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

# FORM 10-Q

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

**For the quarterly period ended March 31, 2021**

**OR**

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

**For the transition period from _____to_____.**

**Commission File Number: 001-39094**

# PHATHOM PHARMACEUTICALS, INC.

**(Exact name of Registrant as specified in its charter)**

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

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.0001 par value per share | PHAT | Nasdaq Global Select Market |

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

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

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

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

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

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

As of May 6, 2021, the registrant had 31,329,613 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)**

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 237,974 | $ 287,496 |
| Prepaid expenses and other current assets (including related party amounts of $0 and $82, respectively) | 4,836 | 3,872 |
| Total current assets | 242,810 | 291,368 |
| Property, plant and equipment, net | 907 | 986 |
| Operating lease right-of-use assets | 2,261 | 2,373 |
| Other long-term assets | 385 | 384 |
| Total assets | $ 246,363 | $ 295,111 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable (including related party amounts of $335 and $173, respectively) | $ 10,857 | 16,782 |
| Accrued clinical trial expenses | 10,868 | 19,997 |
| Accrued expenses (including related party amounts of $1,000 and $734, respectively) | 6,566 | 10,606 |
| Accrued interest | 312 | 312 |
| Current portion of long-term debt | 11,765 | 7,353 |
| Operating lease liabilities, current | 477 | 474 |
| Total current liabilities | 40,845 | 55,524 |
| | | |
| Long-term debt, net of discount | 35,587 | 39,634 |
| Operating lease liabilities | 1,467 | 1,557 |
| Other long-term liabilities | 4,125 | 4,125 |
| Total liabilities | 82,024 | 100,840 |
| | | |
| Commitments and contingencies (Note 4) | | |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value; authorized shares — 40,000,000 at March 31, 2021 and December 31, 2020 ; no shares issued and outstanding at March 31, 2021 and December 31, 2020 | — | — |
| Common stock, $0.0001 par value; authorized shares — 400,000,000; issued shares — 31,321,613 and 31,262,769 at March 31, 2021 and December 31, 2020, respectively; outstanding shares — 28,876,510 and 28,516,010 at March 31, 2021 and December 31, 2020, respectively | 3 | 3 |
| Additional paid-in capital | 584,666 | 579,755 |
| Accumulated deficit | (420,330) | (385,487) |
| Total stockholders' equity | 164,339 | 194,271 |
| Total liabilities and stockholders' equity | $ 246,363 | $ 295,111 |

*See accompanying notes.*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Operating expenses: | | |
| Research and development (includes related party amounts of $939 and $404 respectively) | $ 20,580 | $ 15,865 |
| General and administrative (includes related party amounts of $16 and $43, respectively) | 13,004 | 4,510 |
| Total operating expenses | 33,584 | 20,375 |
| Loss from operations | (33,584) | (20,375) |
| Other income (expense): | | |
| Interest income | 14 | 878 |
| Interest expense | (1,272) | (738) |
| Change in fair value of warrant liabilities | — | 95 |
| Other income (expense) | (1) | (1) |
| Total other income (expense) | (1,259) | 234 |
| Net loss and comprehensive loss | $ (34,843) | $ (20,141) |
| Net loss per share, basic and diluted | $ (0.96) | $ (0.62) |
| Weighted-average shares of common stock outstanding, basic and diluted | 36,298,968 | 32,470,402 |

*See accompanying notes.*

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

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

*See accompanying notes.*

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

| | Common Stock | | Additional Paid-in | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Equity (Deficit) |
| Balance at December 31, 2019 | 24,728,258 | $ 2 | $ 484,372 | $ (256,419) | $ 227,955 |
| Conversion of Lender Warrants into equity | — | — | 318 | — | 318 |
| Vesting of restricted shares | 425,295 | — | — | — | — |
| Stock-based compensation | — | — | 563 | — | 563 |
| Net loss | — | — | — | (20,141) | (20,141) |
| Balance at March 31, 2020 | 25,153,553 | $ 2 | $ 485,253 | $ (276,560) | $ 208,695 |

*See accompanying notes.*

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from operating activities** | | |
| Net loss | $ (34,843) | $ (20,141) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 125 | 52 |
| Stock-based compensation | 3,818 | 563 |
| Amortization of debt discount | 364 | 199 |
| Change in fair value of warrant liabilities | 0 | (95) |
| Other | 357 | — |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets (includes the change in related party amounts of $82, and $0, respectively) | (965) | 6,680 |
| Accounts payable and accrued expenses (includes the change in related party amounts of $428, and $289, respectively) | (9,516) | 1,492 |
| Accrued clinical trial expenses | (9,129) | 0 |
| Accrued interest | — | 81 |
| Operating right-of-use asset and lease liabilities | 25 | (48) |
| Other long-term assets | (1) | (200) |
| Net cash used in operating activities | (49,765) | (11,417) |
| | | |
| **Cash flows from investing activities** | | |
| Cash paid for property, plant and equipment | (169) | (676) |
| Net cash used in investing activities | (169) | (676) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of common stock from exercise of stock options | 412 | — |
| Net proceeds from issuance of long-term debt | — | 25,000 |
| Net cash provided by financing activities | 412 | 25,000 |
| Net (decrease) increase in cash and cash equivalents | (49,522) | 12,907 |
| Cash and cash equivalents – beginning of period | 287,496 | 243,765 |
| Cash and cash equivalents – end of period | $ 237,974 | $ 256,672 |
| | | |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 906 | $ 458 |
| **Supplemental disclosure of noncash investing and financing activities** | | |
| Property and equipment purchases included in accounts payable and accrued liabilities | $ 21 | $ 20 |
| Final interest payment fee | $ — | $ 2,063 |
| Settlement of ESPP liability in common stock | $ 358 | $ — |
| Settlement of 401(k) liability in common stock | $ 323 | $ — |
| Conversion of Lender Warrants into equity | $ — | $ 318 |

*See accompanying notes.*

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

### *Organization*

Phathom Pharmaceuticals, Inc. (the "Company" or "Phathom") was incorporated in the state of Delaware in January 2018 under the name North Bridge IV, Inc. On March 13, 2019, the Company changed its name to Phathom Pharmaceuticals, Inc. and merged with YamadaCo IIA, Inc. ("YamadaCo"), a Delaware corporation formed in September 2017, with Phathom being the surviving entity (the "Merger"). All activities of YamadaCo prior to 2018 related to formation and were insignificant. The Company is a late clinical-stage biopharmaceutical company focused on developing and commercializing novel treatments for gastrointestinal diseases.

### *Basis of Presentation*

The Company's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company and YamadaCo were entities under the common control of Frazier Life Sciences IX, L.P. ("Frazier") as a result of, among other things, Frazier's; (i) ownership of a majority of the outstanding capital stock of both companies, (ii) financing of both companies, (iii) control of the board of directors of both companies, and (iv) management of both companies. Both the Company and YamadaCo were formed for the purpose of identifying potential assets around which to form an operating company. All intercompany accounts and transactions have been eliminated.

Interim results may not be indicative of the results that may be expected for the full year. In the opinion of management, these unaudited financial statements include all normal and recurring adjustments considered necessary for a fair presentation of these interim unaudited financial statements.

### *Liquidity and Capital Resources*

From inception to March 31, 2021, 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, preparing for and managing the Phase 3 clinical trials of vonoprazan, building a commercial organization in preparation for a potential product launch following successful development and approval, 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 net losses into the foreseeable future as it continues the development and preparation for commercialization of vonoprazan. From inception to March 31, 2021, the Company has funded its operations through the issuance of convertible promissory notes, commercial bank debt, and the sale of 10,997,630 shares of common stock for net proceeds of approximately $191.5 million in its 2019 IPO. Additionally, in December 2020, the Company raised 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.

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 that may result from the outcome of this uncertainty. 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 available to be 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 convertible promissory notes, warrant liabilities and various other 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. Warrant liabilities and convertible promissory notes were recorded at fair value on a recurring basis.

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.

The warrant liabilities consisted of warrants (the "Lender Warrants") issued in connection with the loan and security agreement (the "Loan Agreement") for commercial bank debt (see Note 6). The Lender Warrants were accounted for as liabilities as they contained a holder put right under which the lenders could have required the Company to pay cash in exchange for the Lender Warrants. The fair value of the Lender Warrants was estimated on the date of grant using the Black-Scholes option-pricing model with an expected term equal to the remaining contractual term of the warrants. The Company estimates its expected stock volatility based on the historical volatility of a set of peer companies, which are publicly traded, and expects to continue to do so until it has adequate historical data regarding the volatility of its own publicly-traded stock price. The risk-free interest rate is 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. The Company uses an expected dividend yield of zero based on the fact that the Company has never paid cash dividends and does not expect to pay cash dividends in the foreseeable future. When the Company drew down the Term Loan B under the Loan Agreement in March 2020 (see Note 6), the Lenders' put right expired, and the Company recorded a final fair value adjustment and reclassified the Lender Warrants balance of $0.3 million to additional paid-in-capital.

The following table provides a reconciliation of all liabilities measured at fair value using Level 3 significant unobservable inputs (in thousands):

| | Warrant Liabilities |
|---|---|
| Balance at December 31, 2019 | 413 |
| Change in fair value | (95) |
| Reclassification of Lender Warrants into equity (Note 6) | (318) |
| Balance at March 31, 2020 | $ — |

***Cash and Cash Equivalents***

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

***Concentrations of Credit Risk***

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

***Property, Plant, and Equipment, Net***

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

***Impairment of Long-Lived Assets***

The Company reviews long-lived assets, including property, plant and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. The impairment loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. No impairment losses have been recorded through March 31, 2021.

***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.

***Research and Development Expenses and Accruals***

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

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

***In-Process Research and Development***

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

***General and Administrative Expenses***

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

***Stock-Based Compensation***

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

The Company also maintains an employee stock purchase program ("ESPP") under which it issues shares. The Company estimates the fair value of stock options and shares that will be issued under the ESPP 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.

***Comprehensive Loss***

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

***Segment Reporting***

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

***Net Loss Per Share***

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for potentially dilutive securities. The Company included 7,588,000 shares of common stock under its warrant (the "Takeda Warrant") issued to Takeda Pharmaceutical Company Limited ("Takeda") in connection with a May 2019 license agreement (see Note 4) in the calculation of basic weighted-average common shares outstanding from the time it became exercisable at the Company's IPO because the Takeda Warrant is exercisable for little consideration. For the three months ended March 31, 2021 and 2020, the Company has excluded weighted-average unvested shares of 2,582,666 and 4,082,104, respectively, from the weighted-average number of common shares outstanding. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and dilutive common stock equivalents outstanding for the period determined using the treasury-stock and if-converted methods. Dilutive common stock equivalents are comprised of unvested common stock, options and warrants. For all 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**

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which simplifies the accounting for income taxes. ASU 2019-12 is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2020 on a prospective basis, and early adoption is permitted. The Company adopted this guidance effective January 1, 2021, and the adoption did not 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, 2020. There were no new material accounting standards issued in the first quarter of 2021 that impacted the Company.

**2. Balance Sheet Details**

***Property, Plant and Equipment, net***

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

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Computer equipment and software | $ 560 | $ 516 |
| Furniture and fixtures | 749 | 747 |
| Leasehold improvements | 54 | 54 |
| | 1,363 | 1,317 |
| Less: accumulated depreciation | (456) | (331) |
| Total property, plant and equipment, net | $ 907 | $ 986 |

Depreciation expense for the three months ended March 31, 2021 and 2020 was approximately $125,000 and $52,000, respectively. No property, plant or equipment was disposed of during the three months ended March 31, 2021 or the year ended December 31, 2020.

***Accrued Expenses***

Accrued expenses consist of the following (in thousands):

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| Accrued research and development expenses | $ 3,202 | $ 4,864 |
| Accrued compensation expenses | 1,827 | 4,587 |
| Accrued professional & consulting expenses | 1,463 | 1,123 |
| Accrued other | 74 | 32 |
| Total accrued expenses | $ 6,566 | $ 10,606 |

**3. Related Party Transactions**

Frazier is a principal stockholder of the Company and is represented on the Company's board of directors. The Company has conducted operations within office space controlled by Frazier and Frazier allocated a portion of the costs associated with this office space to the Company. In addition, Frazier paid for various goods and services, such as employee wages, insurance and expense reimbursements and various administrative services associated with the operations of the Company and charged the Company for those expenses. As of March 31, 2021 and December 31, 2020 the Company had outstanding accounts payable and accrued expenses due to Frazier in the amount of $17,000 and $35,000, respectively, related to these shared operating expenses. For the three months ended March 31, 2021 and 2020, the Company incurred $16,000 and $43,000, respectively, of shared operating expenses. In addition to the shared operating expenses, the Company issued convertible promissory notes to Frazier during 2018 and 2019.

Frazier is a principal stockholder in PCI Pharma Services ("PCI"). In the third quarter of 2019, the Company engaged PCI for clinical manufacturing services. As of March 31, 2021 and December 31, 2020, the Company had $0.9 million and $0.4 million, respectively, outstanding accounts payable and accrued expenses related to these manufacturing services. For the three months ended March 31, 2021 and 2020, the Company incurred $0.9 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. As of March 31, 2021 and December 31, 2020, the Company had $22,000 and $22,000, respectively, in outstanding accounts payable and accrued expenses related to these supply services. The Company did not have any such expenses incurred for the three months ended March 31, 2021 and 2020 related to services performed by Takeda.

On May 5, 2020, the Company entered into a Commercial Supply Agreement (the "Commercial Supply Agreement") with Takeda, pursuant to which Takeda will supply commercial quantities of vonoprazan bulk drug product. 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 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. As of March 31, 2021 and December 31, 2020, the Company had $0.2 million and $0.2 million, respectively, in outstanding accounts payable and accrued expenses related to these bulk drug product costs. For the three months ended March 31, 2021, the Company incurred no expense related to the Commercial Supply Agreement. The Company has a remaining minimum purchase obligation of approximately $2.2 million related to this agreement.

In connection with the Takeda License, the Company entered into a temporary services agreement (the "Temporary Services Agreement") with Takeda on November 24, 2020. Pursuant to the Temporary Services Agreement, Takeda agreed to provide or procure the provision of services related to the ongoing clinical development of vonoprazan. The Temporary Services Agreement will terminate immediately upon termination of the Takeda License in accordance with its terms. As of March 31, 2021 and December 31, 2021, the Company had $0.2 million and $0.2 million, respectively, in outstanding accounts payable and accrued expenses related to these temporary services.

**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 (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 (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 Company incurred $0.1 million of transaction costs in connection with the Takeda License. The Takeda Warrant has an exercise price of $0.00004613 per share, expires on May 7, 2029 and became exercisable upon the consummation of the IPO. Following the October 11, 2019 increase in the Company's authorized shares of common stock to 50,000,000, the Company recorded a non-cash charge related to the final fair value adjustment of the Takeda Warrants and reclassified the full balance of $144.2 million from warrant liabilities to additional paid-in capital.

***Purchase Commitments***

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

***Contingencies***

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

**5. Lease Commitments**

As of March 31, 2021, the Company had operating leases for office space in both Buffalo Grove, Illinois and Florham Park, New Jersey, with remaining lease terms of 4.1 years and 4.4 years, respectively. Both operating leases contain an option to extend the term for one additional five year period, which was not considered in the determination of the right-of-use asset or lease liability as the Company did not consider it reasonably certain that it would exercise such options.

The total rent expense for the three months ended March 31, 2021 and 2020 was approximately $0.2 million and $0.1 million, respectively.

The following table summarizes supplemental balance sheet information related to the operating leases as of March 31, 2021 and December 31, 2020.

| | March 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets:** | | |
| Operating lease right-of-use assets | 2,261 | 2,373 |
| Total right-of-use assets | $ 2,261 | $ 2,373 |
| | | |
| **Liabilities:** | | |
| Operating lease liabilities, current | 477 | 474 |
| Operating lease liabilities, non-current | 1,467 | 1,557 |
| Total operating lease liabilities | $ 1,944 | $ 2,031 |

As of March 31, 2021, the future minimum annual lease payments under the operating leases were as follows (in thousands):

| | |
|---|---|
| 2021 | $ 368 |
| 2022 | 503 |
| 2023 | 516 |
| 2024 | 529 |
| Thereafter | 342 |
| Total minimum lease payments | $ 2,258 |
| | |
| Less: amount representing interest | (314) |
| Present value of operating lease liabilities | 1,944 |
| Less: operating lease liabilities, current | (477) |
| Operating lease liabilities | $ 1,467 |
| | |
| Weighted-average remaining lease term (in years) | 4.31 |
| Weighted-average incremental borrowing rate | 7.25% |

Operating cash flows for the three months ended March 31, 2021 included $0.2 million in cash payments for operating leases. Operating cash flows for the three months ended March 31, 2020 included $0.3 million in cash payments for operating leases, $0.2 million of which were prepaid lease payments.

**6. Debt**

Total debt consists of the following (in thousands):

| | March 31, 2021 |
|---|---|
| Long-term debt, current portion | $ 11,765 |
| Long-term debt, non-current portion | 38,235 |
| Unamortized debt discount | (2,648) |
| Total debt, net of debt discount | $ 47,352 |

On May 14, 2019, the Company entered into a loan and security agreement (the “Loan Agreement”, and all amounts borrowed thereunder the “Term Loans”) with Silicon Valley Bank (“SVB”), as administrative and collateral agent, and lenders including SVB and WestRiver Innovation Lending Fund VIII, L.P. (“WestRiver”). The Company borrowed $25.0 million (“Term Loan A”) at the inception of the Loan Agreement and an additional $25.0 million (“Term Loan B”) on March 16, 2020.

The Term Loans bear interest at a floating rate of the higher of the Wall Street Journal Prime rate plus 1.75% (5% at March 31, 2021) or 7.25%. Under the original Loan Agreement, the monthly payments consisted of interest-only through May 31, 2021. On March 11, 2020, the Company entered into the first amendment and on March 11, 2021, the Company entered into the second amendment (together the “Amendments”) to the Loan Agreement. Pursuant to the Amendments, the interest-only payment period was extended through July 31, 2021, and could be further extended either (i) until December 31, 2021, if the Company receives positive data from its Phase 3 clinical trial in *H. pylori* infection sufficient to file a New Drug Application (“NDA”) with the U.S. Food and Drug Administration (“FDA”); or (ii) until November 30, 2022, if the Company receives positive data from its Phase 3 clinical trials in both indications for vonoprazan sufficient to file an NDA with the FDA; provided, in each case, that the Company had drawn down an additional $25.0 million, Term Loan B, pursuant to the Loan Agreement. Subsequent to the interest-only period, the Term Loans

will be payable in equal monthly installments of principal, plus accrued and unpaid interest through the maturity date of May 1, 2024. In addition, the Company is obligated to pay a final payment fee of 8.25% of the original principal amount of the Term Loans. As of March 31, 2021, the aggregate final payment fee for the Term Loans of $4.1 million has been recorded as an other long-term liability.

The Company may elect to prepay all or a portion of the Term Loans prior to maturity, subject to a prepayment fee of up to 2.0% of the then outstanding principal balance and payment of a pro rata portion of the final payment fee. After repayment, no Term Loan amounts may be borrowed again.

The borrowings under the Loan Agreement are collateralized by substantially all of the Company's assets, excluding intellectual property and certain other assets. The Loan Agreement includes affirmative and negative covenants. The affirmative covenants include, among others, covenants requiring the Company to maintain its legal existence and governmental approvals, deliver certain financial reports, maintain insurance coverage and satisfy certain requirements regarding its operating accounts. The negative covenants include, among others, limitations on the Company's ability to incur additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements or enter into various specified transactions. The Loan Agreement also contains customary events of default, including bankruptcy, the failure to make payments when due, and a material adverse change. Upon the occurrence of an event of default, subject to any specified cure periods, all amounts owed by the Company would begin to bear interest at a rate that is 4.00% above the rate effective immediately before the event of default and may be declared immediately due and payable by SVB, as collateral agent. As of March 31, 2021, the Company was in compliance with all applicable covenants under the Loan Agreement.

In connection with the Loan Agreement, the Company issued the Lender Warrants to purchase stock of the Company, which expire ten years from the date of issuance. Upon completion of the IPO in 2019, the Lender Warrants became exercisable for 16,446 shares of common stock. The Lender Warrants included a put option pursuant to which, in the event that the Company did not draw down Term Loan B on or before March 31, 2020, the warrant holders could have required that the Company repurchase the warrants for a total aggregate repurchase price of $0.5 million. Upon the Term Loan B draw in March 2020, the Lender Warrants became exercisable and the put option related to the Lender Warrants expired. Accordingly, the Company recorded a final fair value adjustment and reclassified the Lender Warrants balance of $0.3 million to additional paid-in-capital.

The initial $0.4 million fair value of the Lender Warrants, the $4.1 million final payment fee and $0.2 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 Loans. During the three months ended March 31, 2021 and 2020, the Company recognized $1.3 million and $0.7 million, respectively, of interest expense, including amortization of the debt discount, in connection with the Loan Agreement. As of March 31, 2021, the Company had outstanding Term Loans of $50.0 million and accrued interest of $0.3 million.

Future minimum principal and interest payments under the Term Loans, including the final payment fee, as of March 31, 2021 are as follows (in thousands):

| | | |
|---|---|---|
| Year ending December 31: | | |
| 2021 | $ | 10,032 |
| 2022 | | 20,187 |
| 2023 | | 18,889 |
| 2024 | | 11,614 |
| Total principal and interest payments | | 60,722 |
| Less interest and final payment fee | | (10,722) |
| Total term loan borrowings | $ | 50,000 |

**7. Stockholders' Equity**

***Common Stock***

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

In March 2019, the founders granted the Company a repurchase right for the 3,373,408 shares of common stock originally purchased in 2018. The Company has the right, but not the obligation, to repurchase unvested shares in the event the founder's relationship with the Company is terminated, subject to certain limitations, at the original purchase price of the stock. The repurchase right lapsed for 843,352 shares in March 2019 and the repurchase right for the remaining 2,530,056 shares lapses in equal monthly amounts over the following 48-month period ending in March 2023. The fair value of the founder shares at the date the repurchase right was granted is being recognized as stock-based compensation expense on a straight-line basis over the vesting period. As of March 31, 2021, 1,265,028 shares of common stock were subject to repurchase by the Company and the associated repurchase liability was not significant. The amount of recognized and unrecognized stock-based compensation related to the founder stock was immaterial for all periods presented.

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

For the period from January 1, 2019 to May 6, 2019, the Company issued 2,524,852 shares of common stock to various employees and consultants of the Company for aggregate proceeds of approximately $1,000. Upon issuance, these shares were subject to a repurchase option by the Company at the original purchase price of the shares. The repurchase rights generally lapse as to 25% of the shares on the first anniversary of the vesting commencement date, and the repurchase right lapses as to 1/48th of the shares each one-month period thereafter, subject to the purchaser remaining continuously an employee, consultant or director of the Company. In November 2019, the Company repurchased 17,560 shares at the original purchase price for an aggregate purchase price of $5.20. As of March 31, 2021, 1,180,075 shares remain available for repurchase by the Company and the associated repurchase liability was not significant.

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

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.

In November 2020 the Company entered into an Open Market Sale Agreement (the "Sales Agreement") with Jefferies LLC (the "Sales Agent"), under which it may, from time to time, sell shares of its common stock having an aggregate offering price of up to $125.0 million through the Sales Agent (the "ATM Offering"). Pursuant to the Sales Agreement, the Company will pay the Sales Agent a commission for its services in acting as an agent in the sale of common stock in an amount equal to 3% of the gross sales price per share sold. No shares were sold under the ATM Offering as of March 31, 2021.

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

| | |
|---|---|
| Balance at December 31, 2020 | 2,746,759 |
| Share vesting | (301,656) |
| Balance at March 31, 2021 | 2,445,103 |

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

Common stock reserved for future issuance consists of the following:

| | March 31, 2021 |
|---|---|
| Common stock warrants | 7,604,446 |
| Stock options and performance-based units outstanding | 4,360,544 |
| Shares available for issuance under the 2019 Incentive Plan | 2,063,814 |
| Shares available for issuance under the ESPP Plan | 858,783 |
| Balance at March 31, 2021 | 14,887,587 |

***Preferred Stock***

The Company is authorized to issue up to 40 million shares of preferred stock. As of March 31, 2021, and December 31, 2020, there were no shares of preferred stock issued or outstanding.

***Equity Incentive Plan***

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

***2019 Incentive Award Plan***

In October 2019, the board of directors adopted, and the Company's stockholders approved the 2019 Plan, which became effective in connection with the IPO. Under the 2019 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other awards to individuals who are then employees, officers, non-employee directors or consultants of the Company or its subsidiaries. The number of shares initially available for issuance will be increased by (i) the number of shares subject to stock options or similar awards granted under the Existing Incentive Plan that expire or otherwise terminate without having been exercised in full after the effective date of the 2019 Plan and unvested shares issued pursuant to awards granted under the Existing Incentive Plan that are forfeited to or repurchased by the Company after the effective date of the 2019 Plan, with the maximum number of shares to be added to the 2019 Plan pursuant to clause (i) above equal to 1,416,788 shares, and (ii) an annual increase on January 1 of each calendar year beginning in 2020 and ending in 2029, equal to the lesser of (a) 5% of the shares of common stock outstanding on the final day of the immediately preceding calendar year and (b) such smaller number of shares as determined by the board of directors. The Company initially had 2,700,000 shares of common stock available for issuance under the 2019 Plan, which was increased by 1,250,511 and 1,158,580 shares that were authorized on January 1, 2021 and 2020 respectively. During the three months ended March 31, 2021, 1,358,750 stock options and 90,050 performance-based units were granted.

***Performance-based Units***

During 2020, the Company granted 220,000 performance-based stock units ("PSU") whereby vesting depends upon the approval by the U.S. Food and Drug Administration ("FDA") of vonoprazan for *H. pylori* and then, or concurrent with, erosive esophagitis. In January 2021, the Company granted an additional 90,050 PSUs to employees. As of March 31, 2021, the PSU milestones had not been achieved. As of March 31, 2021, no related compensation cost had been recognized. The following table summarizes PSU activity under the 2019 Incentive Award Plan during the three months ended March 31, 2021.

| | Number of Stock Units | Weighted-Average Grant Date Fair Value Per Share |
|---|---|---|
| Unvested balance at December 31, 2020 | 220,000 | $ 32.48 |
| Granted | 90,050 | 38.54 |
| Vested | — | — |
| Forfeited | — | — |
| Unvested balance at March 31, 2021 | 310,050 | $ 34.24 |

As of March 31, 2021, there was approximately $11.6 million of related unrecognized compensation cost, which will begin to be recognized when vesting is probable.

***Employee Stock Purchase Plan***

In October 2019, the board of directors adopted, and the Company's stockholders approved, the Employee Stock Purchase Plan (the "ESPP"), which became effective in connection with the IPO. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation, which includes a participant's gross base compensation for services to the Company, including overtime payments and excluding sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments. A total of 270,000 shares of common stock was initially reserved for issuance under the ESPP. In addition, the number of shares available for issuance under the ESPP will be annually increased on January 1 of each calendar year beginning in 2020 and ending in 2029, by an amount equal to the lesser of: (i) 1% of the shares outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the board of directors. As of March 31, 2021, 858,783 shares of common stock remain available for issuance, which includes the 13,490 shares sold to employees during the three months ended March 31, 2021 as well as the annual increases of 312,628 and 289,645 shares that were authorized on January 1, 2021and 2020 respectively.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Assumptions: | | |
| Expected term (in years) | 0.75 | — |
| Expected volatility | 81.83% | 0.00% |
| Risk free interest rate | 0.10% | — |
| Dividend yield | — | — |

The estimated weighted-average fair value of ESPP awards during 2021 was $15.85. As of March 31, 2021, the total unrecognized compensation expense related to the ESPP was $0.3 million, which is expected to be recognized over a weighted-average period of approximately 0.6 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 year ended December 31, 2020, the Company incurred $0.3 million of expense related to employer contributions, which was based on a 75% match of employees' annual contributions. In January 2021, the Board of Directors approved the discretionary match, which was settled by contributing 8,356 shares. During the three months ended March 31, 2021, the Company incurred $0.4 million of expense related to estimated 2021 employer contribution liabilities, which was based on a 75% match of employees' contributions during the period.

***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, 2020 | 2,728,742 | $ 21.36 | 9.10 | $ 34,432 |
| Options granted | 1,358,750 | 39.06 | | |
| Options exercised and shares vested | (36,998) | 11.14 | | |
| Options cancelled | — | — | | |
| Balance at March 31, 2021 | 4,050,494 | $ 27.39 | 9.18 | $ 43,966 |
| Options exercisable as of March 31, 2021 | 457,531 | $ 11.83 | 8.50 | $ 11,774 |

The estimated weighted-average fair value of employee and nonemployee director stock options granted during 2021 was $23.5. As of March 31, 2021, the Company had $56.5 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 3.3 years.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Assumptions: | | |
| Expected term (in years) | 6.07 | 6.08 |
| Expected volatility | 67.49% | 62.63% |
| Risk free interest rate | 0.60% | 1.19% |
| 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 as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Research and development expense | $ 859 | $ 114 |
| General and administrative expense | 2,959 | 449 |
| Total | $ 3,818 | $ 563 |

## 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, 2020 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, 2020 ("2020 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 late clinical-stage biopharmaceutical company focused on developing and commercializing novel treatments for gastrointestinal, or GI, diseases. Our initial product candidate, vonoprazan, is an oral small molecule potassium competitive acid blocker, or P-CAB. P-CABs are a novel class of medicines that block acid secretion in the stomach. Vonoprazan has shown rapid, potent, and durable anti-secretory effects and has demonstrated clinical benefits over the current standard of care as a single agent in the treatment of gastroesophageal reflux disease, or GERD, and in combination with antibiotics for the treatment of *H. pylori* infection. Takeda Pharmaceutical Company Limited, or Takeda, developed vonoprazan and has received marketing approval in thirteen countries in Asia and Latin America. Vonoprazan generated over $670 million in net sales in its fifth 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. We initiated two pivotal Phase 3 clinical trials in the fourth quarter of 2019 for vonoprazan: one for the treatment of erosive GERD (PHALCON-EE), also known as erosive esophagitis, and a second for the treatment of *H. pylori* infection (PHALCON-HP). In August 2019, we received QIDP and Fast Track designations from the FDA, for vonoprazan tablets in combination with amoxicillin tablets and clarithromycin tablets and with amoxicillin tablets alone for the treatment of *H. pylori* infection. In November 2020, we requested additional QIDP and Fast Track designations to include amoxicillin capsules in addition to amoxicillin tablets. The FDA granted these additional Fast Track designations in January 2021 and these additional QIDP designations in May 2021. Vonoprazan has the potential to be the first gastric anti-secretory agent from a novel class approved in the United States, Europe, or Canada in over 30 years. In addition, we continue to plan to pursue vonoprazan lifecycle extension strategies in areas with clear unmet need, clinical rationale, and commercial justification.

In March 2020, due to global efforts to combat the coronavirus, COVID-19 pandemic, we announced a temporary pause in randomization of new patients in our Phase 3 trials. In June 2020, we announced that we had recommenced randomization of new patients in both of our Phase 3 trials. Despite the pause, we completed patient enrollment in PHALCON-EE in November 2020 and in PHALCON-HP in January 2021.

On April 29, 2021, we announced that in PHALCON-HP both vonoprazan-based regimens successfully met their primary endpoints and met all secondary endpoints. The trial studied vonoprazan in combination with amoxicillin and clarithromycin ("vonoprazan triple therapy") and vonoprazan in combination with amoxicillin ("vonoprazan dual therapy") compared to lansoprazole in combination with amoxicillin and clarithromycin ("lansoprazole triple therapy"). PHALCON-HP is the largest Phase 3 registration trial ever conducted in *H. pylori* infection, randomizing 992 patients with confirmed *H. pylori* infection.

The primary endpoints in the PHALCON-HP study were non-inferiority of the *H. pylori* eradication rate for each of vonoprazan triple and dual therapy compared to lansoprazole triple therapy. Based on FDA feedback, the primary endpoint excluded patients with amoxicillin or clarithromycin resistant strains of *H. pylori*. Both vonoprazan-based regimens successfully met their

primary endpoints. Vonoprazan triple therapy and vonoprazan dual therapy also met all secondary endpoints, demonstrating superior eradication rates versus lansoprazole triple therapy in all patients and in patients with clarithromycin-resistant strains of *H. pylori*. Patients with clarithromycin resistant strains comprised 20.3% of the study population. In addition, both vonoprazan-based regimens were generally well tolerated with a safety profile comparable to lansoprazole triple therapy.

We expect to report top-line data from PHALCON-EE in the fourth quarter of 2021. We believe that the data from PHALCON-HP and the successful completion of PHALCON-EE, together with the existing clinical data, will support regulatory submissions for marketing approval with the FDA in the fourth quarter of 2021 for vonoprazan triple therapy and vonoprazan dual therapy for the treatment of *H. pylori* infection, and in 2022 for vonoprazan for the treatment of erosive esophagitis. In addition, in April 2021, we commenced enrollment of patients in our Phase 2 trial evaluating various doses of vonoprazan as an on-demand therapy for non-erosive reflux disease or NERD.

However, our assumptions used to determine expected timelines for clinical trials and regulatory filings may not be correct due to a number of factors, including the uncertainties regarding COVID-19 and its potential further impact on our operations and clinical trials, and we may experience delays in the completion of such trials beyond our expected timelines and resulting delays in the filing of our regulatory submissions. Any delays in the completion of our clinical trials and regulatory filings or disruption in our supply chain could have a material adverse effect on our business, financial condition and results of operations.

As of September 30, 2020, we received agreement from FDA on our proposed initial Pediatric Study Plans for the treatment of *H. pylori* infection and for the healing of erosive esophagitis and relief of heartburn, and maintenance of erosive esophagitis and relief of heartburn. We also received, in October 2020, a positive opinion from the European Paediatric Committee on the agreement of a Paediatric Investigational Plan for the treatment of gastroesophageal reflux disease and the treatment of *H. pylori* infection.

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, preparing for and managing our Phase 3 clinical trials of vonoprazan, and providing other general and administrative support for these operations. Our operations to date have been funded primarily through the issuance of convertible promissory notes, commercial bank debt, proceeds from our initial public offering, or IPO, and proceeds from our follow-on stock offering in December 2020. From our inception through March 31, 2021, we have raised aggregate gross proceeds of $90.3 million from the issuance of convertible promissory notes in 2019, $50.0 million of commercial bank debt, net proceeds from our IPO of $191.5 million from the sale of 10,997,630 shares of common stock and, in December 2020, the Company raised 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. As of March 31, 2021, we had cash and cash equivalents of $238 million. Based on our current operating plan, and subject to the potential delays and cost increases resulting from the evolving COVID-19 pandemic, we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements into the fourth quarter of 2022.

We do not have any products approved for sale and have incurred net losses since our inception. Our net losses for the three month periods ended March 31, 2021 and 2020 were $34.8 million and $20.1 million, respectively. As of March 31, 2021, we had an accumulated deficit of $420.3 million. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical development activities, other research and development activities, and pre-commercialization activities. We expect our expenses and operating losses will increase substantially as we advance vonoprazan through clinical trials, seek regulatory approval for vonoprazan, expand our clinical, regulatory, quality, manufacturing and commercialization capabilities, incur significant commercialization expenses for marketing, sales, manufacturing and distribution if we obtain marketing approval for vonoprazan, 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 successfully complete development and obtain regulatory approval for vonoprazan, which will not be for several years, if ever. Accordingly, until such time as we can generate significant revenue from sales of vonoprazan, if ever, we expect to finance our cash needs through equity offerings, our existing loan and security agreement, or the Loan Agreement, debt financings, or other capital sources, including potential collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all, and this risk could be exacerbated by the impact of COVID-19 on global economic conditions. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

***Financial Operations Overview***

Our financial statements include our accounts (the receiving entity) and the accounts of YamadaCo IIA, Inc., or YamadaCo, prior to being merged into a single entity effective March 13, 2019. We and YamadaCo were entities under common control of Frazier Life Sciences IX, L.P., or Frazier, as a result of, among other things, Frazier's: (i) ownership of a majority of the outstanding capital stock of both companies; (ii) financing of both companies; (iii) control of the board of directors of both companies; and (iv) management of both companies. Both Phathom and YamadaCo were formed for the purpose of identifying potential assets around which to form an operating company. As the merged entities were under common control, the financial statements report the financial position, results of operations and cash flows of Phathom and YamadaCo as though the transfer of net assets and equity interests had occurred at the beginning of 2018. All intercompany accounts and transactions have been eliminated.

***License Agreement with Takeda***

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

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

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

**Components of Results of Operations**

***Operating Expenses***

***Research and Development***

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

Research and development expenses include:

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

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

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

- per patient trial costs;
- the number of trials required for approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses evaluated in the trials;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the phase of development of the product candidate;
- the efficacy and safety profile of the product candidate; and
- delays and cost increases as a result of COVID-19.

***General and Administrative***

General and administrative expenses consist of salaries and employee-related costs, including stock-based compensation, for personnel in executive, finance, accounting, legal, human resources and other administrative functions, legal fees relating to intellectual property and corporate matters, and professional fees for accounting and consulting services. We anticipate that our general and administrative expenses will 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 Securities and Exchange Commission, or SEC, requirements, director and officer insurance premiums, and investor relations costs associated with operating as a public company.

***Interest Income***

Interest income consists of interest on our money market fund.

***Interest Expense***

Interest expense consists of interest on our outstanding commercial bank debt at a floating per annum interest rate which was 7.25% as of March 31, 2021, and amortization of the commercial bank 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 fee.

***Change in Fair Value of Warrant Liabilities***

In connection with the entry into the Loan Agreement, we issued the lenders warrants to purchase our capital stock, or the Lender Warrants. The Lender Warrants were accounted for as liabilities as they contained a holder put right under which the lenders could have required us to pay cash in exchange for the warrants. We adjusted the carrying value of the Lender Warrants to their estimated fair value at each reporting date, with any change in fair value of the warrant liabilities recorded as an increase or decrease to change in fair value of warrant liabilities in the statements of operations. The Lender Warrants were accounted for at fair value using the Black-Scholes option-pricing model with an expected term equal to the remaining contractual term of the warrants. When we drew down an additional $25.0 million, or the Term Loan B, in March 2020, the Lender put right expired, and we recorded a final fair value adjustment and reclassified the Lender Warrants balance of $0.3 million to additional paid-in-capital.

**Results of Operations**

***Comparison of the Three Months Ended March 31, 2021 and 2020***

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020 (in thousands):

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Operating expenses: | | | |
| Research and development | $ 20,580 | $ 15,865 | $ 4,715 |
| General and administrative | 13,004 | 4,510 | 8,494 |
| Total operating expenses | 33,584 | 20,375 | 13,209 |
| Loss from operations | (33,584) | (20,375) | (13,209) |
| Other income (expense): | | | |
| Interest income | 14 | 878 | (864) |
| Interest expense | (1,272) | (738) | (534) |
| Change in fair value of warrant liabilities | — | 95 | (95) |
| Other income (expense) | (1) | (1) | — |
| Total other income (expense) | (1,259) | 234 | (1,493) |
| Net loss | $ (34,843) | $ (20,141) | $ (14,702) |

*Research and Development Expenses.* Research and development expenses were $20.6 million and $15.9 million for the three months ended March 31, 2021 and 2020, respectively. The increase of $4.7 million consisted of $2.8 million of chemistry manufacturing and controls (“CMC”) costs related to vonoprazan, $1.6 million of personnel-related expenses and $0.3 million of clinical trial costs. Compared to the fourth quarter of 2020, research and development expenses decreased by $21.0 million following the acceleration of patient enrollment in our Phase 3 trials during late 2020. We expect Research and Development expenses to decrease in 2021 as we complete the PHALCON-EE and PHALCON-HP Phase 3 clinical trials, and our Phase 2 NERD on-demand study continues.

*General and Administrative Expenses.* General and administrative expenses were $13.0 million and $4.5 million for the three months ended March 31, 2021 and 2020, respectively. The increase of $8.5 million was due to increases of $5.1 million in personnel-related expenses, $0.4 million in professional services expenses for accounting, audit, tax, valuation and other services, $0.2 million of insurance premiums related to general operating matters, $0.6 million in consulting fees, $2.3 million in other expenses and partly offset by a $0.1 million reduction in legal fees. 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 $1.3 million for the three months ended March 31, 2021 consisted of interest expense on outstanding commercial bank debt with the increase in expense due to the additional $25.0 million Term Loan B from SVB.

**Liquidity and Capital Resources**

We have incurred net losses and negative cash flows from operations since our inception and anticipate we will continue to incur net losses for the foreseeable future. As of March 31, 2021, we had cash and cash equivalents of $238 million.

***Commercial Bank Debt***

On May 14, 2019, we entered into the Loan Agreement with Silicon Valley Bank, or SVB, as administrative and collateral agent, and lenders SVB and WestRiver Innovation Lending Fund VIII, L.P. We borrowed $25.0 million, Term Loan A, at the inception of the Loan Agreement and the additional $25.0 million, Term Loan B, in March 2020, which we collectively refer to as the Term Loans. As of March 31, 2021, we had outstanding Term Loans of $50.0 million and accrued interest of $0.3 million.

The Term Loans bear interest at a floating rate of the higher of the Wall Street Journal Prime rate plus 1.75% (5% at March 31, 2021) or 7.25%. Under the original Loan Agreement, the monthly payments consisted of interest-only through May 31, 2021. Pursuant to the first amendment to the Loan Agreement entered into on March 11, 2020, and the second amendment to the Loan Agreement entered into on March 11, 2021, the interest-only payment period was extended through July 31, 2021, and could be further extended either (i) until December 31, 2021, if we receive positive data from our Phase 3 clinical trial in *H. pylori* infection sufficient to file a new drug application, or NDA, with the FDA; or (ii) until November 30, 2022, if we receive positive data from our Phase 3 clinical trials in both indications for vonoprazan sufficient to file an NDA with the FDA; provided, in each case, that we had drawn down an additional $25.0 million, Term Loan B, pursuant to the Loan Agreement. Subsequent to the interest-only period, the Term Loans will be payable in equal monthly installments of principal, plus accrued and unpaid interest through the maturity date of May 1, 2024.

In addition, we are obligated to pay a final payment fee of 8.25% of the original principal amount of the Term Loans. We may elect to prepay all or a portion of the Term Loans prior to maturity, subject to a prepayment fee of up to 2.0% of the then outstanding principal balance and payment of a pro rata portion of the final payment fee. After repayment, no Term Loan amounts may be borrowed again. The borrowings under the Loan Agreement are collateralized by substantially all of our assets, excluding intellectual property and certain other assets. We have agreed not to encumber our intellectual property assets without SVB's prior written consent unless a security interest in the underlying intellectual property is necessary to have a security interest in the accounts and proceeds that are part of the assets securing the Term Loans, in which case our intellectual property will automatically be included within the assets securing the Term Loans.

The Loan Agreement contains certain customary affirmative and negative covenants and events of default. The affirmative covenants include, among others, covenants requiring us to maintain our legal existence and governmental approvals, deliver certain financial reports, maintain insurance coverage and satisfy certain requirements regarding our operating accounts. The negative covenants include, among others, limitations on our ability to incur additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements or enter into various specified transactions. Upon the occurrence of an event of default, subject to any specified cure periods, all amounts owed by us would begin to bear interest at a rate that is 4.00% above the rate effective immediately before the event of default and may be declared immediately due and payable by SVB, as collateral agent. As of March 31, 2021, we were in compliance with all applicable covenants under the Loan Agreement.

In connection with the Loan Agreement, we issued the Lender Warrants, which became exercisable when we borrowed Term Loan B in March 2020. The Lender Warrants are exercisable for 16,446 shares of common stock. The Lender Warrants expire ten years from the date of issuance. The Lender Warrants included a put option pursuant to which, in the event that we did not draw down Term Loan B on or before March 31, 2020, the warrant holders could have required us to repurchase the warrants for a total aggregate repurchase price of $0.5 million. Upon the Term Loan B draw in March 2020, the put option related to the Lender Warrants expired, at which time we recorded a final fair value adjustment and reclassified the Lender Warrants balance of $0.3 million to additional paid-in-capital.

***At-the-Market-Offering***

On November 10, 2020, we entered into an Open Market Sale Agreement℠, or the Sales Agreement, with Jefferies LLC, or the Sales Agent, under which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to $125.0 million through the Sales Agent, or the ATM Offering. Sales of our common stock made pursuant to the Sales Agreement, if any, will be made under our shelf registration statement on Form S-3 which was filed on November 10, 2020 and declared effective by the SEC on November 16, 2020. We are not obligated to, and we cannot provide any assurances that we will, make any sales of the shares under the Sales Agreement. The Sales Agreement may be terminated by the Sales Agent or us at any time. There were no sales of our common stock under the ATM Offering for the three-month period ended March 31, 2021.

***Underwritten Public Offering***

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

***Funding Requirements***

Based on our current operating plan, we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements into the fourth quarter of 2022. We expect our current cash and cash equivalents will allow us to complete our ongoing Phase 3 clinical trial of vonoprazan for the treatment of erosive esophagitis and Phase 2 trial of vonoprazan for on-demand treatment of non-erosive reflux disease. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress and expenses in these trials is uncertain.

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

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

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

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

***Cash Flows***

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

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2021 | 2020 | Change |
| Net cash provided by (used in): | | | |
| Operating activities | $ (49,765) | $ (11,417) | $ (38,348) |
| Investing activities | (169) | (676) | 507 |
| Financing activities | 412 | 25,000 | (24,588) |
| Net increase (decrease) in cash | $ (49,522) | $ 12,907 | $ (62,429) |

***Operating Activities***

Net cash used in operating activities was approximately $49.8 million and $11.4 million for the three months ended March 31, 2021 and 2020, respectively. The net cash used in operating activities for the three months ended March 31, 2021 was due to approximately $30.2 million spent on ongoing research and development and general and administrative activities and a $19.6 million net change in operating assets and liabilities. The net change in operating assets and liabilities primarily related to a $0.9 million increase in prepaid clinical activities, and an $18.7 million decrease in accounts payable and accrued expenses in support of the growth in our operating activities. The net cash used in operating activities for the three months ended March 31, 2020 was due to approximately $19.4 million spent on ongoing research and development and general and administrative expenses, partially offset by a $8.0 million net change in operating assets and liabilities. The net change in operating assets and liabilities related to a $6.7 million decrease in prepaid clinical activities, and a $1.5 increase in accounts payable and accrued expenses in support of the growth in our operating activities, partially offset by a $0.2 million increase in other long-term assets.

***Investing Activities***

Net cash used in investing activities for the three months ended March 31, 2021 and 2020, was primarily due to the cash we paid for acquiring property, plant and equipment.

***Financing Activities***

Net cash provided by financing activities for the three months ended March 31, 2021 was due to issuance of common stock from exercise of stock options. Net cash provided by financing activities for the three months ended March 31, 2020 was due to our commercial bank debt proceeds of $25.0 million related to the Term Loan B drawdown.

**Contractual Obligations and Commitments**

Other than disclosed below, there were no material changes outside the ordinary course of our business during the three months ended March 31, 2021 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 2020 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 2020 Form 10-K. There have not been any material changes to the critical accounting policies discussed therein during the three months ended March 31, 2021.

**Other Company Information**

***JOBS Act***

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

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

***Recent Accounting Pronouncements***

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

**Off-Balance Sheet Arrangements**

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

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of March 31, 2021, 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 2020 Form 10-K.

**Item 4. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

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

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

**Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2021 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 2020 Form 10-K.

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

**Unregistered Sales of Equity Securities**

None.

**Use of Proceeds from Initial Public Offering of Common Stock**

On October 24, 2019, our registration statement on Form S-1 (File No. 333-234020) was declared effective by the SEC for our initial public offering. At the closing of the offering on October 29, 2019, we 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 an initial public offering price of $19.00 per share and received gross proceeds of $209.0 million, which resulted in net proceeds to us of approximately $191.5 million, after deducting underwriting discounts and commissions of approximately $14.6 million and offering-related transaction costs of approximately $2.9 million. None of the expenses associated with the initial public offering were paid to directors, officers, persons owning ten percent or more of any class of equity securities, or to their associates, or to our affiliates. Goldman Sachs & Co. LLC, Jefferies LLC and Evercore Group L.L.C. acted as joint book-running managers for the offering.

As of March 31, 2021, the net proceeds from our initial public offering have been applied as follows: $94.4 million towards the clinical development of vonoprazan and $37.9 million towards working capital and general corporate purposes.

**Issuer Repurchases of Equity Securities**

None.

### Item 3. Defaults Upon Senior Securities

Not Applicable.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

**Item 6. Exhibits**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | Filed Herewith |
|---|---|---|---|---|---|
| | | Form | Date | Number | |
| 3.1 | Amended and Restated Certificate of Incorporation | 8-K | 10/29/19 | 3.1 | |
| 3.2 | Amended and Restated Bylaws | 8-K | 09/25/2020 | 3.1 | |
| 4.1 | Form of Common Stock Certificate | S-1/A | 10/15/19 | 4.1 | |
| 4.2 | Warrant to purchase shares of common stock issued to Takeda Company Limited, dated May 7, 2019 | S-1 | 9/30/19 | 4.2 | |
| 4.3 | Warrant to purchase stock issued to Silicon Valley Bank, dated May 14, 2019 | S-1 | 9/30/19 | 4.3 | |
| 4.4 | Warrant to purchase stock issued to WestRiver Innovation Lending Fund VIII, L.P., dated May 14, 2019 | S-1 | 9/30/19 | 4.4 | |
| 4.5 | Note Purchase Agreement, dated May 7, 2019, by and among the Registrant and the other parties party thereto, as amended | S-1/A | 10/15/19 | 4.5 | |
| 4.6 | Description of Registered Securities | 10-K | 12/31/19 | 4.6 | |
| 10.1 | Second Amendment to the Loan and Security Agreement, dated March 11, 2021, by and among Silicon Valley Bank, SVB Innovation Credit Fund VIII, L.P. and the Registrant | | | | 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 | XBRL Report Instance Document | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | X |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | | | | X |
| 101.LAB | XBRL Taxonomy Label Linkbase Document | | | | X |
| 101.PRE | XBRL Presentation Linkbase Document | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | X |

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

**SIGNATURES**

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

PHATHOM PHARMACEUTICALS, INC.

Date: May 11, 2021

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

Date: May 11, 2021

By: /s/ Todd P. Branning
Todd P. Branning
Chief Financial Officer
(Principal Financial and Accounting Officer)

# SECOND AMENDMENT
# TO
# LOAN AND SECURITY AGREEMENT

This Second Amendment to Loan and Security Agreement (this "**Amendment**") is entered into this 11th day of March, 2021, by and among (a) **SILICON VALLEY BANK**, a California corporation ("**SVB**"), in its capacity as administrative agent and collateral agent ("**Agent**"), (b) **SILICON VALLEY BANK**, a California corporation, as a lender, (c) **SVB INNOVATION CREDIT FUND VIII, L.P**., a Delaware limited partnership ("**SVB Innovation**"), as a lender (SVB and SVB Innovation and each of the other " Lenders" from time to time a party hereto are referred to herein collectively as the "**Lenders**" and each individually as a "**Lender**"), and (d) **PHATHOM PHARMACEUTICALS, INC.**, a Delaware corporation ("**Borrower**"), whose address is 100 Campus Drive, Suite 102, Florham Park, New Jersey 07932.

## RECITALS

**A.** Borrower, Agent and the Lenders have entered into that certain Loan and Security Agreement dated as of May 14, 2019, as amended by that certain First Amendment to Loan and Security Agreement dated as of March 11, 2020, by and among Borrower, Agent and the Lenders (as the same has been and may from time to time be further amended, modified, supplemented or restated, the "**Loan Agreement**").

**B.** The Lenders have extended credit to Borrower for the purposes permitted in the Loan Agreement.

**C.** Borrower has requested that the Lenders amend the Loan Agreement to make certain revisions to the Loan Agreement as more fully set forth herein.

**D.** The Lenders have agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

## AGREEMENT

**NOW, THEREFORE,** in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

**2. Amendment to Loan Agreement.**

**2.1 Section 11 (Notice)**. Section 11 is amended by deleting the notice information for Borrower, and replacing it with the following:

"If to Borrower Phathom Pharmaceuticals, Inc.
100 Campus Drive, Suite 102

Florham Park, NJ 07932
Attn: Todd Branning
Email: tbranning@phathompharma.com”

**2.2 Section 11 (Notice)**. Section 11 is amended by deleting the notice information for WestRiver, and replacing it with the following:

“If to SVB Innovation: SVB Innovation Credit Fund VIII, L.P.

c/o SVB Capital
2770 Sand Hill Road
Menlo Park, California 94025
Attn: SVB Capital Finance and Operations
Email: svbcapitalcredit@svbank.com
svbcapcreditfinance@svb.com”

**2.3 Section 14** (**Definitions**). The following new term and its definition are inserted to appear alphabetically in Section 14.1 thereof:

“ “**SVB Innovation**” is SVB Innovation Credit Fund VIII, L.P., a Delaware limited partnership.”

**2.4 Section 14** (**Definitions**). The term “WestRiver” and its definition are deleted in their entirety from Section 14.1 thereof.

**2.5 Section 14** (**Definitions**). The following terms and their respective definitions set forth in Section 14.1 are amended in their entirety and replaced with the following:

“ “**First Extension Event**” means (a) Borrower has provided Agent, on or prior to August 1, 2021, with evidence reasonably satisfactory to Agent in Agent’s reasonable discretion that Borrower has received positive data with respect to Borrower’ s phase 3 clinical trial for Vonoprazan in treatment of Helicobacter Pylori Infection sufficient to file an NDA with the FDA and (b) the Term B Loan Advance has been made.”

“ “**Lender Intercreditor Agreement**” is, collectively, any and all intercreditor agreement, master arrangement agreement or similar agreement by and between SVB Innovation and SVB, as each may be amended from time to time in accordance with the provisions thereof.”

“ “**Repayment Schedule**” means the period of time equal to thirty-four (34) consecutive months, which shall be reduced to a period of time equal to twenty-nine (29) consecutive months upon the occurrence of the First Extension Event, and which shall be further reduced to a period of time equal to eighteen (18) calendar months upon the occurrence of the Second Extension Event.”

“ “**Term Loan Amortization Date**” is August 1, 2021, which shall be extended to January 1, 2022 upon the occurrence of the First Extension Event, and

which shall be further extended to December 1, 2022 upon the occurrence of the Second Extension Event."

" "**Warrant**" means, collectively, (a) that certain warrant to purchase stock dated as of May 14, 2019 between Borrower and SVB and (b) that certain warrant to purchase stock dated as of May 14, 2019 between Borrower and SVB Innovation, in each case, as may be amended, modified, supplemented and/or restated from time to time."

**2.6 Schedule 1 (Lenders and Commitments)**. The Schedule 1 (Lenders and Commitments) of the Loan Agreement is amended in its entirety and replaced with the Schedule 1 (Lenders and Commitments) appearing on Schedule 1 hereto.

**2.7 Exhibit B (Compliance Certificate)**. The Compliance Certificate appearing as Exhibit B of the Loan Agreement is amended in its entirety and replaced with the Compliance Certificate appearing on Schedule 2 hereto.

**3. Limitation of Amendments.**

**3.1** The amendments set forth in Section 2 above are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Agent or the Lenders may now have or may have in the future under or in connection with any Loan Document.

**3.2** This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**4. Representations and Warranties.** To induce Agent and the Lenders to enter into this Amendment, Borrower hereby represents and warrants to Agent and the Lenders as follows:

**4.1** Immediately after giving effect to this Amendment (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**4.2** Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

**4.3** The organizational documents of Borrower delivered to Agent on or prior to the date hereof remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**4.4** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

**4.5** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any material Requirement of Law, (b) any material agreement with a Person binding on Borrower, (c) any applicable material order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**4.6** The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on Borrower, except as already has been obtained or made (or are being obtained pursuant to Section 6.1(b) of the Loan Agreement); and

**4.7** This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**5.** **[Reserved**.]

**6.** **Post-Closing Conditions**. Within thirty (30) days of the date of this Amendment, Borrower shall deliver to Bank evidence satisfactory to Bank that the insurance endorsements required by Section 6.5 of the Loan Agreement are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank.

**7.** **Integration**. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

**8.** **Counterparts.** This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**9.** **Effectiveness**. This Amendment shall be deemed effective upon (a) the due execution and delivery to Agent of this Amendment by each party hereto and (b) Borrower's payment to Agent of Agent's and the Lenders' reasonable legal fees and expenses incurred in connection with this Amendment.

[Signature page follows.]

**In Witness Whereof,** the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

**BORROWER:**

PHATHOM PHARMACEUTICALS, INC.

By /s/ Terrie Curran

Name: Terrie Curran

Title: Chief Executive Officer and President

**AGENT:**

SILICON VALLEY BANK, as Agent

By /s/ Kristine Rohmer

Name: Kristine Rohmer
Title: Vice President

**LENDERS:**

SILICON VALLEY BANK

By /s/ Kristine Rohmer

Name: Kristine Rohmer
Title: Vice President

SVB INNOVATION CREDIT FUND VIII, L.P.
By: SVB Innovation Credit Partners VIII, LLC, a Delaware limited liability company, its General Partner

By /s/ J.P. Michael
Name: J.P. Michael
Title: Senior Managing Director

**SCHEDULE 1**

**LENDERS AND COMMITMENTS**

**TERM LOAN COMMITMENTS**

| **Lender** | **Term Loan Commitment** | **Term Loan Commitment Percentage** |
|---|---|---|
| Silicon Valley Bank | $25,000,000.00 | 50.0% |
| SVB Innovation Credit Fund VIII, L.P. | $25,000,000.00 | 50.0% |
| **TOTAL** | **$50,000,000.00** | **100.0000%** |

Schedule 2

**EXHIBIT B**
**COMPLIANCE CERTIFICATE**

TO: SILICON VALLEY BANK, as Agent, SVB, and SVB INNOVATION Date:
FROM: PHATHOM PHARMACEUTICALS, INC.

The undersigned authorized officer of PHATHOM PHARMACEUTICALS, INC. ("**Borrower**") certifies solely as an officer of Borrower, and not in any individual capacity, that under the terms and conditions of the Loan and Security Agreement among Borrower, SVB, and SVB Innovation (the "**Loan Agreement**"):

(1) Borrower is in compliance for the period ending _____ with all required covenants except as noted below, (2) there are no Events of Default except as noted below, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required foreign, federal, state and local Tax returns and reports, and Borrower has timely paid all foreign, federal, state and local Taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.8 of the Agreement or as noted below, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Agent except as noted below, and (6) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Agent except as noted below.

Attached are the required documents supporting the certification. The undersigned certifies solely as an officer of Borrower, and not in any individual capacity, that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement (subject to Section 3.2(b) with respect to representations and warranties, as applicable), and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

**e indicate compliance status by circling Yes/No under "Complies" column.**

| **orting Covenants** | **Required** | **Complies** |
|---|---|---|
| | | |
| ncial statements with<br>ıpliance Certificate | Monthly within 30 days; upon IPO, quarterly within 45 days (Q4 within 90 days) | Yes No |
| ual financial statement (CPA Audited) | FYE within 180 days (beginning FY 2019) | Yes No |
| d 10-Q, 10-K and 8-K | Within 5 days after filing with SEC | Yes No |
| rd-Approved Projections | FYE within 60 days and within 7 days of changes | Yes No |

**Other Matters**

ıve there been any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents Borrower or any of its Subsidiaries? If yes, provide copies of any such amendments or changes with this Compliance rtificate. Yes No

The following are the exceptions with respect to the certification above: (If no exceptions exist, state “No exceptions to note.”)

---

PHATHOM PHARMACEUTICALS, INC.

By:
Name:
Title:

**AGENT USE ONLY**

Received by: _____
AUTHORIZED SIGNER
Date: _____

Verified: _____
AUTHORIZED SIGNER
Date: _____

Compliance Status: Yes No

**Exhibit 31.1**

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

I, Terrie Curran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, Inc.

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

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

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

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

   b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

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

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

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

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

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

Date: May 11, 2021

/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, Todd Branning, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, Inc.

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

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

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

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

   b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

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

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

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

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

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

Date: May 11, 2021

/s/ Todd P. Branning

Todd P. Branning
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, Inc. (the "Company") for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrie Curran, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 11, 2021

/s/ Terrie Curran
Terrie Curran
Chief Executive Officer and President

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

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Phathom Pharmaceuticals, Inc. (the "Company") for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd P. Branning, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

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

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

Date: May 11, 2021

/s/ Todd P. Branning
Todd P. Branning
Chief Financial 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.