-Average Grant Date Fair Value Per Share
Unvested balance at December 31, 2022	877,467	$ 11.03
Granted	812,760	8.62
Vested	(418,877)	10.04
Forfeited	(2,817)	10.26
Unvested balance at June 30, 2023	1,268,533	$ 9.82

As of June 30, 2023, the Company had $10.3 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 2.1 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 were 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 June 30, 2023, 1,048,370 shares of common stock remain available for issuance, which includes the 121,801 shares sold to employees during the six months ended June 30, 2023 as well as an annual increase of 417,233 shares authorized on January 1, 2023.

The ESPP is considered a compensatory plan, and for the three and six month period ended June 30, 2023 the Company recorded related stock-based compensation of $0.2 million and $0.3 million respectively, compared to $0.1 million and $0.1 million respectively, for the same periods in 2022. The weighted-average assumptions used to estimate the fair value of ESPP awards using the Black-Scholes option valuation model were as follows:

	Six Months Ended June 30,	
	2023	2022
Assumptions:		
Expected term (in years)	0.49	0.49
Expected volatility	69.10%	72.41%
Risk free interest rate	4.77%	0.37%
Dividend yield	—	—

The estimated weighted-average fair value of ESPP awards for the six months ended June 30, 2023 and 2022, were $2.87 and $5.31, respectively. As of June 30, 2023, the total unrecognized compensation expense related to the ESPP was less than $0.1 million, which is expected to be recognized over a weighted-average period of approximately 0.1 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 and six months ended June 30, 2023, the Company incurred $0.4 million and $1.2 million, respectively, of expense related to estimated employer contribution liabilities, which was based on a 75% match of employees' contributions during the periods, compared to $0.3 million and $0.9 million, respectively, for the same periods in 2022. 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. In July 2022, the Board of Directors approved a semi-annual match for 2022, which was settled by contributing 84,784 shares. In January 2023, the Board of Directors approved a semi-annual match for 2022, which was settled by contribution 52,130 shares. In July 2023, the Board of Directors approved a semi-annual match for 2023, which was settled by contributing 83,826 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, 2022	5,586,470	$ 23.40	7.90	$ 4,476
Options granted	1,148,660	8.68		
Options exercised	(15,000)	7.40		
Options cancelled	(33,006)	34.28		
Balance at June 30, 2023	6,687,124	$ 20.85	7.79	$ 14,936
Options exercisable as of June 30, 2023	3,441,791	23.53	7.06	6,680

The estimated weighted-average fair value of employee and nonemployee director stock options granted during 2023 was $5.31 per option. As of June 30, 2023, the Company had $33.2 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 1.9 years.

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

	Six Months Ended June 30,	
	2023	2022
Assumptions:		
Expected term (in years)	6.03	6.05
Expected volatility	64.02%	66.04%
Risk free interest rate	3.48%	1.89%
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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Research and development expense	$ 1,803	$ 1,319	$ 3,580	$ 2,458
General and administrative expense	5,450	4,566	10,721	9,202
Total	$ 7,253	$ 5,885	$ 14,301	$ 11,660

9. Subsequent Event

On July 14, 2023, the Company completed a voluntary, one-time stock option exchange program, or the Option Exchange, pursuant to which eligible employees were able to exchange certain outstanding stock options granted under Phathom's 2019 Incentive Award Plan, or the 2019 Plan, for a lesser amount of new restricted stock units issued under the 2019 Plan. Participants in the Option Exchange received one restricted stock unit for every two shares of Phathom common stock underlying the eligible options surrendered. This exchange ratio was applied on a grant by grant basis. The Option Exchange resulted in 2,406,622 options being exchanged for 1,203,341 restricted stock units. The Company is evaluating the accounting impact of the Option Exchange.

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, 2022 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, 2022, or the 2022 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 approved products, VOQUEZNA TRIPLE PAK and VOQUEZNA DUAL PAK, as well as our current product candidate, VOQUEZNA, contain vonoprazan, an oral small molecule potassium-competitive acid blocker, or PCAB. PCABs 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 erosive gastroesophageal reflux disease, or Erosive GERD, and in combination with antibiotics for the treatment of *H. pylori* infection. 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 positive topline data from two pivotal Phase 3 clinical trials for vonoprazan: one for the treatment of *H. pylori* infection, or PHALCON-HP, and a second for the treatment of Erosive GERD, PHALCON-EE. In April 2021, we reported positive topline data from PHALCON-HP, and in October 2021, we reported positive topline data from PHALCON-EE. These data are supplemented by the extensive existing clinical data generated by Takeda as part of their development program for vonoprazan in Japan and other markets. In September 2021, we submitted two new drug applications, or NDAs, for combination packs that contain vonoprazan for the treatment of *H. pylori* infection in adults, one in combination with amoxicillin and clarithromycin (vonoprazan triple therapy) and the other in combination with amoxicillin alone (vonoprazan dual therapy). In May 2022, the FDA approved the NDAs for vonoprazan triple therapy, under the brand name VOQUEZNA TRIPLE PAK, and vonoprazan dual therapy, under the brand name VOQUEZNA DUAL PAK. Prior to approval, in May 2021, we received qualified infectious disease product, or QIDP, designations for VOQUEZNA TRIPLE PAK and VOQUEZNA DUAL PAK, which, upon approval of these products, added five years of regulatory exclusivity to the five years of new chemical entity, or NCE, exclusivity for vonoprazan. These initial approved products benefit from, and future products we develop containing vonoprazan will benefit from, this extended NCE exclusivity for vonoprazan.

In March 2022, we submitted an NDA for vonoprazan as a treatment for adults for the healing of all grades of Erosive GERD, maintenance of healing of all grades of Erosive GERD, and relief of heartburn associated with Erosive GERD. If approved, we expect to market the product under the brand name VOQUEZNA. In August 2022, we announced that, consistent with current FDA

recommendations for all chemically synthesized drug compounds, we previously initiated post-approval testing to determine whether nitrosamine impurities were present in our initial commercial drug product for VOQUEZNA TRIPLE PAK and VOQUEZNA DUAL PAK. These tests revealed trace levels of a nitrosamine impurity, *N*-nitroso-vonoprazan, or NVP, that is not described within the FDA guidance document entitled "Control of Nitrosamine Impurities in Human Drugs – Guidance for Industry." In February 2023, we received complete response letters from the FDA relating both to our Erosive GERD NDA and post approval supplements relating to our approved *H. pylori* NDAs, both of which formalized the FDA's prior request that we provide additional stability data to demonstrate that levels of NVP will remain at or below 96 ng/day, the acceptable daily intake level (AI) for NVP established by the FDA, throughout the proposed shelf life of the product. No additional deficiencies were cited by the FDA in either letter. In May 2023, we resubmitted our Erosive GERD NDA to the FDA, and in June 2023 we submitted new prior approval supplements to our approved *H. pylori* NDAs. These submissions have been assigned PDUFA target action dates of November 17, 2023, for Erosive GERD and, if filed, October 30, 2023, for our HP combination packs. Based on these dates, we anticipate commercial launch of vonoprazan for both the Erosive GERD and *H. pylori* indications in the fourth quarter of 2023, subject to FDA approval. However, if we are unable to demonstrate to the FDA that we will be able to maintain NVP levels at or below the AI throughout the proposed shelf life of our products, launches of VOQUEZNA TRIPLE PAK and VOQUEZNA DUAL PAK will be further delayed and approval of our Erosive GERD NDA will continue to be delayed, which could substantially increase our costs and delay or put at risk our ability to generate revenue and adversely affect our commercial prospects.

We are also continuing to develop vonoprazan as a treatment for symptomatic Non-Erosive GERD. In January 2023, we reported positive topline results from PHALCON-NERD-301, a Phase 3 study evaluating the safety and efficacy of vonoprazan for the daily treatment of adults with Non-Erosive GERD. Moreover, in August 2023, we announced successful completion of the 20-week extension period of PHALCON-NERD-301. Based on the results from this study, we plan to seek FDA approval of vonoprazan as a once-daily treatment for Non-Erosive GERD in the second half of 2023. In addition, we are in discussions with the FDA regarding the design of a Phase 3 trial to evaluate the novel dosing regimen of vonoprazan as an as needed treatment for episodic heartburn relief in patients with Non-Erosive GERD, a dosing regimen not approved in the U.S. for PPIs. This trial would constitute our fourth Phase 3 trial for vonoprazan. In February 2022, we reported positive topline results from PHALCON-NERD-201, a Phase 2 proof-of-concept study evaluating this novel dosing regimen.

We plan to independently commercialize VOQUEZNA TRIPLE PAK, VOQUEZNA DUAL PAK and, if approved, VOQUEZNA, in the United States. We 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 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, our follow-on public offering, our ATM Offering and our Revenue Interest Financing Agreement. From our inception through June 30, 2023, 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, 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, net proceeds of $95.4 million from the Revenue Interest Financing Agreement, net proceeds of $38.7 million from the sale of 3,929,116 shares under the ATM Offering and net proceeds of $141.4 million from the sale of 12,793,750 shares of common stock, which included the exercise in full by the underwriters of their option to purchase 1,668,750 shares, at a price of $11.75 per share, after deducting underwriting discounts and commissions. As of June 30, 2023, we had cash and cash equivalents of $248.8 million. 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 are sufficient to fund operations for at least the next twelve months and receipt of $175 million in additional milestone payments under our Revenue Interest Financing Agreement together with anticipated product revenues, will be sufficient to fund our operations through the end of 2025.

We have not initiated commercial launch of any products and have incurred net losses since our inception. Our net losses for the six month periods ended June 30, 2023 and 2022 were $78.8 million and $91.6 million, respectively. As of June 30, 2023, we had an accumulated deficit of $805.9 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 as we continue to advance vonoprazan through clinical trials, seek additional regulatory approvals for vonoprazan, expand our quality, regulatory, manufacturing and commercialization capabilities, incur significant commercialization expenses for marketing, sales, manufacturing and distribution if we obtain marketing approval for VOQUEZNA for Erosive GERD in the U.S., 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 obtain regulatory approval for VOQUEZNA, or approval of our post-approval supplements for VOQUEZNA TRIPLE PAK and VOQUEZNA DUAL PAK, in the U.S. Accordingly, until such time as we can generate significant revenue from sales of products containing vonoprazan, if ever, we expect to finance our cash needs through equity offerings, our Loan Agreement, our Revenue Interest Financing Agreement, additional 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 the ongoing hostilities in the Ukraine 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 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.

We plan to continue to invest in 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; and
- the efficacy and safety profile of the product candidate.

General and Administrative

General and administrative expenses consist of salaries and employee-related costs, including stock-based compensation, for personnel in commercial, 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 increase in the future to support our continued research and development activities, pre-commercial preparation activities for vonoprazan 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 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 funds.

Interest Expense

Beginning on May 3, 2022, interest expense includes interest on the Revenue Interest Financing Agreement, which is based on the imputed effective rate derived from expected future payments and the carrying value of the obligation. The Company recalculates the effective interest rate each period based on the current carrying value and the revised estimated future payments. Changes in future payments from previous estimates are included in current and future financing 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%, or 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.

Results of Operations

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

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

	Six Months Ended June 30,		
	2023	**2022**	**Change**
Operating expenses:			
Research and development	$ 24,242	$ 36,475	$ (12,233)
General and administrative	37,536	46,795	$ (9,259)
Total operating expenses	61,778	83,270	(21,492)
Loss from operations	(61,778)	(83,270)	21,492
Other income (expense):			
Interest income	1,808	119	1,689
Interest expense	(18,832)	(8,426)	(10,406)
Other income (expense)	23	(8)	31
Total other income expense	(17,001)	(8,315)	(8,686)
Net loss	$ (78,779)	$ (91,585)	$ 12,806

Research and Development Expenses. Research and development expenses were $24.3 million and $36.5 million for the six months ended June 30, 2023 and 2022, respectively. The decrease of $12.2 million consisted of a $11.5 million reduction of clinical trial costs related to the conclusion of the PHALCON-NERD-301 trial, $1.1 million of chemistry manufacturing and controls, or CMC, costs related to vonoprazan, and $0.5 million of consulting and other expense partially offset by an increase of $0.9 million of personnel-related expenses.

General and Administrative Expenses. General and administrative expenses were $37.5 million and $46.8 million for the six months ended June 30, 2023 and 2022, respectively. The decrease of $9.3 million was due to decreases of $14.0 million in professional services expenses for commercial, medical affairs and other services and $0.6 million of insurance expense, partially offset by a $5.3 million increase in personnel related expense. 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 $17.0 million for the six months ended June 30, 2023 consisted of $18.8 million of interest expense under the Hercules Loan Agreement and Revenue Interest Financing Agreement, partially offset by $1.8 million of interest income related to cash held in money market funds. Other expense of $8.3 million for the six months ended June 30, 2022 consisted of $8.4 million of interest expense under the Hercules Loan Agreement and Revenue Interest Financing Agreement, partially offset by $0.1 million of interest income.

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

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

	For the Three Months Ended June 30,		
	2023	2022	Change
Operating expenses:			
Research and development	$ 12,764	$ 18,815	$ (6,051)
General and administrative	18,937	26,548	$ (7,611)
Total operating expenses	31,701	45,363	(13,662)
Loss from operations	(31,701)	(45,363)	13,662
Other income (expense):			
Interest income	348	112	236
Interest expense	(9,615)	(5,667)	(3,948)
Other income (expense)	3	(2)	5
Total other income expense	(9,264)	(5,557)	(3,707)
Net loss	$ (40,965)	$ (50,920)	$ 9,955

Research and Development Expenses. Research and development expenses were $12.8 million and $18.8 million for the three months ended June 30, 2023 and 2022, respectively. The decrease of $6.0 million consisted of a $7.7 million reduction of clinical trial costs related to the conclusion of the PHALCON-NERD-301 trial and $0.3 million of consulting and other expense partially offset by increases of $1.6 million of chemistry manufacturing and controls, or CMC, costs related to vonoprazan, and $0.4 million of personnel-related expenses.

General and Administrative Expenses. General and administrative expenses were $18.9 million and $26.5 million for the three months ended June 30, 2023 and 2022, respectively. The decrease of $7.6 million was due to decreases of $9.6 million in professional services expenses for commercial, medical affairs and other services, $0.5 million of legal expenses and $0.2 million of insurance expense, partially offset by an increase of $2.1 million in personnel and $0.6 million of consulting related expense. 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 $9.3 million for the three months ended June 30, 2023 consisted of $9.6 million of interest expense under the Hercules Loan Agreement and Revenue Interest Financing Agreement, partially offset by $0.3 million of interest income related to cash held in money market funds. Other expense of $5.6 million for the three months ended June 30, 2022 consisted of $5.7 million of interest expense under the Hercules Loan Agreement and Revenue Interest Financing Agreement, partially offset by $0.1 million of interest income.

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 June 30, 2023, we had cash and cash equivalents of $248.8 million.

Loan Agreement with Hercules

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

On May 9, 2023, we entered into an amendment to the Loan Agreement, or the Third Loan Amendment, pursuant to which, among other things, (i) the second tranche availability was extended from May 15, 2023, to December 15, 2023, to become available upon the earliest to occur of (a) October 1, 2023, (b) the FDA’s approval of Company’s new drug application (or supplemental new drug application) 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 Company’s new drug application submission (or Company’s supplemental new drug application submission, or the EE Milestone, and (c) upon the determination by the Agent’s

investment committee in its sole and unfettered discretion, (ii) the third tranche availability was extended from September 30, 2023, to December 15, 2023, to become available upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, (iii) the effective date of the Performance Covenants (as defined below) was amended to provide an option to extend the covenant trigger date to May 15, 2024, subject to the EE Milestone prior to February 15, 2024, and (iv) the form of warrants to purchase shares of our common stock to be issued upon drawdowns of future tranches was amended such that the exercise price of such warrants shall be equal to the lesser (i) of $11.6783, which is the trailing ten-day volume-weighted average price, or VWAP, prior to entering into the Third Loan Amendment and (ii) the trailing ten-day VWAP preceding the date on which we drawdown future tranches. In connection with the Third Loan Amendment, a tranche extension amendment fee of $150,000 and a covenant extension amendment fee of $100,000 was paid to the Agent.

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 on the Closing Date, or the First Advance, (ii) a second tranche consisting of up to an additional $50.0 million, available in minimum of $25.0 million per draw, which will become available to us through December 15, 2023, upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, (iii) a third tranche consisting of an additional $25.0 million, which will become available to us through December 15, 2023, upon the earliest to occur of (a) October 1, 2023, (b) the EE Milestone, and (c) upon the determination by the Agent's investment committee in its sole and unfettered discretion, 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 (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 GERD (milestones (a) and (b), or, together, the Second Performance Milestone). The fourth tranche is currently available as the Second Perfomance Milestone has been achieved. We intend to use the proceeds of the Term Loan advances for working capital and general corporate purposes.

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), and subject to the achievement of the EE Milestone, on or prior to September 30, 2025 and no default or event of default exists, or 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 November 15, 2023, if the outstanding loan amount is greater than $100.0 million, comply with either (a) at all times (i) maintain Qualified Cash in an amount greater than or equal to (x) the outstanding principal amount of the term loans, multiplied by (y)(i) at all times prior to the Second Performance Milestone and the EE Milestone (together, the Approval Milestone), 65% and (ii) at all times after the Approval Milestone, 45%, (ii) meet market capitalization of at least $900.0 million, or (b) meet trailing three-month net product revenue from the sale of vonoprazan and products containing vonoprazan equal to or greater than the least of (x) 50% of projections, (y) the outstanding loan amount divided by 2.75, and (z) $65,000,000 (both (a) and (b), collectively, the Performance Covenants). Pursuant to the Third Loan Amendment, the effective date of the Performance Covenants will be extended from November 15, 2023, to May 15, 2024, if we achieve the EE Milestone prior to February 15, 2024.

As collateral for the obligations, we granted 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, or 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 is 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. In connection with the entry into the Third Loan Amendment, we amended the form of warrants to be issued upon drawdowns of future tranches such that the exercise price of such warrants shall be equal to the lesser (i) of $11.6783, which was the trailing ten-day VWAP prior to entering into the Third Loan Amendment and (ii) the trailing ten-day VWAP preceding the date on which we drawdown future tranches. The exercise price and terms of the outstanding Warrant remain unchanged.

Revenue Interest Financing Agreement

On May 3, 2022, we entered into a Revenue Interest Financing Agreement, or the Revenue Interest Financing Agreement, with entities managed or advised by NovaQuest Capital Management, or NQ, Sagard Holdings Manager LP, or Sagard, and Hercules Capital, Inc., or Hercules, together with NQ and Sagard, the "Initial Investors" pursuant to which we can receive up to $260 million in funding from the Initial Investors. Under the terms of the Revenue Interest Financing Agreement, we received $100 million at the initial closing and can receive an additional $160 million upon FDA approval of vonoprazan for treatment of Erosive GERD on or before March 31, 2024. In addition, we had the right to obtain a written commitment from a third party for up to (i) at any time prior to December 31, 2022, $15,000,000 in additional funding upon FDA approval of vonoprazan for Erosive GERD, or Approval Additional Funding, and (ii) at any time prior to June 30, 2024, $25,000,000 in additional funding for achievement of a sales milestone, or Milestone Additional Funding, and, together with the Approval Additional Funding, or the Additional Investor Funding. The Initial Investors had a right of first offer for any Additional Investor Funding.

On October 31, 2022, we entered into a Joinder and Waiver Agreement with the Initial Investors and CO Finance LVS XXXVII LLC, or the Additional Investor, and Hercules Capital, Inc. in its capacity as administrative agent and collateral agent for itself and the lenders under that certain Loan Agreement, or the Joinder Agreement, in respect of the Revenue Interest Financing Agreement. Under the terms of the Joinder Agreement, the Initial Investors waived their rights of first offer regarding the Additional Investor Funding and the Additional Investor joined the Revenue Interest Financing Agreement to extend commitments for the Additional Investor Funding. The total amount funded by the Initial Investors and any subsequent investors is referred to herein as the "Investment Amount."

Under the Revenue Interest Financing Agreement, the Initial Investors, and subsequent to the payment of the Approval Additional Funding, the Additional Investor, are entitled to receive a 10% royalty on net sales of products containing vonoprazan. The royalty rate is subject to a step-down on net sales exceeding certain annual thresholds and if we receive FDA approval for vonoprazan for an indication relating to the treatment of heartburn associated with Non-Erosive GERD. The investors' right to receive royalties on net sales will terminate when the investors have aggregate payments equal to 200% of the Investment Amount. In addition, at any time after the earlier of (i) April 30, 2024 and (ii) the date that the payment for Erosive GERD regulatory approval is made, we have the right to make a cap payment equal to 200% of the Investment Amount less any royalties already paid, at which time the agreement will terminate.

If the investors have not received aggregate payments of at least 100% of the Investment Amount by December 31, 2028, and at least 200% of the Investment Amount by December 31, 2037, each a Minimum Amount, then we will be obligated to make a cash payment to the investors in an amount sufficient to gross the investors up to the applicable Minimum Amount.

Upon the occurrence of an event of default taking place prior to April 1, 2025, between April 1, 2025, and April 1, 2028, and after April 1, 2028, we are obligated to pay 1.30 times Investment Amount, 1.65 times Investment Amount, and 2.0 times investment amount, respectively, less any amounts the Company previously paid pursuant to the agreement. Upon the occurrence of a change in control event taking place prior to the earlier of April 1, 2024, or FDA approval of vonoprazan for Erosive GERD, we

are obligated to pay 200% of the Investment Amount plus either 15% of the Investment Amount if occurrence prior to May 3, 2023, or plus 30% of the Investment Amount if occurrence thereafter.

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. For the year ended December 31, 2022, we sold 2,414,897 shares of our common stock under the ATM Offering for net proceeds of approximately $24.6 million after deducting $0.8 million of issuance costs. For the six months ended June 30, 2023 we sold 1,514,219 shares for net proceeds of approximately $14.1 million after deducting $0.4 million of issuance costs. As of June 30, 2023, we utilized $39.9 million of the available $125.0 million under the ATM Offering.

Underwritten Public Offerings

On December 16, 2020, we completed an underwritten public offering, in which we sold 2,250,000 shares of our 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.

On May 23, 2023, we completed an underwritten public offering, in which we sold 12,793,750 shares of our common stock, which included the exercise in full by the underwriters of their option to purchase 1,668,750 shares, at a price of $11.75 per share for total gross proceeds of $150.3 million. The net purchase price after deducting underwriting discounts and commissions was $11.08 per share, which generated net proceeds of $141.8 million. We incurred an additional $0.4 million of offering expenses in connection with this 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 are sufficient to fund operations for at least the next twelve months and receipt of $175 million in additional milestone payments under our Revenue Interest Financing Agreement together with anticipated product revenues, will be sufficient to fund our operations through the end of 2025. We expect such amounts will allow us to complete our ongoing Phase 3 clinical trial studying vonoprazan for Non-Erosive GERD (daily dosing), and, if our post-complete response letter submissions concerning NVP are approved by FDA, launch vonoprazan for *H. pylori* and Erosive GERD. 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;
- 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 payers 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 payers;
- 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, the Loan Agreement, the Revenue Interest Financing Agreement, 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. 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 are sufficient to fund operations for at least the next twelve months and receipt of $175 million in additional milestone payments under our Revenue Interest Financing Agreement together with anticipated product revenues, will be sufficient to fund our operations through the end of 2025.

Cash Flows

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

	Six Months Ended June 30,		
	2023	**2022**	**$ Change**
Net cash provided by (used in):			
Operating activities	$ (61,869)	$ (70,473)	$ 8,604
Investing activities	(220)	(495)	275
Financing activities	155,574	95,446	60,128
Net increase in cash	$ 93,485	$ 24,478	$ 69,007

Operating Activities

Net cash used in operating activities was approximately $61.9 million and $70.5 million for the six months ended June 30, 2023 and 2022, respectively. The net cash used in operating activities for the six months ended June 30, 2023 was due to approximately $50.0 million spent on ongoing research and development and general and administrative activities and a $11.9

million net change in operating assets and liabilities. The net change in operating assets and liabilities primarily related to a $8.4 million decrease in accounts payable and accrued expenses (including interest and clinical trial expenses), and a $3.5 million increase in prepaid assets and other current assets and other long-term assets. The net cash used in operating activities for the six months ended June 30, 2022 was due to approximately $73.3 million spent on ongoing research and development and general and administrative activities offset by a $2.9 million net change in operating assets and liabilities. The net change in operating assets and liabilities primarily related to a $1.9 million increase in accounts payable and accrued expenses (including interest and clinical trial expenses), and a $1.0 million increase in prepaid assets and other current assets and other long-term assets.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2023 and 2022, was primarily due to the cash we paid for acquiring property, plant and equipment.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2023 was $155.6 million due to the proceeds from the sale of common stock. Net cash provided by financing activities for the six months ended June 30, 2022 was $95.4 million due to the net proceeds from the revenue interest financing agreement.

Contractual Obligations and Commitments

Other than disclosed below, there were no material changes outside the ordinary course of our business during the six months ended June 30, 2023 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 2022 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 2022 Form 10-K. There have not been any material changes to the critical accounting policies discussed therein during the six months ended June 30, 2023.

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 $1.235 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 June 30, 2023, 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 2022 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 six months ended June 30, 2023 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 2022 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

Not Applicable.

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	Certificate of Amendment to Amended and Restated Certificate of Incorporation, as filed with the Secretary of the State of Delaware on May 26, 2023	8-K	5/30/23	3.1	
3.3	Amended and Restated Bylaws	8-K	9/25/20	3.1	
4.1	Form of Common Stock Certificate	S-1/A	10/15/19	4.1	
4.2	Warrant to purchase stock issued to Silicon Valley Bank, dated May 14, 2019	S-1	9/30/19	4.3	
4.3	Warrant to purchase stock issued to WestRiver Innovation Lending Fund VIII, L.P., dated May 14, 2019	S-1	9/30/19	4.4	
4.4	Warrant to purchase stock issued to Hercules Capital, dated September 17, 2021	10-Q	11/8/21	10.2	
4.5	First Amendment to Warrant to purchase stock issued to Hercules Capital, dated May 9, 2023	10-Q	5/10/23	4.5	
4.6	Form of Warrant to purchase stock issuable pursuant to the Loan and Security Agreement, as amended, by and between the Registrant and Hercules Capital, Inc.	10-Q	5/10/23	4.6	
4.7	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	
10.1^	First Amendment to Vonoprazan Commercial Supply Agreement				X
10.2	Amendment and Restated Non-Employee Director Compensation Program				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.

^Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish supplementally a copy of any omitted exhibit or schedule upon request by the SEC.

SIGNATURES

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

PHATHOM PHARMACEUTICALS, INC.

Date: August 10, 2023

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

Date: August 10, 2023

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

AMENDMENT NO. 1 TO VONOPRAZAN COMMERCIAL SUPPLY AGREEMENT

THIS AMENDMENT NO. 1 TO THE VONOPRAZAN COMMERCIAL SUPPLY AGREEMENT is dated as of May 1, 2023 ("Amendment No. 1"), and is made by and between Phathom Pharmaceuticals, Inc, located at 100 Campus Drive, Suite 102, Florham Park, NJ 07932, USA ("Purchaser"), Evonik Operations GmbH, a limited liability company located at Rodenbacher Chaussee 4, 63457 Hanau (Wolfgang), Germany ("Evonik GmbH") and Evonik Corporation, an Alabama corporation with offices located at 2 Turner Place, Piscataway, NJ 08854 ("Evonik US").

WHEREAS, Purchaser and Evonik GmbH entered into a commercial supply agreement for the manufacture and supply of Product effective August 1, 2022 (the "Agreement");

WHEREAS, Purchaser and Evonik GmbH wish to amend the Agreement in accordance with 15.7 thereof, in order to add Evonik US as a Party to the Agreement and agree upon certain additional terms set forth in this Amendment No. 1.

NOW**,** THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser, Evonik GmbH, and Evonik US agree as follows:

I. **Capitalized Terms**. Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Agreement.

II. **Amendments to the Agreement.** The amendments set forth below shall be effective beginning on the date first set forth above (the "Amendment Effective Date"):

1. Parties. Evonik US is hereby added as a party to the Agreement. The Parties agree and acknowledge that with respect to any Product purchased by Purchaser from Evonik US, Evonik US shall have the same rights and obligations as are applicable to Evonik GmbH with respect to such Product sold, and Purchaser shall have the same rights and obligations as are applicable with respect to Product purchased from or sold by Evonik GmbH. As such, the term "Supplier" as used throughout the Agreement, shall be deemed to refer to the entity manufacturing and selling Product (either Evonik GmbH or Evonik, whichever is applicable) for purchase by Purchaser. Evonik GmbH, Evonik US and Purchaser shall each individually be considered a "Party" and collectively as the "Parties" as such terms are used throughout the Agreement.

2. Section 4.3.6 Currency. Section 4.3.6 of the Agreement shall be deleted in its entirety and replaced with the following:

> "*Payments shall be made in Euros to Evonik GmbH. Payments shall be made in US Dollars to Evonik US*."

3. Section 7.4 Export Compliance. Section 7.4 of the Agreement is amended as follows:
   a. by adding "*and the United States, as applicable*" after "Germany" in the first sentence of the Section; and

b. By adding "*or the United States, as applicable*" after "Germany" in the last sentence of the Section.

4. Article 10, Liability. Article 10 of the Agreement is amended by adding the following as new Section 10.4:

> "*For the avoidance of doubt, Evonik GmbH and Evonik US shall not be jointly and severally liable to Purchaser or Purchaser's Affiliates. In the event Purchaser issues a purchase order and Supplier issues an Acknowledgment accepting such purchase order, such purchase order shall only create obligations between the specific Supplier issuing the Acknowledgment and Purchaser. The liability caps set forth in Article 10.2.2 and 10.2.3 shall be the aggregate liability of Evonik US and Evonik GmbH together.*"

5. Section 14.1, Governing Law. Section 14.1 of the Agreement shall be deleted in its entirety and replaced with the following:

> "*This Agreement and the legal relations between the Parties in connection herewith shall be governed by, and construed in accordance with, the laws of the State of New Jersey, U.S.A. excluding the provisions of the United Nations Convention on Contracts for the International Sale of Goods and any conflict of law provisions that would require application of another choice of law*."

6. Section 14.2, Jurisdiction. Section 14.2 of the Agreement shall be deleted in its entirety and replaced with the following:

> "*Any dispute, controversy or claim arising out of or in connection with this Agreement, or the breach, termination, or invalidity thereof, that cannot be solved by both Parties in an amicable manner shall be finally settled by arbitration in accordance with the ICC Rules of Arbitration in force on the date when the notice of arbitration is submitted. The number of arbitrators will be three (3). The arbitrators shall have the power to grant any remedy or relief that they deem just and equitable, including but not limited to equitable and injunctive relief, whether provisional or final in nature, and any such equitable or injunctive measures ordered by the arbitrators may be enforced by any court of competent jurisdiction. Notwithstanding the foregoing, nothing in this Agreement shall prevent either Party from seeking any provisional/preliminary equitable relief (including, but not limited to, preliminary injunctions, attachments or other such orders in aid of arbitration) from any state or federal courts located in the State of New Jersey (the "New Jersey courts"), and any such application to a New Jersey court for provisional/preliminary relief shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate. In the event that either Party seeks provisional/preliminary relief in the New Jersey courts in accordance with the last sentence, each of the Parties hereby (a) agrees that the New Jersey courts shall have exclusive jurisdiction to grant such judicial relief and (b) waives any claim or defense that the jurisdiction or venue of the New Jersey courts is improper. The arbitrators shall have no authority to award punitive damages or other damages not measured by the prevailing Party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the provisions of this*

Agreement. The award of the arbitrators in writing shall be final and binding upon the Parties. Should any Party fail to appear or be represented at the arbitration proceedings after due notice in accordance with the applicable rules, then the arbitrator may nevertheless render a decision in the absence of such Party and such decision shall have the same force and effect as if the absent Party had been present, whether or not it shall be adverse to the interests of such Party. The arbitration is to be conducted in the City of New York, County of New York. The arbitral proceedings will be conducted in English. Each Party shall submit to any court of competent jurisdiction for purposes of the enforcement of any award, order or judgment pursuant to arbitration, and such award, order or judgment shall be final and may be entered and enforced in any court of competent jurisdiction."

7. Section 15.1, Notice. Section 15.1 of the Agreement shall be amended to add the following notice information for Supplier:

Evonik US: Evonik Corporation
Attn: [***]
1650 Lilly Road
Lafayette, IN 47909
[***]

With a copy to:
Evonik Corporation, Legal Department
2 Turner Place
Piscataway, NJ 08854

III. **Effect on the Agreement**. The Agreement shall continue in full force and effect as amended by this Amendment No. 1. This Amendment No. 1, together with the Agreement, constitutes the entire agreement of the Parties with respect to the matters set forth herein and there are no other agreements, commitments, or understandings among the Parties with respect to the matters set forth herein. In the event of any conflict or inconsistency between the provisions of this Amendment No. 1, and the provisions of the Agreement, the provisions of this Amendment No. 1 shall govern and control. Each and every other term, condition, covenant, representation, warranty and provision set forth in the Agreement shall remain in full force and effect in accordance with the terms of the Agreement. From and after the date hereof, all references in the Agreement to the "Agreement" shall be deemed to mean the Agreement as amended by this Amendment No. 1.

IV. **Counterparts**. This Amendment No. 1 may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

[*The remainder of this page is intentionally left blank. Signature page to follow*]

The parties hereby agree to the terms and conditions set forth in this Amendment No. 1 to the Vonoprazan Commercial Supply Agreement.

Evonik Operations GmbH

By: /s/ [***]

Name: [***]

Title: SVB, Healthcare

Phathom Pharmaceuticals, Inc.

By: /s/ Jay Buchanan

Name: Jay Buchanan

Title: VP, Manufacturing & Supply Chain

Evonik Operations GmbH

By: /s/ [***]

Name: [***]

Title: Senior Legal Counsel

Evonik Corporation

By: /s/ [***]

Name: [***]

Title: President, Evonik Corporation

Evonik Corporation

By: /s/ [***]

Name: [***]

Title: VP, PL Drug Substance

PHATHOM PHARMACEUTICALS, INC.

AMENDED AND RESTATED NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM
(effective as of May 25, 2023)

Non-employee members of the board of directors (the "***Board***") of Phathom Pharmaceuticals, Inc. (the "***Company***") shall receive cash and equity compensation as set forth in this Non-Employee Director Compensation Program (this "***Program***"). This Program has been adopted under the Company's 2019 Incentive Award Plan (the "***Equity Plan***") and shall be effective on the Effective Date. The cash and equity compensation described in this Program shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a "***Non-Employee Director***") who is entitled to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Program shall remain in effect until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Program shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors. No Non-Employee Director shall have any rights hereunder, except with respect to stock options granted pursuant to the Program. Capitalized terms not otherwise defined herein shall have the meanings ascribed in the Equity Plan.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of $50,000 for service on the Board.

(b) Additional Annual Retainers. In addition, each Non-Employee Director shall receive the following additional annual retainers, as applicable:

(i) Chairperson of the Board. A Non-Employee Director serving as Chairperson of the Board shall receive an additional annual retainer of $40,000 for such service.

(ii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $20,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of $10,000 for such service.

(iii) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $15,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of $7,500 for such service.

(iv) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $10,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of $5,000 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears on a semi-annual basis not later than the forty-fifth day following the end of every other calendar quarter (i.e.,

August 15 and February 15). In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director, or in such position, as applicable.

2. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of stock options hereby are subject in all respects to the terms of the Equity Plan and the applicable award agreement. For the avoidance of doubt, the share numbers in this Program already give effect to the forward stock split of the Company's common stock to be effected by the Company in connection with its initial public offering.

(a) Initial Awards. Each Non-Employee Director who is initially elected or appointed to the Board after the Effective Date shall receive (i) an option under the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, to purchase 30,000 shares of the Company's common stock, and (ii) 18,000 Restricted Stock Units, on the date of such initial election or appointment. The awards described in this Section 2(a) shall be referred to as "***Initial Awards***." No Non-Employee Director shall be granted more than one Initial Award.

(b) Subsequent Awards. A Non-Employee Director who (i) is serving on the Board as of the date of any annual meeting of the Company's stockholders after the Effective Date and has been serving as a Non-Employee Director for at least six months as of the date of such meeting, and (ii) will continue to serve as a Non-Employee Director immediately following such meeting, shall be automatically granted (i) an option under the Equity Plan, or any other applicable Company equity incentive plan then-maintained by the Company, to purchase 15,000 of the Company's common stock on the date of such annual meeting and 9,000 Restricted Stock Units. The awards described in this Section 2(b) shall be referred to as "***Subsequent Awards***." For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an annual meeting of the Company's stockholders shall only receive an Initial Award in connection with such election, and shall not receive any Subsequent Award on the date of such meeting as well.

(c) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(a) above, but to the extent that they are otherwise entitled, will receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Awards as described in Section 2(b) above.

(d) Terms of Awards Granted to Non-Employee Directors

(i) Purchase Price. The per share exercise price of each option granted to a Non-Employee Director shall equal the Fair Market Value of a share of common stock on the date the option is granted.

(ii) Vesting. One-third of each Initial Award shall vest and become exercisable on the one (1)-year anniversary of the date of grant, and the remainder will vest in substantially equal quarterly installments over the twenty-four (24) months following the date of grant, subject to the Non-Employee Director continuing in service on the Board through each such vesting date. Each Subsequent Award shall

vest and/or become exercisable on the first to occur of (A) the first anniversary of the date of grant or (B) the next occurring annual meeting of the Company's stockholders, subject to the Non-Employee Director continuing in service on the Board through such vesting date. Unless the Board otherwise determines, no portion of an Initial Award or Subsequent Award which is unvested and/or exercisable at the time of a Non-Employee Director's termination of service on the Board shall become vested and/or exercisable thereafter. Upon a Change in Control, all outstanding equity awards granted under the Equity Plan, and any other equity incentive plan maintained by the Company, that are held by a Non-Employee Director shall become fully vested and/or exercisable, irrespective of any other provisions of the Plan or any award agreement.

(iii) Term. The term of each stock option granted to a Non-Employee Director shall be ten (10) years from the date the option is granted.

3. Compensation Limits. Notwithstanding anything to the contrary in this Program, all compensation payable under this Program will be subject to any limits on the maximum amount of Non-Employee Director compensation set forth in the Equity Plan, as in effect from time to time.

4. Reimbursements. The Company shall reimburse each Non-Employee Director for all reasonable, documented, out-of-pocket travel and other business expenses incurred by such Non-Employee Director in the performance of his or her duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

* * * * *

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: August 10, 2023

/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: August 10, 2023

/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 June 30, 2023 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: August 10, 2023

/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 June 30, 2023 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: August 10, 2023

/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.