

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

FORM 10-Q/A
(Amendment No. 1)

(Mark One)

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

For the quarterly period ended September 30, 2024

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: 001-36182

Xencor, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-1622502

(I.R.S. Employer Identification No.)

465 North Halstead Street, Suite 200, Pasadena, CA

(Address of principal executive offices)

91107

(Zip Code)

(626) 305-5900

(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	XNCR	The Nasdaq Global 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 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 ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

Class	Outstanding at October 30, 2024
Common stock, par value \$0.01 per share	69,982,030

EXPLANATORY NOTE

On February 13, 2025, Xencor, Inc. (the Company) filed a Current Report on Form 8-K disclosing that the Audit Committee (the Audit Committee) of the Board of Directors of the Company, after consultation with the Company's management and RSM US LLP, the Company's independent registered public accounting firm (RSM), concluded that the following financial statements should no longer be relied upon because of errors in such financials as addressed in FASB ASC Topic 250, *Accounting and Error Corrections*, (i) the Company's audited consolidated financial statements for the fiscal year ended December 31, 2023, contained in its Annual Report on Form 10-K for the year ended December 31, 2023, originally filed with the Securities and Exchange Commission (SEC) on February 29, 2024, (ii) the Company's unaudited consolidated financial statements for the three months ended March 31, 2024, contained in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, originally filed with the SEC on May 9, 2024, (iii) the Company's unaudited consolidated financial statements for the three and six months ended June 30, 2024, contained in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, originally filed with the SEC on August 8, 2024, and (iv) the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2024, contained in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, originally filed with the SEC on November 6, 2024 (the Original Form 10-Q). In addition, the Audit Committee concluded that management's report on the effectiveness of internal control over financial reporting as of December 31, 2023, and RSM's report on the consolidated balance sheets as of December 31, 2023, the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity and cash flows for the year ended December 31, 2023, and the related notes to the consolidated financial statements, as well as RSM's report on the effectiveness of internal control over financial reporting as of December 31, 2023, should no longer be relied upon. On February 7, 2025, RSM informed us that disclosure should be made and action should be taken to prevent future reliance on RSM's audit report filed with the Annual Report on Form 10-K for the year ended December 31, 2023 and completed interim review related to previously issued financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024, June 30, 2024 and September 30, 2024. For additional information, please refer to our Current Report on Form 8-K filed with the SEC on February 13, 2025.

This Amendment No. 1 to our Original Form 10-Q (the Form 10-Q/A) amends and restates certain items noted below in the Original Form 10-Q. This Form 10-Q/A amends the Original Form 10-Q to restate its unaudited financial statements, financial data and related disclosures for the three and nine months ended September 30, 2024 to correct errors related to the accounting treatment of a royalty transaction with OMERS Life Sciences entered into in November 2023, the unrecorded tax benefit related to the Company's treatment of research and development expenses that should have been capitalized under Section 174 of the Internal Revenue Code of 1986, as amended (the Code), as well as an understatement of the Company's state tax obligations, as more fully described below.

Background of Restatement

In November 2023, the Company entered into an agreement for the sale of future royalties due to it under the Alexion Agreement (as defined in this report) with OMERS Life Sciences (the Ultomiris Royalty Sale Agreement). In connection with the preparation of the Company's financial statements for the year ended December 31, 2024, the Company determined that the royalty transaction under the Ultomiris Royalty Sale Agreement was incorrectly accounted for as deferred income and should have been accounted for as debt. The impact of this error on the consolidated balance sheet as of September 30, 2024 was that accounts receivable was understated by \$15.7 million, deferred income was overstated by \$132.0 million, debt was understated by \$154.9 million and stockholders' equity was overstated by \$7.2 million; the impact on the consolidated statement of income (loss) for the nine months ended September 30, 2024 was that revenue was understated by \$17.2 million and interest expense was understated by \$25.3 million; and the impact on the consolidated statement of cash flows for the nine months ended September 30, 2024 was that the cash used in operating activities was understated by \$5.7 million, and cash provided by financing activities was also understated by the same amount. The Company has decided to correct these errors for the year ended December 31, 2023, concluding that the reclassification of the royalty transaction as debt was material to the audited consolidated statement of cash flows for the year ended December 31, 2023 and the unaudited consolidated statement of cash flows for the nine months ended September 30, 2024.

In addition, the Company's management became aware of a misstatement related to the Company's treatment of research and development expenses under Section 174 of the Code, whereby the Company understated the amount of its research and experimental expenses that should have been capitalized for tax purposes, as reported in the Original Form 10-Q, and therefore identified an uncertain tax position of \$6.2 million owed for the fiscal year ended December 31, 2023. In addition, the Company became aware of a misstatement related to its state tax obligations. The Company evaluated its taxable presence and concluded that it understated its state income tax expense by approximately \$2.1 million, net of

federal benefit, for the year ended December 31, 2023. These amounts exclude any interest and penalties. The impact on the consolidated balance sheet as of September 30, 2024 was that uncertain tax position payable was understated by \$8.3 million, prepaid income tax was understated by \$0.6 million and stockholders' equity was overstated by \$7.7 million. The Company has decided to correct these errors for the year ended December 31, 2023, concluding that the additional tax liability was material to the audited consolidated balance sheet and consolidated statement of loss for the year ended December 31, 2023 and the unaudited consolidated balance sheet as of September 30, 2024. The Company has begun recording interest and penalties related to the understated capitalized research and experimental expense and on the understated state income tax obligations, and the total is immaterial to each quarter in 2024 as well as in aggregate for 2024.

Internal Control Considerations

In connection with the restatement, management has re-evaluated the effectiveness of the Company's internal controls over financial reporting as of September 30, 2024. The Audit Committee of the Company's Board of Directors, with concurrence of management, has concluded that, in light of the errors described above, additional material weaknesses exist in the Company's internal control over financial reporting as of September 30, 2024. Management plans to (i) implement a more rigorous analysis of non-routine transactions, (ii) on highly technical and complex accounting transactions, we will improve our process to identify and select qualified third-party advisors, (iii) enhance our review of capabilities and work performed by the third-party advisors specifically related to the review of accounting guidance for complex non-routine transactions and (iv) enhance our review of capabilities and work performed by third-party advisors related to the review of tax advice and (v) on a quarterly basis, review income tax legislative changes and their impact to our financial statements with our tax expert. For a discussion of management's consideration of the Company's disclosure controls and procedures, internal control over financial reporting, and the material weaknesses identified, see Part I, Item 4 Controls and Procedures of this Form 10-Q/A.

Items Impacted by this Form 10-Q/A

The following sections in the Original Form 10-Q have been amended and restated in this Form 10-Q/A to reflect the restatement:

- 1 Part I, Item 1 - Financial Statements
- 2 Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- 3 Part I, Item 4 - Controls and Procedures
- 4 Part II, Item 1A - Risk Factors
- 5 Part II, Item 6 - Exhibits

Except as described above, no other information included in the Original Form 10-Q is being amended or updated by this Form 10-Q/A, and this Form 10-Q/A does not purport to reflect any information or events subsequent to the Original Form 10-Q. This Form 10-Q/A continues to describe the conditions as of the date of the Original Form 10-Q and, except as expressly contained herein, we have not updated, modified or supplemented the disclosures contained in the Original Form 10-Q. Accordingly, this Form 10-Q/A should be read in conjunction with the Original Form 10-Q and with our filings with the SEC subsequent to the Original Form 10-Q. See Note 2 to the accompanying unaudited financial statements, set forth in Part I of this Form 10-Q/A, for details of the restatement and its impact on the unaudited financial statements as of, and for the three and nine months ended, September 30, 2024.

In accordance with applicable SEC rules, this Form 10-Q/A includes updated certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, and 32.1.

Xencor, Inc.**Quarterly Report on Form 10-Q/A for the Quarter Ended September 30, 2024****Table of Contents**

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In this report, unless otherwise stated or the context otherwise indicates, references to “Xencor,” “the Company,” “we,” “us,” “our” and similar references refer to Xencor, Inc. The Xencor logo is a registered trademark of Xencor, Inc. This report also contains registered marks, trademarks, and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q/A contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). You should not place undue reliance on these statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth below under Part II, Item 1A, "Risk Factors" in this Form 10-Q/A. These statements, which represent our current expectations or beliefs concerning various future events, may contain words such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "estimate," the negative of such terms or other words indicating future results.

These forward-looking statements should, therefore, be considered in light of various important factors, including but not limited to, the following:

- the effects of inflation on our financial condition, results of operations, cash flows and performance;
- our ability to execute on our plans to research, develop and commercialize our product candidates;
- the success of our ongoing and planned clinical trials;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- our ability to identify additional products or product candidates with significant commercial potential that are consistent with our business objectives;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our partners' abilities to advance drug candidates into, and successfully complete, clinical trials;
- our ability to attract collaborators with development, regulatory, and commercialization expertise;
- the ability of our publicly announced preliminary clinical trial data to support continued clinical development and regulatory approval for specific treatments;
- our ability to protect our intellectual property position;
- the rate and degree of market acceptance and clinical utility of our products;
- costs of compliance and our failure to comply with new and existing governmental regulations;
- the capabilities and strategy of our suppliers and vendors including key manufacturers of our clinical drug supplies;
- significant competition in our industry;
- costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- the potential loss or retirement of key members of management;
- our failure to successfully execute our growth strategy including any delays in our planned future growth;

- our failure to maintain effective internal controls, which lead to the restatement of our financials, and the risk that we may experience additional material weaknesses; and
- our ability to accurately estimate expenses, future revenues, capital requirements and needs for additional financing.

The factors, risks and uncertainties referred to above and others are more fully described under the heading “Risk Factors” in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2023 and this Form 10-Q/A. Forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We cannot guarantee future results, events, levels of activity, performance, or achievements. We do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Xencor, Inc. Consolidated Balance Sheets (in thousands, except share and per share data)

	September 30, 2024	December 31, 2023
	(As Restated)	
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 29,031	\$ 53,790
Marketable debt securities	435,043	497,725
Marketable equity securities	78,903	42,210
Accounts receivable	25,872	23,739
Prepaid expenses and other current assets	20,748	18,139
Total current assets	589,597	635,603
Property and equipment, net	62,400	66,124
Patents, licenses, and other intangible assets, net	17,919	18,663
Restricted cash	385	380
Marketable debt securities - long term	290,274	145,512
Marketable equity securities - long term	—	64,210
Right of use (ROU) asset	38,831	33,995
Other assets	498	648
Total assets	\$ 999,904	\$ 965,135
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 18,770	\$ 13,914
Accrued expenses	25,407	23,564
Income tax payable	—	5,291
Lease liabilities	2,181	3,435
Deferred income	—	—
Debt	44,455	27,711
Total current liabilities	90,813	73,915
Uncertain tax position payable	8,336	8,336
Lease liabilities, net of current portion	66,489	59,025
Debt, net of current portion	128,340	161,772
Total liabilities	293,978	303,048
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value: 10,000,000 authorized shares; -0- issued and outstanding shares at September 30, 2024 and December 31, 2023	—	—
Common stock, \$0.01 par value: 200,000,000 authorized shares at September 30, 2024 and December 31, 2023; 69,963,447 issued and outstanding at September 30, 2024 and 60,998,191 issued and outstanding at December 31, 2023	701	611
Additional paid-in capital	1,364,846	1,131,266
Accumulated other comprehensive income	1,800	1,291
Accumulated deficit	(658,483)	(471,418)
Total stockholders' equity attributable to Xencor, Inc.	708,864	661,750
Non-controlling interest	(2,938)	337
Total stockholders' equity	705,926	662,087
Total liabilities and stockholders' equity	\$ 999,904	\$ 965,135

See accompanying notes.

Xencor, Inc.
Consolidated Statements of Loss
(unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Revenue				
Collaborations, milestones, and royalties	\$ 17,796	\$ 59,164	\$ 57,700	\$ 123,649
Operating expenses				
Research and development	58,226	64,941	176,630	190,553
General and administrative	14,767	12,493	46,300	38,107
Total operating expenses	72,993	77,434	222,930	228,660
Loss from operations	(55,197)	(18,270)	(165,230)	(105,011)
Other income (expense)				
Interest income	7,537	5,023	23,766	11,693
Interest expense	(9,026)	(7)	(27,984)	(21)
Other (expense) income, net	(10)	8	(14)	(14)
Impairment on equity securities	—	—	(20,430)	—
Gain (loss) on equity securities, net	9,254	(11,023)	(448)	(13,633)
Total other income (expense), net	7,755	(5,999)	(25,110)	(1,975)
Net loss	(47,442)	(24,269)	(190,340)	(106,986)
Net loss attributable to non-controlling interest	(1,154)	—	(3,275)	—
Net loss attributable to Xencor, Inc.	<u>\$ (46,288)</u>	<u>\$ (24,269)</u>	<u>\$ (187,065)</u>	<u>\$ (106,986)</u>
Basic and diluted net loss per common share attributable to Xencor, Inc.	<u>\$ (0.72)</u>	<u>\$ (0.40)</u>	<u>\$ (3.00)</u>	<u>\$ (1.77)</u>
Basic and diluted weighted average common shares outstanding	<u>64,022,547</u>	<u>60,621,534</u>	<u>62,310,045</u>	<u>60,387,163</u>

See accompanying notes.

Xencor, Inc.
Consolidated Statements of Comprehensive Loss
(unaudited)
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Net loss	(47,442)	(24,269)	(190,340)	(106,986)
Other comprehensive income				
Net unrealized gain on marketable debt securities	2,452	1,151	510	6,244
Comprehensive loss	(44,990)	(23,118)	(189,830)	(100,742)
Comprehensive loss attributable to non-controlling interest	(1,154)	—	(3,275)	—
Comprehensive loss attributable to Xencor, Inc.	<u>\$ (43,836)</u>	<u>\$ (23,118)</u>	<u>\$ (186,555)</u>	<u>\$ (100,742)</u>

See accompanying notes.

Xencor, Inc.
Consolidated Statements of Stockholders' Equity
(unaudited)
(in thousands, except share data)

Stockholders' Equity	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2023 As Restated	60,998,191	\$ 611	\$ 1,131,266	\$ 1,291	\$ (471,418)	\$ 337	\$ 662,087
Issuance of common stock upon exercise of stock awards	152,682	1	1,786	—	—	—	1,787
Issuance of restricted stock units	483,812	5	(5)	—	—	—	—
Comprehensive loss	—	—	—	(1,445)	(73,440)	(676)	(75,561)
Stock-based compensation	—	—	11,421	—	—	—	11,421
Balance, March 31, 2024 As Restated	61,634,685	\$ 617	\$ 1,144,468	\$ (154)	\$ (544,858)	\$ (339)	\$ 599,734
Issuance of common stock upon exercise of stock awards	10,213	—	140	—	—	—	140
Issuance of restricted stock units	67,160	1	(1)	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	53,996	1	929	—	—	—	930
Comprehensive loss	—	—	—	(498)	(67,337)	(1,445)	(69,280)
Stock-based compensation	—	—	17,190	—	—	—	17,190
Balance, June 30, 2024 As Restated	61,766,054	\$ 619	\$ 1,162,726	\$ (652)	\$ (612,195)	\$ (1,784)	\$ 548,714
Sale of common stock and pre-funded warrants, net of issuance cost	8,093,712	81	189,098	—	—	—	189,179
Issuance of common stock upon exercise of stock awards	59,254	1	684	—	—	—	685
Issuance of restricted stock units	44,427	—	—	—	—	—	—
Comprehensive income (loss) as restated	—	—	—	2,452	(46,288)	(1,154)	(44,990)
Stock-based compensation	—	—	12,338	—	—	—	12,338
Balance, September 30, 2024 As Restated (unaudited)	69,963,447	\$ 701	\$ 1,364,846	\$ 1,800	\$ (658,483)	\$ (2,938)	\$ 705,926

Stockholders' Equity	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2022	59,997,713	\$ 601	\$ 1,072,132	\$ (6,952)	\$ (338,285)	\$ —	\$ 727,496
Issuance of common stock upon exercise of stock awards	34,388	—	924	—	—	—	924
Issuance of restricted stock units	349,499	4	(4)	—	—	—	—
Comprehensive income (loss)	—	—	—	3,327	(60,763)	—	(57,436)
Stock-based compensation	—	—	12,599	—	—	—	12,599
Balance, March 31, 2023	60,381,600	\$ 605	\$ 1,085,651	\$ (3,625)	\$ (399,048)	\$ —	\$ 683,583
Issuance of common stock upon exercise of stock awards	145,003	1	676	—	—	—	677
Issuance of restricted stock units	18,148	—	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	55,309	1	1,241	—	—	—	1,242
Comprehensive income (loss)	—	—	—	1,765	(21,954)	—	(20,189)
Stock-based compensation	—	—	13,563	—	—	—	13,563
Balance, June 30, 2023	60,600,060	\$ 607	\$ 1,101,131	\$ (1,860)	\$ (421,002)	\$ —	\$ 678,876
Issuance of common stock upon exercise of stock awards	34,743	—	356	—	—	—	356
Issuance of restricted stock units	31,097	—	—	—	—	—	—
Comprehensive income (loss)	—	—	—	1,151	(24,269)	—	(23,118)
Stock-based compensation	—	—	12,896	—	—	—	12,896
Balance, September 30, 2023 (unaudited)	60,665,900	\$ 607	\$ 1,114,383	\$ (709)	\$ (445,271)	\$ —	\$ 669,010

See accompanying notes.

Xencor, Inc.
Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2024	2023
	(As Restated)	
Cash flows from operating activities		
Net loss	\$ (190,340)	\$ (106,986)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,113	8,270
Accretion of discount on marketable debt securities	(13,504)	(8,211)
Stock-based compensation	40,949	39,058
Equity received in connection with license agreements	—	(10,000)
Abandonment of capitalized intangible assets	2,179	797
Gain on sale of marketable debt securities	(3)	—
Change in fair value of equity securities	448	13,633
Impairment on equity securities	20,430	—
Non-cash royalty revenue related to sale of future royalties	(48,646)	—
Non-cash interest expense	27,950	—
Loss on disposal of assets	6	1,380
Changes in operating assets and liabilities:		
Accounts receivable	1,875	(26,003)
Interest receivable from marketable debt securities	(3,131)	113
Prepaid expenses and other assets	(1,851)	1,592
Accounts payable	4,856	4,879
Accrued expenses	1,843	5,744
Income taxes	(5,899)	—
Lease liabilities and ROU assets	1,374	737
Deferred revenue	—	(21,098)
Net cash used in operating activities	(152,351)	(96,095)
Cash flows from investing activities		
Purchase of marketable securities	(540,844)	(444,480)
Sale of equity securities	6,639	—
Purchase of patents, licenses, and other intangible assets	(2,396)	(2,077)
Purchase of property and equipment	(4,433)	(17,468)
Proceeds from maturities of marketable securities	465,941	556,090
Proceeds from sale of marketable securities	9,969	—
Net cash (used in) provided by investing activities	(65,124)	92,065
Cash flows from financing activities		
Proceeds from issuance of common stock and pre-funded warrants	201,256	—
Common stock and pre-funded warrants issuance costs	(12,077)	—
Proceeds from issuance of common stock upon exercise of stock awards	2,612	1,957
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	930	1,242
Net cash provided by financing activities	192,721	3,199
Net decrease in cash, cash equivalents, and restricted cash	(24,754)	(831)
Cash, cash equivalents, and restricted cash , beginning of period	54,170	53,942
Cash, cash equivalents, and restricted cash , end of period	\$ 29,416	\$ 53,111

	Nine Months Ended September 30,	
	2024	2023
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 31	\$ 21
Income taxes	\$ 6,100	\$ —
Supplemental disclosures of non-cash activities		
Unrealized gain on marketable debt securities	\$ 510	\$ 6,244
ROU assets obtained	\$ 7,166	\$ 2,462
Reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheets		
Cash and cash equivalents	\$ 29,031	\$ 52,733
Restricted cash	385	378
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ 29,416	\$ 53,111

See accompanying notes.

Xencor, Inc.**Notes to Financial Statements
(unaudited)****September 30, 2024****1. Summary of Significant Accounting Policies*****Basis of Presentation***

The accompanying unaudited consolidated interim financial statements for Xencor, Inc. (the Company, Xencor, we or us) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. The consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) that the management of the Company believes are necessary for a fair presentation of the periods presented. The preparation of consolidated interim financial statements requires the use of management's estimates and assumptions that affect reported amounts of assets and liabilities at the date of the consolidated interim financial statements and the reported revenues and expenditures during the reported periods. These interim financial results are not necessarily indicative of the results expected for the full fiscal year or for any subsequent interim period.

The accompanying unaudited consolidated interim financial statements and related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2023 Annual Report on Form 10-K/A filed with the Securities and Exchange Commission (SEC) on February 24, 2025.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Xencor, Inc. and Gale Therapeutics Inc. (Gale), a variable interest entity (VIE) in which we are the primary beneficiary. Since we own less than 100% of Gale, the Company records net loss attributable to non-controlling interests in its consolidated statements of loss equal to the percentage of the economic or ownership interests retained in Gale by the non-controlling party.

In determining whether we are the primary beneficiary of a VIE, we apply a qualitative approach that determines whether we have (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (2) the obligation to absorb losses of, or the right to receive benefits from the VIE that could potentially be significant to the VIE. We continuously assess whether we are the primary beneficiary of Gale as changes to existing relationships or future transactions may result in us consolidating or deconsolidating Gale.

Use of Estimates

The preparation of consolidated interim financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, other comprehensive income (loss) and the related disclosures. On an ongoing basis, management evaluates its estimates, including estimates related to its accrued clinical trial and manufacturing development expenses, stock-based compensation expense, evaluation of intangible assets, investments, leases and other assets for evidence of impairment, fair value measurements, and contingencies. Significant estimates in these consolidated interim financial statements include estimates made for royalty revenue, interest expense under the royalty sale agreements, accrued research and development expenses, stock-based compensation expenses, intangible assets, incremental borrowing rate for right-of-use asset and lease liability, estimated standalone selling price of performance obligations, estimated time for completing delivery of performance obligations under certain arrangements, the likelihood of recognizing variable consideration, the carrying value of equity instruments without a readily determinable fair value, and recoverability of deferred tax assets.

Reclassifications

Certain prior year amounts in the consolidated financial statements and the notes thereto have been reclassified to conform to the current period's presentation. These reclassifications did not affect the prior period's total assets, liabilities, stockholders' equity, net loss or cash flows. During the nine months ended September 30, 2024, we adopted a change in

presentation on our consolidated statements of loss to include loss from disposal of fixed assets in operating expenses. The prior period has been revised to reflect this change in the presentation.

Intangible Assets

The Company maintains definite-lived intangible assets related to certain capitalized costs of acquired licenses and third-party costs incurred in establishing and maintaining its intellectual property rights to its platform technologies and development candidates. These assets are amortized over their useful lives, which are estimated to be the remaining patent life or the contractual term of the license. The straight-line method is used to record amortization expense. The Company assesses its intangible assets for impairment if indicators are present or changes in circumstances suggest that impairment may exist. There was no impairment charge recorded for the three and nine months ended September 30, 2024 and 2023.

The Company capitalizes certain in-process intangible assets that are then abandoned when they are no longer pursued or used in current research activities. We abandoned \$1.4 million and \$2.2 million of in-process intangible assets during the three and nine months ended September 30, 2024, respectively. We abandoned \$0.2 million and \$0.8 million of in-process intangible assets during the three and nine months ended September 30, 2023, respectively.

Marketable Debt and Equity Securities

The Company has an investment policy that includes guidelines on acceptable investment securities, minimum credit quality, maturity parameters, and concentration and diversification. The investment policy limits the maturity of any individual security to a maximum of 36 months. The average maturity of securities in the portfolio as of September 30, 2024 is less than 12 months. The Company invests its excess cash primarily in marketable debt securities issued by investment grade institutions.

The Company considers its marketable debt securities to be available-for-sale because it is not more likely than not that the Company will be required to sell the securities before recovery of the amortized cost. These assets are carried at fair value and any impairment losses and recoveries related to the underlying issuer's credit standing are recognized within other income (expense), while non-credit related impairment losses and recoveries are recognized within accumulated other comprehensive income (loss). There were no impairment losses or recoveries recorded for the three and nine months ended September 30, 2024 and 2023. Accrued interest on marketable debt securities is included in the marketable securities' carrying value. Each reporting period, the Company reviews its portfolio of marketable debt securities, using both quantitative and qualitative factors, to determine if each security's fair value has declined below its amortized cost basis. During the three and nine months ended September 30, 2024, the Company recorded an unrealized gain of \$2.5 million and \$0.5 million, respectively, in its portfolio of marketable debt securities. During the three and nine months ended September 30, 2023, the Company recorded a net unrealized gain of \$1.2 million and \$6.2 million, respectively. The unrealized gain is due to the changing interest rate environment. The net unrealized gain is recorded in other comprehensive income for the three and nine months ended September 30, 2024 and 2023.

The Company receives equity securities in connection with certain licensing transactions with its partners. These investments in equity securities are carried at fair value with changes in fair value recognized each period and reported within other income (expense). For equity securities with a readily determinable fair value, the Company remeasures these equity investments at each reporting period until such time that the investment is sold or disposed. If the Company sells an investment, any realized gain or loss on the sale of the securities will be recognized within other income (expense) in the consolidated statements of loss in the period of sale.

The Company also had an investment in equity securities without a readily determinable fair value, where the Company elected the measurement alternative to record the investment at its initial cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. There is no impairment charge for the three months ended September 30, 2024. There was an impairment charge of \$20.4 million recorded for the nine months ended September 30, 2024 in connection with the valuation of equity securities without a readily determinable fair value. There was no impairment charge recorded for the three and nine months ended September 30, 2023. Following the closing of Zenas' initial public offering on September 16, 2024, the Company no longer holds an investment in equity securities without a readily determinable fair value. See Note 6.

Liability Related to the Sale of Future Revenues

We treat the sale of future Ultomiris and Monjuvi royalties as debt, amortized under the effective interest rate method over the estimated life of the Ultomiris and Monjuvi Royalty Sale Agreements, respectively. See Note 12. The amortization of the liability related to the sale of future Ultomiris and Monjuvi royalties is based on our current estimate of future royalty payments. Royalty revenue will be recognized as earned and the payments made will be a reduction of the liability when paid.

Non-cash Interest Expense on the Liability Related to the Sale of Future Royalties

The total expected royalty payments less the net proceeds received are recorded as non-cash interest expense over the life of the liability. Interest is imputed on the unamortized portion using the effective interest method and is recorded based on the timing of the payments received over the term of the Ultomiris and Monjuvi Royalty Sale Agreements. The actual interest rate will be affected by the timing of the royalty payments and changes in the forecasted revenue.

Recent Accounting Pronouncements

There have been no material changes in recently issued or adopted accounting standards from those disclosed in the Company's 2023 Annual Report on Form 10-K. The Company has reviewed all recently issued accounting pronouncements and does not believe they will have a material impact on our results of operations, financial condition or cash flows.

There have been no other material changes to the significant accounting policies previously disclosed in the Company's 2023 Annual Report on Form 10-K.

2. Restatement of a Previously Issued Financial Statements

In connection with the preparation of the Company's financial statements for the year ended December 31, 2024, the Company determined that the Ultomiris Royalty Sale Agreement with OMERS entered into in November 2023 was incorrectly accounted for as deferred income and should have been accounted for as debt and that the Company understated the amount of its research and experimental expenses that should have been capitalized under Section 174 of the Code for the year ended December 31, 2023 as well as misstatement related to its state tax obligations, and therefore identified uncertain tax positions for federal and state.

The impact of the restatement on the consolidated balance sheet as of September 30, 2024 is as follows (in thousands):

	September 30, 2024		
	(unaudited)		
Assets			
Accounts receivable	10,205	15,667	25,872
Prepaid expenses and other current assets	20,146	602	20,748
Total current assets	573,328	16,269	589,597
Total assets	\$ 983,635	\$ 16,269	\$ 999,904
Liabilities and stockholders' equity			
Current liabilities			
Deferred income	37,865	(37,865)	—
Debt	7,749	36,706	44,455
Total current liabilities	91,972	(1,159)	90,813
Uncertain tax position payable	—	8,336	8,336
Deferred income, net of current portion	94,107	(94,107)	—
Debt, net of current portion	10,169	118,171	128,340
Total liabilities	262,737	31,241	293,978
Stockholders' equity			
Accumulated deficit	(643,511)	(14,972)	(658,483)
Total stockholders' equity	720,898	(14,972)	705,926
Total liabilities and stockholders' equity	\$ 983,635	\$ 16,269	\$ 999,904

The impact of the restatement on the consolidated statements of loss for the three months ended September 30, 2024 is as follows (in thousands):

	Three Months Ended September 30, 2024		
	As Reported	Adjustment	As Restated
Revenue			
Collaborations, milestones, and royalties	\$ 10,710	\$ 7,086	\$ 17,796
Loss from operations	(62,283)	7,086	(55,197)
Other income (expense)			
Interest expense	(795)	(8,231)	(9,026)
Loss before income tax expense	(46,297)	(1,145)	(47,442)
Income tax expense	—	—	—
Net loss	(46,297)	(1,145)	(47,442)
Net loss attributable to non-controlling interest	(1,154)	—	(1,154)
Net loss attributable to Xencor, Inc.	(45,143)	(1,145)	(46,288)
Basic and diluted net loss per common share attributable to Xencor, Inc.	\$ (0.71)	\$ (0.01)	\$ (0.72)

The impact of the restatement on the consolidated statement of loss for the nine months ended September 30, 2024 is as follows (in thousands):

	Nine Months Ended September 30, 2024		
	As Reported	Adjustment	As Restated
Revenue			
Collaborations, milestones, and royalties	\$ 40,475	\$ 17,225	\$ 57,700
Loss from operations	(182,455)	17,225	(165,230)
Other income (expense)			
Interest expense	(2,716)	(25,268)	(27,984)
Loss before income tax expense	(182,297)	(8,043)	(190,340)
Income tax expense	117	(117)	—
Net loss	(182,414)	(7,926)	(190,340)
Net loss attributable to non-controlling interest	(3,275)	—	(3,275)
Net loss attributable to Xencor, Inc.	<u>\$ (179,139)</u>	<u>\$ (7,926)</u>	<u>\$ (187,065)</u>
Basic and diluted net loss per common share attributable to Xencor, Inc.	<u>\$ (2.87)</u>	<u>\$ (0.13)</u>	<u>\$ (3.00)</u>

The impact of the restatement on the consolidated statements of comprehensive loss for the three months ended September 30, 2024 is as follows (in thousands):

	Three Months Ended September 30, 2024		
	As Reported	Adjustment	As Restated
Net loss	(46,297)	(1,145)	(47,442)
Other comprehensive income			
Net unrealized gain on marketable debt securities	2,452	—	2,452
Comprehensive loss	(43,845)	(1,145)	(44,990)
Comprehensive loss attributable to non-controlling interest	(1,154)	—	(1,154)
Comprehensive loss attributable to Xencor, Inc.	<u>\$ (42,691)</u>	<u>\$ (1,145)</u>	<u>\$ (43,836)</u>

The impact of the restatement on the consolidated statement of comprehensive loss for the nine months ended September 30, 2024 is as follows (in thousands):

	Nine Months Ended September 30, 2024		
	As Reported	Adjustment	As Restated
Net loss	(182,414)	(7,926)	(190,340)
Other comprehensive income			
Net unrealized gain on marketable debt securities	510	—	510
Comprehensive loss	(181,904)	(7,926)	(189,830)
Comprehensive loss attributable to non-controlling interest	(3,275)	—	(3,275)
Comprehensive loss attributable to Xencor, Inc.	<u>\$ (178,629)</u>	<u>\$ (7,926)</u>	<u>\$ (186,555)</u>

The impact of the restatement on the consolidated statements of cash flows for the nine months ended September 30, 2024 is as follows (in thousands):

	Nine Months Ended September 30, 2024		
	As Reported	Adjustment	As Restated
Cash flows from operating activities			
Net loss	\$ (182,414)	\$ (7,926)	\$ (190,340)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash royalty revenue related to sale of future royalties	—	(48,646)	(48,646)
Non-cash interest expense	2,682	25,268	27,950
Changes in operating assets and liabilities:			
Accounts receivable	1,085	790	1,875
Income taxes	(5,782)	(117)	(5,899)
Deferred income	(24,893)	24,893	—
Net cash used in operating activities	(146,613)	(5,738)	(152,351)
Cash flows from financing activities			
Reduction of liability for sale of future royalties	(5,738)	5,738	—
Net cash provided by financing activities	186,983	5,738	192,721

3. Fair Value of Financial Instruments

Financial instruments included in the financial statements include cash and cash equivalents, marketable debt and equity securities, accounts receivable, accounts payable, and accrued expenses. Marketable debt securities, equity securities, and cash equivalents are carried at fair value. The fair value of the other financial instruments closely approximates their fair value due to their short-term maturities.

The Company accounts for recurring and non-recurring fair value measurements in accordance with FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosure about fair value measurements. The ASC 820 hierarchy ranks the quality of reliable inputs, or assumptions, used in the determination of fair value and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1—Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets or liabilities.

Level 2—Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active. Related inputs can also include those used in valuation or other pricing models, such as interest rates and yield curves that can be corroborated by observable market data.

Level 3—Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgments to be made by the reporting entity – e.g., determining an appropriate discount factor for illiquidity associated with a given security.

The Company measures the fair value of financial assets using the highest level of inputs that are reasonably available as of the measurement date. The assets recorded at fair value are classified within the hierarchy as follows for the periods reported (in thousands):

	September 30, 2024 (unaudited)			December 31, 2023		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
Money Market Funds	\$ 21,028	\$ 21,028	\$ —	\$ 25,520	\$ 25,520	\$ —
Corporate Securities	161,643	—	161,643	228,723	—	228,723
Government Securities	563,674	—	563,674	414,514	—	414,514
	<u>\$ 746,345</u>	<u>\$ 21,028</u>	<u>\$ 725,317</u>	<u>\$ 668,757</u>	<u>\$ 25,520</u>	<u>\$ 643,237</u>

Our policy is to record transfers of assets between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. During the three and nine months ended September 30, 2024 and 2023, there were no transfers between Level 1 and Level 2.

4. Net Loss Per Common Share

Basic net loss per common share is computed by dividing the net loss attributable to Xencor by the weighted-average number of common shares outstanding during the period without consideration of common stock equivalents. Diluted net loss per common share is computed by dividing the net loss attributable to Xencor by the weighted-average number of common stock equivalents outstanding for the period. Potentially dilutive securities consisting of stock issuable pursuant to outstanding options and restricted stock units (RSUs), and stock issuable pursuant to the 2013 Employee Stock Purchase Plan (ESPP) are not included in the per common share calculation in periods when the inclusion of such shares would have an anti-dilutive effect.

Basic and diluted net loss per common share is computed as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands, except share and per share data)		(in thousands, except share and per share data)	
	(As Restated)		(As Restated)	
Numerator:				
Net loss attributable to Xencor, Inc.	\$ (46,288)	\$ (24,269)	\$ (187,065)	\$ (106,986)
Denominator:				
Weighted-average common shares outstanding used in computing basic and diluted net loss	64,022,547	60,621,534	62,310,045	60,387,163
Basic and diluted net loss per common share attributable to Xencor, Inc.	<u>\$ (0.72)</u>	<u>\$ (0.40)</u>	<u>\$ (3.00)</u>	<u>\$ (1.77)</u>

For each of the three and nine months ended September 30, 2024 and 2023, all outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per common share as the effect of including such securities would have been anti-dilutive.

5. Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income. For each of the three and nine-month periods ended September 30, 2024 and 2023, the only component of other comprehensive income is net unrealized gain on marketable debt securities. There were no material reclassifications out of accumulated other comprehensive income (loss) during each of the three and nine-month periods ended September 30, 2024 and 2023.

6. Marketable Debt and Equity Securities

The Company's marketable debt securities held as of September 30, 2024 and December 31, 2023 are summarized below:

September 30, 2024 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	\$ 21,028	\$ —	\$ —	\$ 21,028
Corporate Securities	161,118	525	—	161,643
Government Securities	562,387	1,419	(132)	563,674
	<u>\$ 744,533</u>	<u>\$ 1,944</u>	<u>\$ (132)</u>	<u>\$ 746,345</u>

Reported as

Cash and cash equivalents	\$ 21,028
Marketable securities	725,317
Total investments	<u>\$ 746,345</u>

December 31, 2023 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	\$ 25,520	\$ —	\$ —	\$ 25,520
Corporate Securities	228,382	342	(1)	228,723
Government Securities	413,553	1,037	(76)	414,514
	<u>\$ 667,455</u>	<u>\$ 1,379</u>	<u>\$ (77)</u>	<u>\$ 668,757</u>

Reported as

Cash and cash equivalents	\$ 25,520
Marketable securities	643,237
Total investments	<u>\$ 668,757</u>

The maturities of the Company's marketable debt securities as of September 30, 2024 are as follows:

September 30, 2024 (in thousands)	Amortized Cost	Estimated Fair Value
Mature in one year or less	\$ 433,602	\$ 435,043
Mature within two years	289,903	290,274
	<u>\$ 723,505</u>	<u>\$ 725,317</u>

The unrealized losses on available-for-sale investments and their related fair values as of September 30, 2024 and December 31, 2023 are as follows:

	Less than 12 months		12 months or greater	
	Fair value	Unrealized losses	Fair value	Unrealized losses
September 30, 2024 (in thousands)				
Government Securities	\$ —	\$ —	\$ 198,710	\$ (132)
	Less than 12 months		12 months or greater	
	Fair value	Unrealized losses	Fair value	Unrealized losses
December 31, 2023 (in thousands)				
Corporate Securities	\$ 8,073	\$ (1)	\$ —	\$ —
Government Securities	66,546	(76)	—	—
	<u>\$ 74,619</u>	<u>\$ (77)</u>	<u>\$ —</u>	<u>\$ —</u>

The unrealized losses from the available-for-sale securities are due to changes in the interest rate environment and not changes in the credit quality of the underlying securities in the portfolio.

The Company's equity securities include securities with a readily determinable fair value and securities without a readily determinable fair value. Equity securities with a readily determinable fair value are carried at fair value with changes in fair value recognized each period and reported within other income (expense), net. For equity securities without a readily determinable fair value, the Company elects the measurement alternative to record these investments at their initial cost and evaluates such investments at each reporting period for evidence of impairment, or observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The Company sold 443,909 shares of common stock of Astria Therapeutics, Inc. (Astria) in the second quarter of 2024, and sold the remaining 253,958 shares of common stock of Astria in July 2024. The Company does not hold any shares of common stock of Astria as of September 30, 2024. The Company recorded realized gains of \$0.1 million and \$1.3 million for the three and nine months ended September 30, 2024, respectively. The Company held 697,867 shares of common stock as of September 30, 2023, which were classified as equity securities with a readily determinable fair value. The Company recorded unrealized losses of \$0.6 million and \$4.5 million for the three and nine months ended September 30, 2023, respectively.

The Company currently holds 1,885,533 shares of common stock of INmune Bio, Inc. (INmune). The 1,885,533 shares of INmune common stock are classified as equity securities with a readily determinable fair value. For the three and nine months ended September 30, 2024, the Company recorded unrealized losses of \$6.5 million and \$11.1 million, respectively. For the three and nine months ended September 30, 2023, the Company recorded an unrealized loss of \$4.4 million and an unrealized gain of \$0.8 million, respectively.

The Company currently holds 717,144 shares of common stock of Viridian Therapeutics, Inc. (Viridian). The shares of Viridian common stock are classified as equity securities with a readily determinable fair value. The Company recorded unrealized gains of \$7.0 million and \$0.7 million for the three and nine months ended September 30, 2024, respectively. The Company recorded unrealized losses of \$6.1 million and \$9.9 million for the three and nine months ended September 30, 2023, respectively.

The Company holds an equity interest in Zenas BioPharma, Inc. (Zenas). The Company's equity interests previously included preferred stock in Zenas when Zenas was a privately-held company. The preferred shares were received as an upfront payment and a milestone payment for licensing certain clinical and preclinical assets from the Company and did not have a readily determinable fair value. The Company elected the measurement alternative to carry the Zenas equity at cost minus impairment, plus or minus changes resulting from observable price changes in an orderly transaction for the identical or a similar investment of the same issuer. During the six months ended June 30, 2024, the Company recorded \$20.4 million of impairment charge due to an impairment analysis using the measurement alternative for the valuation of a security without a readily determinable fair value.

On September 16, 2024, following the closing of Zenas' initial public offering, the Company's preferred stock in Zenas was automatically converted to 3,098,380 shares of common stock which were then classified as equity securities with a readily determinable fair value. The Company subsequently discontinued the use of the measurement alternative in valuing its equity interest in Zenas. As a result, the Company recorded an unrealized gain of \$8.6 million for each of the three and nine months ended September 30, 2024.

Equity securities with a readily determinable fair value, which are categorized as Level 1 in the fair value hierarchy under ASC 820, and their fair values (in thousands) as of September 30, 2024 and December 31, 2023 are as follows:

	Fair Value September 30, 2024	Fair Value December 31, 2023
Astria Common Stock	\$ —	\$ 5,360
INmune Common Stock	10,163	21,231
Viridian Common Stock	16,315	15,619
Zenas Common Stock	52,425	—
	<u>\$ 78,903</u>	<u>\$ 42,210</u>

Equity securities without a readily determinable fair value and their carrying values (in thousands) as of September 30, 2024 and December 31, 2023 are as follows:

	Carrying Value September 30, 2024	Carrying Value December 31, 2023
Zenas Preferred Stock	\$ —	\$ 64,210

Net gain (loss) recorded related to these equity securities are recorded under other income (expense). Below is a reconciliation of net gain (loss) recorded on equity securities during the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net gain (loss) recorded on equity securities	\$ 9,254	\$ (11,023)	\$ (448)	\$ (13,633)
Less: Net gain recorded on sale of equity securities	92	—	1,280	—
Unrealized gain (loss) recorded on equity securities held at the reporting date	<u>\$ 9,162</u>	<u>\$ (11,023)</u>	<u>\$ (1,728)</u>	<u>\$ (13,633)</u>

7. Stock Based Compensation

In June 2023, our Board of Directors (the Board) and stockholders approved the 2023 Equity Incentive Plan (the 2023 Plan), which became effective as of June 14, 2023, and superseded the 2013 Equity Incentive Plan (the 2013 Plan). No additional awards may be granted under the 2013 Plan.

The 2023 Plan reserve consists of 3,000,000 shares and the remaining available shares from the 2013 Plan as of the effective date of the 2023 Plan. In addition, any shares of common stock covered by awards granted under the 2013 Plan that terminate on or after June 14, 2023 by expiration, forfeiture, cancellation, or other means without the issuance of such shares will be added to the 2023 Plan reserve. The 2023 Plan does not include a provision for an automatic increase in shares, also known as an evergreen provision.

As of September 30, 2024, the total number of shares of common stock available for issuance under the 2023 Plan is 18,617,423, which includes shares of common stock that were available for issuance under the 2013 Plan as of the

effective date of the 2023 Plan. As of September 30, 2024, a total of 2,510,949 options have been granted under the 2023 Plan.

In November 2013, the Board and our stockholders approved the ESPP, which became effective as of December 5, 2013. As of September 30, 2024, the total number of shares of common stock available for issuance under the ESPP is 987,344. Unless otherwise determined by the Board, beginning on January 1, 2014, and continuing until January 1, 2023, the total number of shares of common stock available for issuance under the ESPP automatically increased annually on January 1 by the lesser of (i) 1% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year, or (ii) 621,814 shares of common stock. The automatic increase has expired, and the number of shares of common stock available for issuance under the ESPP was not increased on January 1, 2024. As of September 30, 2024, we have issued a total of 787,474 shares of common stock under the ESPP.

During the nine months ended September 30, 2024, the Company awarded 1,026,220 RSUs under the 2023 Plan to certain employees and non-employee directors. The standard vesting of these awards is generally in three equal annual installments and is contingent on an employee's continued service to the Company. The fair value of these awards is determined based on the intrinsic value of the stock on the date of grant and will be recognized as stock-based compensation expense over the requisite service period. As of September 30, 2024, a total of 1,112,887 RSUs have been granted under the 2023 Plan.

The Company extended vesting periods and expiration dates of equity awards for employees who retired in April 2024. There was a \$3.1 million incremental expense as a result of the extension of the expiration dates, and there was a \$1.2 million expense as a result of the extension of the vesting periods.

Total employee, director and non-employee stock-based compensation expense recognized for the three and nine months ended September 30, 2024 and 2023 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
General and administrative	\$ 5,158	\$ 4,487	\$ 18,326	\$ 13,234
Research and development	7,180	8,409	22,623	25,824
	<u>\$ 12,338</u>	<u>\$ 12,896</u>	<u>\$ 40,949</u>	<u>\$ 39,058</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options	\$ 6,760	\$ 6,314	\$ 24,578	\$ 20,139
ESPP	206	307	623	970
RSUs	5,372	6,275	15,748	17,949
	<u>\$ 12,338</u>	<u>\$ 12,896</u>	<u>\$ 40,949</u>	<u>\$ 39,058</u>

The following table summarizes option activity under our stock plans and related information:

	Number of Shares Subject to Outstanding Options	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2023	11,142,986	\$ 29.60	6.03	\$ 9,977
Options granted	2,297,551	\$ 22.21		
Options forfeited	(614,922)	\$ 32.36		
Options exercised	(222,149)	\$ 11.76		
Balance at September 30, 2024	<u>12,603,466</u>	\$ 28.44	5.96	\$ 6,942
Exercisable	8,522,788	\$ 29.56	4.62	\$ 6,550

We calculate the intrinsic value as the difference between the exercise price of the options and the closing price of common stock of \$20.11 per share as of September 30, 2024.

The weighted-average fair value of options granted during the nine-month periods ended September 30, 2024 and 2023 were \$22.21 and \$30.07 per share, respectively. There were 2,068,582 options granted during the nine-month period ended September 30, 2023. We estimated the fair value of each equity award, including stock options and shares issued under our ESPP, using the Black-Scholes option-pricing model based on the date of grant of such stock option or ESPP share issuance date, with the following weighted average assumptions for the three and nine months ended September 30, 2024 and 2023:

	Options Three Months Ended September 30,		Options Nine Months Ended September 30,	
	2024	2023	2024	2023
Expected term (years)	5.8	6.1	6.4	6.1
Expected volatility	50.8 %	50.0 %	50.1 %	50.5 %
Risk-free interest rate	4.15 %	4.43 %	4.18 %	4.18 %
Expected dividend yield	— %	— %	— %	— %

	ESPP Three Months Ended September 30,		ESPP Nine Months Ended September 30,	
	2024	2023	2024	2023
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	43.0% - 44.6%	38.2% - 55.7%	43.0% - 44.6%	38.2% - 55.7%
Risk-free interest rate	4.71% - 5.40%	0.13% - 5.39%	4.71% - 5.40%	0.13% - 5.39%
Expected dividend yield	— %	— %	— %	— %

As of September 30, 2024, the unamortized compensation expense related to unvested stock options was \$50.4 million. The remaining unamortized compensation expense will be recognized over the next 2.5 years. As of September 30, 2024, the unamortized compensation expense under our ESPP was \$1.0 million. The remaining unamortized expense will be recognized over the next 1.2 years.

The following table summarizes the RSU activity for the nine-month period ended September 30, 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value (Per unit)
Unvested RSUs at December 31, 2023	1,490,040	\$ 30.66
Granted	1,026,220	22.31
Vested	(595,399)	31.49
Forfeited	(167,097)	28.89
Unvested RSUs at September 30, 2024	1,753,764	\$ 25.57

As of September 30, 2024, the unamortized compensation expense related to unvested RSUs was \$31.6 million. The remaining unamortized expense will be recognized over the next 1.9 years.

8. Leases

The Company leases office and laboratory space in Monrovia, California under a lease that expires in December 2025 with an option to renew for an additional five years at then market rates. The Company has assessed that it is unlikely to exercise the option to extend the lease term.

In June 2021, the Company entered into an Agreement of Lease (Lease Agreement) for laboratory and office space in Pasadena, California, which will expire in July 2035. The Lease Agreement provides for two separate phases of lease and occupancy. The first phase commenced on August 1, 2022 and provided the Company with an improvement allowance up to \$17.0 million. The second phase of the lease agreement will commence no later than September 30, 2026 and includes an additional improvement allowance up to \$3.3 million. In August 2022, the Company entered into an amendment pursuant to which the Company received an additional \$5.0 million in tenant improvement allowance in exchange for an increase in the rental rate of the phase 1 space. The Company received delivery of the second phase premises on December 1, 2022. The Company placed the new facility into service in February 2023. In January 2024, the Company entered into an amendment, in which the Company was paid \$0.7 million of tenant improvement allowance from the second phase for HVAC costs in the first phase.

In August 2023, the Company entered into a Sublease Agreement for office space in San Diego, California. The term of the Sublease Agreement began in September 2023 and ends in December 2027. In connection with the Sublease Agreement, the Company provided a \$0.4 million Letter of Credit to the landlord. The Letter of Credit will decline over the term of the lease. The Company also entered into a Cash Collateral Agreement for \$0.4 million, which is classified as restricted cash in the Consolidated Balance Sheets.

The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

The following table reconciles the undiscounted cash flows for the operating leases at September 30, 2024 to the operating lease liabilities recorded on the balance sheet (in thousands):

Years ending December 31,	
For the remainder of 2024	\$ 1,143
2025	8,022
2026	9,238
2027	9,560
2028	9,076
2029	9,331
Thereafter	57,104
Total undiscounted lease payments	103,474
Less: Tenant allowance	(2,536)
Less: Imputed interest	(32,268)
Present value of lease payments	\$ 68,670
Lease liabilities - short-term	\$ 2,181
Lease liabilities - long-term	66,489
Total lease liabilities	\$ 68,670

The following table summarizes lease costs and cash payments for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 1,881	\$ 2,075	\$ 5,643	\$ 6,275
Variable lease cost	(201)	232	939	685
Total lease costs	\$ 1,680	\$ 2,307	\$ 6,582	\$ 6,960
Cash paid for amounts included in the measurement of lease liabilities	\$ 801	\$ 820	\$ 2,679	\$ 2,265

As of September 30, 2024, the weighted-average remaining lease term for operating leases is 10.5 years, and the weighted-average discount rate for operating leases is 7.0%. As of September 30, 2023, the weighted-average remaining lease term for operating leases was 11.0 years, and the weighted-average discount rate for operating leases was 8.8%.

9. Commitments and Contingencies

From time to time, the Company may be subject to various litigation and related matters arising in the ordinary course of business. We are currently a party to an action initiated by Merus N.V. (Merus) in the District of Delaware alleging that our manufacture, use, offer for sale, sale, and/or importation of common light chain antibodies and heterodimeric antibodies infringes certain claims of three Merus patents. Merus filed its complaint against us on August 5, 2024. Merus asserted claims of U.S. Patent Nos. 9,944,695, 9,358,286 and 11,926,859 (collectively, the Asserted Patents). Merus seeks a judgment of patent infringement, an order enjoining us from infringing the Asserted Patents, a damages award (together with interest), a declaration of willful infringement, and a finding that this case is exceptional. On October 10, 2024, we filed a motion to dismiss the Merus complaint with prejudice under Rule 12(b)(6), in which we argued that all of the activities accused of infringement are covered by the 35 U.S.C. § 271(e)(1) safe harbor. Merus filed its response to our motion on October 31, 2024, and our deadline for replying to the Merus response is November 14, 2024. We believe we have strong defenses to Merus' claims, including defenses of invalidity and/or non-infringement, but there is no guarantee that we will prevail.

The Company does not believe it is currently subject to other matters where there is at least a reasonable possibility that a material loss may be incurred.

The Company is obligated to make future payments to third parties pursuant to certain license agreements, including sublicense fees, royalties, and payments that become due and payable on the achievement of certain development and commercialization milestones. As the amount and timing of sublicense fees and the achievement and timing of these milestones are not probable and estimable, such commitments have not been included on the Company's balance sheets for the periods ended September 30, 2024 and December 31, 2023. The Company has also entered into agreements with third-party vendors that will require us to make future payments upon the delivery of goods and services in future periods.

10. Collaboration and Licensing Agreements

The following is a summary description of the material collaboration arrangements in the three and nine months ended September 30, 2024 and 2023.

Alexion Pharmaceuticals, Inc.

In January 2013, the Company entered into an Option and License Agreement (the Alexion Agreement) with Alexion Pharmaceuticals, Inc. (Alexion). Under the terms of the Alexion Agreement, the Company granted to Alexion an exclusive research license, with limited sublicensing rights, to make and use the Company's Xtend technology to evaluate and advance compounds. Alexion exercised its rights to one target program, ALXN1210, which is now marketed as Ultomiris®.

The Company is entitled to receive royalties based on a percentage of net sales of Ultomiris sold by Alexion, its affiliates or its sublicensees, which percentage is in the low single digits. Alexion's royalty obligations continue on a product-by-product and country-by-country basis until the expiration of the last-to-expire valid claim in a licensed patent covering the applicable product in such country.

On November 3, 2023, the Company entered into the Ultomiris Royalty Sale Agreement with OMERS, in which OMERS acquired the rights to certain royalties associated with the existing license relating to Ultomiris in exchange for cash consideration. For the nine months ended September 30, 2024, Company earned and recognized \$42.1 million in non-cash royalty revenue under the Ultomiris Royalty Sale Agreement.

The Company recognized \$15.7 million and \$42.1 million of non-cash royalty revenue during the three and nine months ended September 30, 2024, respectively, and \$11.8 million and \$33.4 million of royalty revenue under this arrangement for the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, there is \$15.7 million receivable and no deferred revenue related to this agreement. Payment of this receivable will be made directly to OMERS.

Genentech, Inc., and F. Hoffmann-La Roche Ltd

In February 2019, the Company entered into a collaboration and license agreement (the Genentech Agreement) with Genentech, Inc. and F. Hoffmann-La Roche Ltd (collectively, Genentech) for the development and commercialization of novel IL-15 collaboration products (Collaboration Products), including efbalropendekin alfa (also named XmAb306 and RG6323), the Company's IL-15/IL15R α -Fc candidate.

Under the terms of the Genentech Agreement, Genentech received an exclusive worldwide license to XmAb306, and we shared in 45% of development and commercialization costs of Collaboration Products. We were also eligible to share in 45% of net profits and losses from the sale of approved products. However, in the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech assumed sole responsibility over all clinical, regulatory and commercial activities. We are eligible to receive up to \$600.0 million in milestones, including \$115.0 million in development milestones, \$185.0 million in regulatory milestones and \$300.0 million in sales-based milestones and tiered royalties ranging from low double-digit to mid-teen percentages.

The Company did not recognize revenue related to the Genentech Agreement for the three and nine months ended September 30, 2024 or 2023. As of September 30, 2024, there is a \$7.6 million payable related to cost-sharing development activities during the first half of 2024 for development studies being conducted under the Genentech Agreement. There is no deferred revenue as of September 30, 2024 related to this agreement.

Gilead Sciences, Inc.

In January 2020, the Company entered into a Technology License Agreement (the Gilead Agreement) with Gilead Sciences, Inc. (Gilead), in which the Company provided Gilead an exclusive license to its Cytotoxic Fc and Xtend Fc technologies for an initial identified antibody and options for up to three additional antibodies directed to the same molecular target. In the second quarter 2020, Gilead exercised its options for the three additional antibody compounds.

No revenue was recognized for the three and nine months ended September 30, 2024. For the three and nine months ended September 30, 2023, the Company recognized \$6.0 million in revenue related to development milestones. There is no deferred revenue as of September 30, 2024 related to this agreement.

Janssen Biotech, Inc., a Johnson & Johnson company*J&J Agreement*

In November 2020, the Company entered into a Collaboration and License Agreement (the J&J Agreement) with Janssen Biotech, Inc., a Johnson & Johnson company, pursuant to which the Company and J&J conducted research and development activities to discover novel CD28 bispecific antibodies for the treatment of prostate cancer. Xencor together with J&J conducted joint research activities to discover XmAb bispecific antibodies against CD28 and against an undisclosed prostate tumor-target with J&J maintaining exclusive worldwide rights to develop and commercialize licensed products identified from the research activities.

Under the J&J Agreement, the Company conducted research activities and applied its bispecific Fc technology to antibodies targeting prostate cancer provided by J&J. Upon completion of the research activities J&J had a candidate selection option to advance an identified candidate for development and commercialization. In November 2021, the Company completed its performance obligations under the research activities and delivered CD28 bispecific antibodies to J&J. In December 2021, J&J selected a bispecific CD28 candidate for further development. J&J will assume full responsibility for development and commercialization of the CD28 bispecific antibody candidate.

The Company did not recognize revenue for the three and nine months ended September 30, 2024, and the Company recognized \$7.5 million of revenue for the three and nine months ended September 30, 2023 under the J&J Agreement. As of September 30, 2024, there is no deferred revenue related to this Agreement.

Second J&J Agreement

On October 1, 2021, the Company entered into a second Collaboration and License Agreement (the Second J&J Agreement) with J&J pursuant to which the Company granted J&J an exclusive worldwide license to develop, manufacture, and commercialize plamotamab, the Company's CD20 x CD3 development candidate, and pursuant to which Xencor and J&J conducted research and development activities to discover novel CD28 bispecific antibodies. The parties conducted joint research activities for a two-year period to discover XmAb bispecific antibodies against CD28 and undisclosed B cell tumor-targets with J&J receiving exclusive worldwide rights, subject to certain Xencor opt-in rights, to develop, manufacture and commercialize pharmaceutical products that contain one or more of such discovered antibodies (CD28 Licensed Antibodies). The Agreement became effective on November 5, 2021.

The Company collaborated with J&J on clinical development of plamotamab and shared development costs with J&J paying 80% and the Company paying 20% of certain development costs. In June 2024, the Company was notified that J&J was terminating its rights to plamotamab, which termination became effective in June 2024.

The Company is generally responsible for conducting research activities under the Second J&J Agreement, and J&J is generally responsible for all development, manufacturing, and commercialization activities for CD28 Licensed Antibodies that are advanced. Revenue from the research activities was recognized over a period of time through the end of the research term that services were rendered as we determined that the input method was the appropriate approach to recognize income for such services.

There is a receivable of \$2.3 million as of September 30, 2024, related to cost-sharing activities for the development of plamotamab under the Second J&J Agreement. No revenue was recognized for the three and nine months ended September 30, 2024, and the Company recognized \$6.2 million and \$33.6 million of revenue for the three and nine months ended September 30, 2023, respectively. There is no deferred revenue as of September 30, 2024 related to the Second J&J Agreement as obligations to perform research activities have expired.

MorphoSys AG/Incyte Corporation

In June 2010, the Company entered into a Collaboration and License Agreement (the MorphoSys Agreement) with MorphoSys AG (MorphoSys), which was subsequently amended. Under the MorphoSys Agreement, we granted MorphoSys an exclusive worldwide license to the Company's patents and know-how to research, develop and commercialize the XmAb5574 product candidate (subsequently renamed MOR208 and tafasitamab) with the right to sublicense under certain conditions. In February 2024, Incyte Corporation assumed all of MorphoSys' right, title and interest in the MorphoSys Agreement and acquired exclusive global development and commercialization rights to tafasitamab. If certain developmental, regulatory and sales milestones are achieved, the Company is eligible to receive future milestone payments and royalties.

On November 3, 2023, the Company entered into the Monjuvi Royalty Sale Agreement with OMERS, pursuant to which OMERS acquired the rights to certain royalties earned after July 1, 2023 associated with the existing license relating to Monjuvi.

The Company recognized \$2.1 million and \$6.5 million of non-cash royalty revenue during the three and nine months ended September 30, 2024, respectively. The Company recognized \$2.7 million and \$6.6 million of royalty revenue during the three and nine months ended September 30, 2023, respectively. As of September 30, 2024, there is a receivable of \$2.1 million related to estimated royalties due under the arrangement. As of September 30, 2024, there is no deferred revenue related to this agreement.

Omeros Corporation

In August 2020, the Company entered into a Technology License Agreement (the Omeros Agreement) with Omeros Corporation (Omeros), in which the Company provided Omeros a non-exclusive license to its Xtend Fc technology, an exclusive license to apply its Xtend technology to an initial identified antibody and options to apply its Xtend technology to three additional antibodies.

No revenue was recognized for the three and nine months ended September 30, 2024. For the three and nine months ended September 30, 2023, the Company recognized \$5.0 million of milestone revenue related to a development milestone. As of September 30, 2024, there is no deferred revenue related to this Agreement.

Shanghai Mabgeek Biotech Co., Ltd.

On December 22, 2023, the Company entered into a Technology License Agreement with Shanghai Mabgeek Biotech Co., Ltd. (Mabgeek), and the Company and Mabgeek entered into Amendment No. 1 on June 21, 2024 (collectively, the Mabgeek Agreement). Under the Mabgeek Agreement, the Company received an upfront payment of \$1.5 million and up to \$11.9 million of milestones. In addition, the Company is eligible to receive royalties on the net sales of approved products in the low single digits.

The Company evaluated the Mabgeek Agreement and determined that the single performance obligation was access to a non-exclusive license to certain patents of the Company which were transferred to Mabgeek in June 2024.

No revenue was recognized for the three months ended September 30, 2024. The Company recognized \$1.5 million of license revenue related to the Mabgeek Agreement for the nine months ended September 30, 2024. There is no deferred revenue as of September 30, 2024 related to this agreement.

Vega Therapeutics, Inc.

In October 2021, the Company entered into a Technology License Agreement (the Vega Agreement) with Vega Therapeutics, Inc. (Vega), in which the Company provided Vega a non-exclusive license to its Xtend Fc technology. In March 2024, Vega notified the Company that it initiated a Phase 1 study, and the Company recorded milestone revenue of \$0.5 million.

The Company recognized \$0.5 million of revenue for the nine months ended September 30, 2024. No revenue was recognized for the three months ended September 30, 2024 or the three and nine months ended September 30, 2023.

Vir Biotechnology, Inc.

In 2019, the Company entered into a Patent License Agreement (the Vir Agreement) with Vir Biotechnology, Inc. (Vir) pursuant to which the Company provided a non-exclusive license to its Xtend technology for up to two targets.

In March 2020, the Company entered into a second Patent License Agreement (the Second Vir Agreement) with Vir pursuant to which the Company provided a non-exclusive license to its Xtend technology to extend the half-life of novel antibodies Vir developed as potential treatments for patients with COVID-19, including sotrovimab. Under the terms of the Second Vir Agreement, Vir is responsible for all research, development, regulatory and commercial activities for the antibodies, and the Company is eligible to receive royalties on the net sales of approved products in the mid-single digit percentage range. Vir and its marketing partner, GSK, began recording sales for sotrovimab beginning in June 2021.

The Company recognized nominal amounts of revenue for the three months ended September 30, 2024 and 2023. The Company recognized \$0.1 million and \$1.5 million of revenue for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, there is no receivable related to estimated royalty due under this agreement, and there is no deferred revenue related to this agreement.

Zenas BioPharma, Inc.

In November 2020, the Company entered into a License Agreement (the Zenas Agreement) with Zenas, pursuant to which the Company received an equity interest in Zenas in exchange for the exclusive, worldwide rights to develop and commercialize drug candidates from the Company. The equity in Zenas was recorded at the fair value as of the date of the Zenas Agreement and was reviewed each reporting period for impairment or other evidence of change in value.

In November 2021, the Company entered into a second License Agreement (the Second Zenas Agreement) with Zenas, pursuant to which the Company received additional equity in Zenas in exchange for the exclusive worldwide rights to develop and commercialize the Company's obixelimab (XmAb5871) drug candidate. Under the license, the Company is eligible to receive development, regulatory and sales milestones in connection with the development of obixelimab and royalties on net sales of approved products. The original equity received for the second license was a warrant to acquire additional shares of Zenas. The warrant was exchanged for additional preferred stock in Zenas in November 2022.

The warrant in Zenas was recorded at its fair value as of the date of the Second Zenas Agreement and was reviewed each reporting period for impairment or other evidence of change in value. The preferred shares received in

exchange for the warrant were recorded at their fair value at the date of the exchange and were reviewed each reporting period for impairment or other evidence of change in value.

In 2023, Zenas initiated a Phase 3 clinical study with obexelimab and also dosed a second patient in the study. The Company received a development milestone in the form of additional preferred stock in Zenas with a fair value of \$10.0 million.

On September 16, 2024, following the closing of Zenas' initial public offering, the Company's preferred stock ownership automatically converted to 3,098,380 shares of common stock of Zenas, which is classified as equity securities with a readily determinable fair value. As a result, the Company discontinued the use of the measurement alternative to record its equity interest in Zenas.

The Company did not recognize any revenue for the three and nine months ended September 30, 2024, or the three months ended September 30, 2023. The Company recognized \$10.0 million of milestone revenue for the nine months ended September 30, 2023, and there is no deferred revenue related to this agreement.

Third-Party Licensee

In May 2024, the Company entered into a Patent License Agreement (Third-Party Licensee Agreement) with a third-party licensee. The Company completed delivery of the performance obligation under the agreement, and the Company received a payment of \$7.0 million in August 2024.

No revenue was recognized for the three months ended September 30, 2024, and the Company recognized \$7.0 million of license revenue for the nine months ended September 30, 2024. There is a no receivable as of September 30, 2024., and there is no deferred revenue related to this agreement.

Gale Therapeutics Inc.

In the fourth quarter of 2023, the Company formed a subsidiary, Gale Therapeutics Inc. (Gale), to develop novel drug candidates with its Fc technologies. In December 2023, the Company entered into a Technology License Agreement (Gale License Agreement) with Gale in which Gale received an exclusive worldwide, royalty-bearing, non-transferable license to preclinical assets in exchange for royalties on future sales and an option for future drug candidates that Gale will develop. Concurrently, the Company entered into a Service Agreement (Gale Services Agreement) to provide research and development services and administrative support for Gale. In exchange for \$7.5 million of funding, the Company acquired a majority stake in Gale. Total charges of \$2.7 million and \$10.7 million under the Gale Services Agreement for the three and nine months ended September 30, 2024, respectively, were eliminated in consolidation. In July 2024 and September 2024, the Company entered into a preferred stock purchase agreement to purchase additional shares in Gale for \$3.0 million each, for a total of \$6.0 million.

Revenues earned

The revenues recorded for the three and nine months ended September 30, 2024 and 2023 were earned principally from the following licensees (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Alexion	\$ 15.7	\$ 31.8	\$ 42.1	\$ 53.4
Gilead	—	6.0	—	6.0
Janssen	—	13.7	—	41.1
Mabgeek	—	—	1.5	—
MorphoSys/Incyte	2.1	2.7	6.5	6.6
Omeros	—	5.0	—	5.0
Vega	—	—	0.5	—
Vir	—	—	0.1	1.5
Zenas	—	—	—	10.0
Third Party Licensee	—	—	7.0	—
Total	\$ 17.8	\$ 59.2	\$ 57.7	\$ 123.6

The table below summarizes the disaggregation of revenue recorded for the three and nine months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(As Restated)		(As Restated)	
Research collaboration	\$ —	\$ (1.3)	\$ —	\$ 21.1
License	—	—	8.5	—
Milestone	—	46.0	0.5	61.0
Royalties	—	14.5	0.1	41.5
Non-cash royalties	17.8	—	48.6	—
Total	\$ 17.8	\$ 59.2	\$ 57.7	\$ 123.6

Remaining Performance Obligations and Deferred Revenue

The Company does not have any remaining performance obligations as of September 30, 2024. As of September 30, 2023, the Company had deferred revenue of \$9.2 million for conducting research activities pursuant to the Second J&J Agreement. All deferred revenue as of September 30, 2023 was classified as current liabilities as the Company's obligations to perform services are due on demand when requested by J&J under the Second J&J Agreement.

11. Income taxes

There is no provision for income tax for the three and nine months ended September 30, 2024 or 2023. As of September 30, 2024, the Company's deferred income tax assets are primarily comprised of deferred revenue, capitalized research and development expenses, federal and state tax net operating loss (NOL) carryforwards and research and development tax credit carryforwards, and have been fully offset by a valuation allowance.

12. Sale of Future Royalties

Ultomiris Royalty Sale Agreement

The Company evaluated the arrangement and determined that the proceeds from the sale of future royalties should be classified as debt according to ASC 470 *Debt*. At September 30, 2024, the estimated effective interest rate remains at 21.1%. The Company continues to reassess the estimate of total future royalty payments and prospectively adjusts the imputed interest rate and related amortization if the estimate is materially different. For the three and nine months ended September 30, 2024, the Company recognized \$15.7 million and \$42.1 million of non-cash royalty revenue, respectively, and \$8.2 million and \$25.3 million of non-cash interest expense, respectively.

Monjuvi Royalty Sale Agreement

The Company evaluated the arrangement and determined that the proceeds from the sale of future royalties should be classified as debt pursuant to ASC 470 *Debt*. At June 30, 2024, the Company reassessed the estimate of total future royalty payments and updated the estimated effective interest rate to 17.5%. The Company continues to reassess the estimate of total future royalty payments and prospectively adjusts the imputed interest rate and related amortization if the estimate is materially different. For the three and nine months ended September 30, 2024, the Company recognized \$2.1 million and \$6.5 million of non-cash royalty revenue, respectively, and \$0.8 million and \$2.7 million of non-cash interest expense, respectively.

The following table shows the activity within debt for the nine months ended September 30, 2024 (in thousands):

	September 30, 2024
	(As Restated)
Beginning balance of debt related to sale of future royalties	\$ 189,483
Royalties owed to OMERS	834
Royalties paid to OMERS	(45,472)
Non-cash interest expense recognized	27,950
Ending balance of debt related to sale of future royalties	\$ 172,795
Debt - short-term	44,455
Debt - long-term	128,340
Total debt	\$ 172,795

13. Sale of Common Stock

In September 2024, we completed an underwritten public offering pursuant to an automatic universal shelf registration statement on Form S-3 of 8,093,712 shares of common stock which included 1,458,600 shares issued pursuant to our underwriters' exercise of their over-allotment option, as well as pre-funded warrants to purchase up to an aggregate of 3,088,888 shares of common stock. We received net proceeds of \$189.2 million after deducting underwriting discounts, commissions, and offering expenses.

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

The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this Form 10-Q/A and the financial statements and accompanying notes thereto for the fiscal year ended December 31, 2023 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/A for the year ended December 31, 2023. See also "Special Note Regarding Forward-Looking Statements" included in this Form 10-Q/A.

Company Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered antibody therapeutics to treat patients with cancer and other serious diseases, who have unmet medical needs. We are advancing a broad portfolio of clinical-stage XmAb® drug candidates from our proprietary Fc technology platforms. We also use our protein engineering capabilities to increase our understanding of protein structure and interactions and to design new Fc technologies and XmAb development candidates with improved properties. In addition to engineering protein-target interactions, our approach to protein design includes engineering Fc domains, the parts of antibodies that interact with multiple segments of the immune system and control antibody structure. The Fc domain is constant and interchangeable among antibodies, and our engineered Fc domains can be readily substituted for natural Fc domains.

Our protein engineering capabilities and Fc technologies enable us and our partners to develop XmAb antibodies and other types of biotherapeutic drug candidates with improved properties and functionality, which can provide innovative approaches to treating disease and potential clinical advantage over other treatment options. For example, we developed an antibody scaffold to rapidly create novel multi-specific antibodies that bind two or more different targets simultaneously, creating entirely new biological mechanisms. Other applications of our protein engineering technologies enhance antibody performance by increasing immune inhibitory activity, improving cytotoxicity, extending circulating half-life and stabilizing novel protein structures. Three marketed XmAb medicines have been developed with our protein engineering technologies.

Refer to Part I, Item 1, "XmAb Bispecific Fc Domain and New Multi-Specific Antibody Formats" and "Other XmAb Fc Domains" in the description of our business included in our Annual Report on Form 10-K/A for the year ended December 31, 2023 for a discussion of our core Fc technology platforms.

Clinical-Stage XmAb Drug Candidates in Oncology

We are currently enrolling Phase 1 or Phase 2 studies for four wholly-owned candidates to treat patients with many different types of serious diseases.

XmAb819 (ENPP3 x CD3): XmAb819 is designed to engage the immune system, activating T cells for highly potent and targeted killing of tumor cells expressing ENPP3, an antigen highly expressed on kidney cancers. Xencor's XmAb 2+1 multivalent format used in XmAb819 enables greater selectivity of ENPP3-expressing tumor cells compared to normal cells, which express lower levels of ENPP3. We are currently conducting a Phase 1 study to evaluate XmAb819 in patients with advanced clear cell RCC.

In September 2024, we announced that initial evidence of anti-tumor activity was observed in recent dose-escalation cohorts in the ongoing Phase 1 study, including RECIST responses, and the duration of treatment for several patients in earlier dose cohorts has extended beyond one year. Cytokine release syndrome remained manageable, and the tolerability profile from recent dose cohorts, including no maximum tolerated dose being reached, supported continued dose escalation toward target dose levels. We continue to anticipate reaching target dose levels by year end and plan to provide a clinical update around initiation of the first dose expansion cohort during the first half of 2025.

XmAb808 (B7-H3 x CD28): XmAb808 is a tumor-selective, co-stimulatory CD28 bispecific antibody that binds to the broadly expressed tumor antigen B7-H3 and is constructed with the XmAb 2+1 format. Co-stimulation is required for T cells to achieve full activation, and targeted CD28 bispecific antibodies may provide conditional co-stimulation of T cells when the antibodies are bound to tumor cells. We are conducting a Phase 1 study to evaluate XmAb808 in combination with pembrolizumab in patients with advanced solid tumors.

In September 2024, we announced that in the ongoing Phase 1 dose-escalation study, in a group of patients with metastatic castration-resistant prostate cancer (mCRPC), prostate specific antigen (PSA) declines were observed during the four-week monotherapy safety run-in period.

In the highest dose cohort to date, within the range of expected active doses, two patients experienced dose-limiting toxicities as defined in the study protocol. The maximum tolerated dose has not been defined per protocol. As the data from these recent events are analyzed, back-fill enrollment is proceeding in the next lower dose cohort, a dose within the range of target doses, which was determined to be tolerable. The Company plans to provide a clinical update around initiation of dose expansion cohorts during the first half of 2025.

XmAb541 (CLDN6 x CD3): XmAb541 is a bispecific T-cell engager that targets Claudin-6 (CLDN6), a tumor-associated antigen in ovarian cancer and other solid tumors, and CD3. The XmAb 2+1 multivalent format used in XmAb541 enables greater selectivity for CLDN6 over similar Claudin family members, such as CLDN9, CLDN3 and CLDN4. We are currently conducting a Phase 1 study to evaluate XmAb541 in patients with ovarian cancer and other CLDN6 expressing tumor types. The first patient was dosed in April 2024. Through 2025, we plan to advance the ongoing Phase 1 dose-escalation study toward target dose levels.

Vudalimab (PD-1 x CTLA-4): Vudalimab is a bispecific antibody that targets PD-1 and CTLA-4, two immune checkpoint receptors, to selectively activate the tumor microenvironment, and it is being developed for patients with metastatic castration-resistant prostate cancer (mCRPC) and patients with locally advanced or metastatic non-small cell lung cancer. Data from a Phase 1 study that enrolled heavily pretreated patients with multiple solid tumor types indicated that vudalimab was generally well-tolerated with encouraging clinical activity. We are conducting two Phase 2 studies of vudalimab in patients with mCRPC who have progressed beyond current standard of care options, as a monotherapy or in combination with chemotherapy, and we anticipate a data readout from these studies in the first half of 2025. We are also conducting a Phase 1b/2 study evaluating vudalimab in combination with chemotherapy as a first-line treatment in patients with locally advanced or metastatic non-small cell lung cancer, and we plan to evaluate the safety of the combination in the first half of 2025.

Additional Clinical-Stage Candidate Previously Co-Developed with Partner

Efbalropendekin alfa (IL15/IL15R α -Fc Cytokine): Efbalropendekin alfa (XmAb306/RG6323) is a reduced-potency IL15/IL15R α -Fc fusion protein that incorporates our Xtend extended half-life technology, and we previously co-developed this program in collaboration with Genentech, a member of the Roche Group. Genentech is conducting a Phase 1 study evaluating efbalropendekin in patients with relapsed/refractory multiple myeloma in combination with cevostamab (FcRH5 x CD3 bispecific antibody). In the fourth quarter of 2023, we agreed with Genentech to convert our current development cost and profit-sharing arrangement into a royalty and milestone payment-based arrangement. Pursuant to the terms of the amended agreement with Genentech, effective June 1, 2024, Genentech assumed sole responsibility over all clinical, regulatory and commercial activities. We are eligible for up to \$600.0 million in milestones and tiered royalties on approved sales from low double-digit to mid-teen percentages range.

XmAb Drug Candidates for the Treatment of Patients with Autoimmune and Inflammatory Diseases and Planned Clinical Studies

In September 2024, we announced new clinical development plans for plamotamab and announced new XmAb drug candidates to be evaluated for the treatment of patients with autoimmune and inflammatory diseases. We believe that plamotamab and XmAb657 could address significant unmet needs for patients with a wide-range of autoimmune diseases that could be responsive to targeted B-cell depletion, such as rheumatoid arthritis, multiple sclerosis, advanced systemic lupus erythematosus, anti-neutrophil cytoplasmic antibody (ANCA)-associated vasculitis, idiopathic inflammatory myopathy, myasthenia gravis, neuromyelitis optica spectrum disorder, pemphigus vulgaris, Sjogren's syndrome, and systemic sclerosis. We believe that XmAb942 and a drug candidate to potentially emerge from the XmAb TL1A x IL-23 program could address significant unmet medical needs for patients with inflammatory bowel disease (IBD), such as Crohn's disease and ulcerative colitis, the two most common forms of IBD.

Plamotamab (CD20 x CD3): Plamotamab is a bispecific T-cell engager that targets CD20, a target receptor on B cells, and CD3. Results from the expansion portion of a Phase 1 study indicate that intravenous plamotamab monotherapy was well tolerated and demonstrated encouraging clinical activity in heavily pretreated patients with an advanced form of lymphoma at the recommended Phase 2 intravenous dose. In 2023, we completed patient enrollment in subcutaneous dose escalation cohorts of the Phase 1 study. We had been co-developing plamotamab with Johnson & Johnson (J&J), and in June 2024, we regained exclusive worldwide rights to develop and commercialize the candidate.

We plan to initiate a Phase 1b/2a proof-of-concept study for plamotamab in rheumatoid arthritis (RA) in the first half of 2025. The Phase 1b portion of the study will select a priming and step-up dose regimen based on the regimen established in oncology, and will assess the initial safety, efficacy, and biomarkers of plamotamab in patients with RA. The selected dose regimen will then be evaluated in the randomized Phase 2a portion, with efficacy determined at week 24. We previously completed a Phase 1 clinical study of plamotamab in hematologic cancers, completing enrollment in late 2023. Results from the study showed favorable tolerability and comparable preliminary efficacy data, when cross compared to results from studies of a competitor molecule within the class, with similar patient baseline characteristics. Based on these clinical outcomes, significant B-cell depletion observed in preclinical studies, and the emergent biology supportive of B-

cell targeted T cell engagers for the treatment of patients with autoimmune diseases, we plan to evaluate plamotamab in RA, in which patients progressed through prior standard of care treatment.

XmAb657 (CD19 x CD3): We have leveraged our XmAb protein engineering platforms to create XmAb657, a potent, potentially long-acting CD19 x CD3 bispecific antibody, utilizing the XmAb 2+1 bispecific antibody format and Xtend Fc technology. In non-human primate studies, a single dose of XmAb657 deeply reduced B cells by over 99.98% in the peripheral compartment, bone marrow and lymph nodes, which was sustained for at least 28 days. Half-life was estimated to be 15 days, which indicates a potential for durable B-cell depletion in clinical studies. XmAb657 was well tolerated preclinically, with no clinical signs of cytokine release syndrome. We plan to initiate a first-in-human study during the second half of 2025.

XmAb942 (Xtend TL1A): XmAb924 is a monospecific anti-TL1A antibody, utilizing Xencor's Xtend Fc domain and proprietary Fc silencing technology, with potentially class-leading potency, and is under development for patients with IBD. The two most common forms of IBD are Crohn's disease and ulcerative colitis. In October 2024, preclinical data were presented during United European Gastroenterology (UEG) Week. Half-life preclinically was 23 days, potentially supporting an 8- to 12-week dosing regimen in humans. In the fourth quarter of 2024, we initiated dosing of healthy volunteers in the first-in-human study of XmAb942, and we continue to expect initial data from the ongoing study during the first half of 2025.

XmAb TL1A x IL-23: An expertly engineered XmAb TL1A x IL-23p19 bispecific antibody could potentially provide dual targeting of important inflammatory pathways for autoimmune and inflammatory disease, while avoiding the complexities of dosing and formulary access for two separate TL1A and IL23 targeted drugs. We anticipate initiating first-in-human studies during 2026.

Advancements Expanding XmAb Bispecific Platforms

We conduct further research into the function and application of antibody components in order to expand the scope of our XmAb technology platforms and identify additional XmAb drug candidates.

We use the modularity of our XmAb bispecific Fc technology to build antibody-based therapeutics in a variety of formats, such as T cell engaging bispecific antibodies of a mixed valency format, the XmAb 2+1 bispecific antibody. XmAb 2+1 bispecific antibodies may preferentially kill tumor cells with high target expression, which may be especially beneficial in designing antibodies that target solid tumors. This selectivity potentially empowers T cell engaging bispecifics (e.g., CD3, CD28) to address an expanded set of tumor antigens. Five clinical-stage programs utilize our XmAb 2+1 format: XmAb819, XmAb808, XmAb541, xaluritamig and ASP2138.

Additionally, we have engineered CD28 bispecific antibodies to provide conditional CD28 co-stimulation of T cells, activating them when bound to tumor cells. Targeted CD28 bispecific antibodies may provide conditional co-stimulation of T cells, for example, to T cells recognizing neoantigens or in concert with CD3 T-cell engaging bispecific antibodies. In addition to our first clinical-stage CD28 program, XmAb808, our CD28 platform is the subject of two collaborations with J&J. JNJ-9401 and JNJ-1493 are clinical-stage XmAb bispecific antibodies that J&J is developing in prostate cancer and B-cell malignancies, respectively, and both entered clinical development during the fourth quarter of 2023.

In the first quarter of 2024, we amended the MorphoSys Agreement, which included releasing us from certain exclusivity obligations relating to CD19, and we advanced XmAb657 (CD19 x CD3) into preclinical development.

Progress Across Partnerships

A key part of our business strategy is to leverage our protein engineering capabilities, XmAb Fc domains and drug candidates with partnerships, collaborations and licenses. Through these arrangements we generate revenues in the form of upfront payments, milestone payments and royalties. For partnerships for our drug candidates, we aim to retain a major economic interest in the form of keeping major geographic commercial rights; profit-sharing; co-development options; and the right to conduct studies with drug candidates developed in the collaboration. The types of arrangements that we have entered into with partners include product licenses, novel bispecific antibody collaborations, technology licensing agreements and strategic collaborations.

Product Licenses

Product licenses are arrangements in which we have internally developed drug candidates and, based on a strategic review, licensed partial or full rights to third parties to continue development and potential commercialization. We seek partners that can provide infrastructure and resources to successfully develop our drug candidates, have a track record of successfully developing and commercializing medicines, or have a portfolio of development-stage candidates and commercialized medicines that could potentially be developed in rational combinations with our drug candidates.

The FDA approved Monjuvi® (tafasitamab-cxix) under accelerated approval in July 2020. Monjuvi is a CD19-directed cytolytic antibody indicated in combination with lenalidomide for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) not otherwise specified, including DLBCL arising from low grade lymphoma, and who are not eligible for autologous stem cell transplant (ASCT). This indication is approved under accelerated approval based on overall response rate. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial(s). In August 2021, the European Commission granted conditional marketing authorization for Minjuvi® (tafasitamab) in combination with lenalidomide, followed by tafasitamab monotherapy, for the treatment of adult patients with relapsed or refractory diffuse large B-cell lymphoma (DLBCL) who are not eligible for autologous stem cell transplantation (ASCT). In August 2024, Incyte announced positive topline results from the pivotal study of tafasitamab in relapsed or refractory follicular lymphoma (FL); based on these results Incyte expects to file a supplemental Biologics License Application for tafasitamab in combination with lenalidomide and rituximab in FL by the end of the 2024. Tafasitamab was created and initially developed by us. Tafasitamab is marketed by Incyte Corporation under the brand name Monjuvi in the U.S. and under the brand name Minjuvi in Europe and Canada. Incyte has exclusive commercialization rights to tafasitamab outside the U.S. Monjuvi® and Minjuvi® are registered trademarks of Incyte. In February 2024, Incyte acquired exclusive global development and commercialization rights to tafasitamab from MorphoSys AG. We earned \$2.1 million in estimated non-cash royalties from Incyte for the three months ended September 30, 2024.

Novel Bispecific Antibody Collaborations

Novel bispecific antibody collaborations are arrangements in which our partner seeks to create a bispecific antibody using one or more of our XmAb bispecific technologies. Our partners provide an antibody or a tumor-associated antigen, and we conduct limited research and development to create potential bispecific antibody candidates for further development and commercialization by our partners.

Xaluritamig is a STEAP1 x CD3 2+1 XmAb bispecific T-cell engager that our partner Amgen is advancing for the treatment of patients with prostate cancer. The XmAb 2+1 multivalent format enables higher binding capability for STEAP1 expressing cells. Results from a Phase 1 study evaluating xaluritamig in patients with mCRPC were presented at the European Society for Medical Oncology (ESMO) Congress in September 2024. With a median follow-up time of 27.9 months, the median overall survival (OS) was 17.7 months across all cohorts. A PSA90 rate of 45.1% was also observed in high-dose cohorts, and PSA90 response was associated with survival ($p = 0.0044$), which Amgen believes could potentially serve as an early indicator for benefit in these patients. Amgen has indicated that a Phase 3 study in patients with post-taxane mCRPC will be initiated in the fourth quarter of 2024. Multiple Phase 1 studies evaluating xaluritamig as a monotherapy or in combination are enrolling patients with earlier prostate cancer.

Technology License Agreements

We enter into technology licensing agreements in which we license access to one or more of our XmAb Fc domains on a restricted basis, typically to an XmAb Cytotoxic Fc Domain and/or the Xtend Fc Domain. Our partners are responsible for all research, development, and commercialization activities of the drug candidates. The plug-and-play nature of XmAb technologies allows us to license access to our platforms with limited or no internal research and development activities.

Alexion's Ultomiris® uses Xtend Fc technology for longer half-life. Ultomiris has received marketing authorizations in global markets for the treatment of patients with paroxysmal nocturnal hemoglobinuria (PNH), for certain patients with atypical hemolytic uremic syndrome (aHUS), for certain patients with generalized myasthenia gravis (gMG) and for certain patients with neuromyelitis optica spectrum disorder (NMOSD). Ultomiris was approved in the U.S. for the treatment of adult patients with anti-aquaporin-4 antibody-positive NMOSD in March 2024. Alexion is also evaluating Ultomiris in a broad development program across additional hematology, nephrology and neurology indications. We earned a total of \$15.7 million in estimated non-cash royalties from Alexion for the three months ended September 30, 2024.

Refer to Part I, Item 1, Note 10, *Collaboration and Licensing Agreements* of the Notes to Financial Statements included in this Form 10-Q/A for a description of the key terms of our arrangements.

Discontinued Programs

XmAb564 (IL2-Fc Cytokine): XmAb564 is a monovalent interleukin-2 Fc (IL2-Fc) fusion protein engineered to selectively activate and expand regulatory T cells (Tregs) for the potential treatment of patients with autoimmune diseases. In the first half of 2024, we concluded a Phase 1b study that was evaluating the safety and tolerability of multiple ascending doses of XmAb564, administered subcutaneously in patients, and we have paused further development.

XmAb662 (IL12-Fc Cytokine): XmAb662 is a potency-reduced interleukin-12 Fc (IL12-Fc) fusion protein engineered to increase anti-tumor activity and immunogenicity in the tumor microenvironment by promoting high levels of interferon gamma secretion from T cells and NK cells. In the first half of 2024, we concluded a Phase 1 study that was evaluating XmAb662 in patients with advanced solid tumors, and we have paused further development.

We have over 1,600 issued and pending patents worldwide to protect our XmAb technology platform and XmAb drug candidates.

Since we commenced active operations in 1998, we have devoted substantially all our resources to staffing our Company, business planning, raising capital, developing our technology platforms, identifying potential product candidates, undertaking preclinical and IND-enabling studies, and conducting clinical trials. We have no internally developed products approved for commercial sale and have not generated any revenues from our own product sales, and we continue to incur significant research and development expenses and other expenses related to our ongoing operations. To date, we have funded our operations primarily through the sale of stock and from payments generated from our product development partnerships and licensing arrangements.

As of September 30, 2024, we had an accumulated deficit of \$658.5 million. Substantially all of the operating losses that we have incurred resulted from expenses incurred in connection with our product candidate development programs, our research activities and general and administrative costs associated with our operations.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 and 2023

The following table summarizes our results of operations for the three months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,		
	2024	2023	Change
	(As Restated)		
Revenues:			
Research collaboration	\$ —	\$ (1.3)	\$ 1.3
Milestone	—	46.0	(46.0)
Royalties	17.8	14.5	3.3
Total revenues	17.8	59.2	(41.4)
Operating expenses:			
Research and development	58.2	64.9	(6.7)
General and administrative	14.8	12.5	2.3
Total operating expenses	73.0	77.4	(4.4)
Other income (expense), net	7.8	(6.0)	13.8
Net loss	(47.4)	(24.2)	(23.2)
Net loss attributable to non-controlling interest	(1.2)	—	(1.2)
Net loss attributable to Xencor, Inc.	<u>\$ (46.2)</u>	<u>\$ (24.2)</u>	<u>\$ (22.0)</u>

Revenues

Revenues for the three months ended September 30, 2024 are primarily from non-cash royalty revenue from Alexion and MorphoSys/Incyte. Revenues for the three months ended September 30, 2023 are primarily from royalty and milestone revenue from Alexion, and milestone revenue from Janssen, Gilead and Omeros. Based on updated information regarding our measure of progress in completing research activities, we effected a change in estimate under ASC 606 which resulted in adjusted research revenue for the three months ended September 30, 2023.

Research and Development Expenses

The following tables summarize our research and development expenses for the three months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,		
	2024	2023	Change
Product programs:			
Vudalimab (PD-1 x CTLA-4)	\$ 12.7	\$ 10.1	\$ 2.6
XmAb819 (ENPP3 x CD3)	7.9	4.0	3.9
XmAb808 (B7-H3 x CD28)	5.8	4.0	1.8
XmAb541 (CLDN6 x CD3)	3.9	5.0	(1.1)
Plamotamab (CD20 x CD3)*	6.4	3.5	2.9
XmAb942 (Xtend TL1A)	9.2	—	9.2
XmAb657 (CD19 x CD3)	2.2	—	2.2
Efbalropendekin alfa (IL15/IL15Ra-Fc)*	(0.1)	5.3	(5.4)
Other, research and early stage programs	8.1	15.3	(7.2)
Wind down costs of terminated programs (1)	2.1	17.7	(15.6)
Total research and development expenses	\$ 58.2	\$ 64.9	\$ (6.7)

*Includes net reimbursements to and from our partners pursuant to agreements that include cost-sharing arrangements.

(1) Research and development expenses include wind down costs of terminated programs including the vibecotamab, tidutamab, XmAb841, XmAb104, XmAb662, and XmAb564 programs.

	Three Months Ended September 30,		
	2024	2023	Change
External research and development expenses	\$ 29.1	\$ 33.2	\$ (4.1)
Internal research and development expenses	21.9	23.3	(1.4)
Stock based compensation	7.2	8.4	(1.2)
Total research and development expenses	\$ 58.2	\$ 64.9	\$ (6.7)

Research and development expenses decreased by \$6.7 million for the three months ended September 30, 2024 over the same period in 2023 primarily due to decreased spending on the wind down costs of terminated programs, partially offset by increased spending on our programs such as XmAb942, XmAb819, and plamotamab.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,		
	2024	2023	Change
General and administrative	\$ 14.8	\$ 12.5	\$ 2.3

General and administrative expenses increased by \$2.3 million for the three months ended September 30, 2024 over the same period in 2023 primarily due to increased spending on staffing and professional fees.

Other Income (Expense), Net

Other income, net was \$7.8 million for the three months ended September 30, 2024, which consists of unrealized and realized gains recognized from the change in fair value and the sale of our equity investments and interest income earned on investments, partially offset by non-cash interest expense from the Ultomiris and Monjuvi Royalty Sale Agreements. Other expense, net was \$6.0 million for the three months ended September 30, 2023, which consists primarily of unrealized loss on equity investments in excess of interest income earned on investments.

Comparison of the Nine Months Ended September 30, 2024 and 2023

The following table summarizes our results of operations for the nine months ended September 30, 2024 and 2023 (in millions):

	Nine Months Ended September 30,		
	2024	2023	Change
	(As Restated)		
Revenues:			
Research collaboration	\$ —	\$ 21.1	\$ (21.1)
License	8.5	—	8.5
Milestone	0.5	61.0	(60.5)
Royalties	48.7	41.5	7.2
Total revenues	57.7	123.6	(65.9)
Operating expenses:			
Research and development	176.6	190.6	(14.0)
General and administrative	46.3	38.1	8.2
Total operating expenses	222.9	228.7	(5.8)
Other income (expense), net	(25.2)	(1.9)	(23.3)
Loss before income tax expense	(190.4)	(107.0)	(83.4)
Income tax expense	—	—	—
Net loss	(190.4)	(107.0)	(83.4)
Net loss attributable to non-controlling interest	(3.3)	—	(3.3)
Net loss attributable to Xencor, Inc.	<u>\$ (187.1)</u>	<u>\$ (107.0)</u>	<u>\$ (80.1)</u>

Revenues

Revenues for the nine months ended September 30, 2024 are primarily licensing revenue from Mabgeek and a third-party licensee as well as non-cash royalty revenue from Alexion and MorphoSys/Incyte. Revenues for the nine months ended September 30, 2023 are primarily from research revenue from our second collaboration with Janssen, royalty and milestone revenue from Alexion, and milestone revenue from Janssen, Omeros, Gilead and Zenas.

Research and Development Expenses

The following tables summarize our research and development expenses for the nine months ended September 30, 2024 and 2023 (in millions):

	Nine Months Ended September 30,		
	2024	2023	Change
Product programs:			
Vudalimab (PD-1 x CTLA-4)	\$ 36.3	\$ 27.4	\$ 8.9
XmAb819 (ENPP3 x CD3)	20.9	13.3	7.6
XmAb808 (B7-H3 x CD28)	16.3	12.2	4.1
XmAb541 (CLDN6 x CD3)	11.0	15.9	(4.9)
Plamotamab (CD20 x CD3)*	11.4	13.3	(1.9)
XmAb942 (Xtend TL1A)	25.4	—	25.4
XmAb657 (CD19 x CD3)	2.4	—	2.4
Efbalropendekin alfa (IL15/IL15Ra-Fc)*	10.3	9.8	0.5
Other, research and early stage programs	24.9	44.2	(19.3)
Wind down costs of terminated programs ⁽¹⁾	17.7	54.5	(36.8)
Total research and development expenses	\$ 176.6	\$ 190.6	\$ (14.0)

*Includes net reimbursements to and from our partners pursuant to agreements that include cost-sharing arrangements.

⁽¹⁾ Research and development expenses include wind down costs of terminated programs including the vibecotamab, tidutamab, XmAb841, XmAb104, XmAb662, and XmAb564 programs.

	Nine Months Ended September 30,		
	2024	2023	Change
External research and development expenses	\$ 84.4	\$ 87.2	\$ (2.8)
Internal research and development expenses	69.6	77.6	(8.0)
Stock based compensation	22.6	25.8	(3.2)
Total research and development expenses	\$ 176.6	\$ 190.6	\$ (14.0)

Research and development expenses decreased by \$14.0 million for the nine months ended September 30, 2024 over the same period in 2023 primarily due to decreased spending on the wind down costs of terminated programs, partially offset by increased spending on programs such as vudalimab, XmAb819, and XmAb808.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2024 and 2023 (in millions):

	Nine Months Ended September 30,		
	2024	2023	Change
General and administrative	\$ 46.3	\$ 38.1	\$ 8.2

General and administrative expenses increased by \$8.2 million for the nine months ended September 30, 2024 over the same period in 2023 primarily due to increased corporate activities including stock-based compensation costs related to the extension of vesting periods and expiration dates of equity awards for employees who retired in April 2024.

Other Income (Expense), Net

Other (expense), net was \$(25.1) million for the nine months ended September 30, 2024, which consists primarily of an impairment charge on Zenas and non-cash interest expense from the Ultomiris and Monjuvi Royalty Sale Agreements, partially offset by interest income earned on investments. Other expense, net for the same period in 2023 was \$2.0 million, which consists primarily of unrealized loss recognized from the change in fair value of our equity investments, partially offset by interest income earned on investments.

Cash Flows

The following table sets forth the primary sources and uses of cash for each of the periods presented below (in thousands):

	Nine Months Ended September 30,		
	2024 (As Restated)	2023	Change
Net cash provided by (used in):			
Operating activities	\$ (152,351)	\$ (96,095)	\$ (56,256)
Investing activities	(65,124)	92,065	(157,189)
Financing activities	192,721	3,199	189,522
Net decrease in cash	\$ (24,754)	\$ (831)	\$ (23,923)

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2024 and 2023 was \$152.4 million and \$96.1 million, respectively. The increase in cash used in operating activities is primarily due to lower research and milestone revenues and the decrease in royalty revenue received as a result of the sale of future royalties under the Ultomiris and Monjuvi Royalty Sale Agreements in 2023, partially offset by lower spending in the nine months ended September 30, 2024.

Investing Activities

Investing activities consist primarily of investments in marketable debt securities available-for-sale, purchases of intangible assets, capitalization of patent and licensing costs and purchases of property and equipment.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2024 increased by \$189.5 million over the same period in 2023, which reflects proceeds received from our September 2024 financing, partially offset by the reduction in our liabilities under the Ultomiris and Monjuvi Royalty Sale Agreements.

Liquidity and Capital Resources

We have financed our operations primarily through private placements of our equity securities, the issuance of convertible notes, public offerings of our common stock, and payments received under our product development partnerships and licensing arrangements.

On February 27, 2023, we filed an automatic universal shelf registration statement on Form S-3 (File No. 333-270030) as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended, which became effective upon filing (the Shelf Registration Statement). The Shelf Registration Statement allows us to offer an indeterminate amount of securities, including equity securities, debt securities, warrants, rights, units and depositary shares, from time to time as described in the Shelf Registration Statement. From time to time, we may offer securities under the Registration Statement in response to market conditions or other circumstances if we believe such a plan of financing is in the best interests of our stockholders. The specific terms of any offering under the Shelf Registration Statement will be established at the time of such offering. The Shelf Registration Statement will expire on February 27, 2026.

On February 27, 2023, we entered into a Sales Agreement (the Sales Agreement) with SVB Securities LLC (the Sales Agent), pursuant to which we may issue and sell through the Sales Agent shares of common stock (the ATM Offering), subject to the limitations set forth in the Sales Agreement. We are not obligated to make any sales of common stock under the Sales Agreement. We will pay a commission not to exceed 3.0% of the gross proceeds of any shares sold under the Sales Agreement. The offering of common stock pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of common stock under the Sales Agreement having an aggregate gross sales price equal to \$200 million and (ii) the termination of the Sales Agreement by us and the Sales Agent as permitted therein. On February 27, 2023, we filed with the SEC a prospectus under the Registration Statement in connection with the ATM Offering (the ATM Prospectus), pursuant to which we may offer and sell shares of common stock having an aggregate offering price of up to \$200 million. As of September 30, 2024, there have been no sales pursuant to the ATM Prospectus.

In September 2024, we completed an underwritten public offering pursuant to the Shelf Registration Statement of 8,093,712 shares of common stock which included 1,458,600 shares issued pursuant to our underwriters' exercise of their over-allotment option, as well as pre-funded warrants to purchase up to an aggregate of 3,088,888 shares of common stock. We received net proceeds of \$189.2 million after deducting underwriting discounts, commissions, and offering expenses.

As of September 30, 2024, we had \$754.7 million of cash, cash equivalents, restricted cash, and marketable debt securities compared to \$697.4 million as of December 31, 2023. The investments in marketable debt securities are further described above in Note 6, *Marketable Debt and Equity Securities*, of Notes to Financial Statements included in this Form 10-Q/A. We expect to continue to receive additional payments from our collaborators for research and development services rendered, additional milestone, opt-in and contingent payments, and royalties. Our ability to receive additional milestone payments and contingent payments from our partners is dependent upon either our ability or our partners' abilities to achieve certain levels of research and development activities and is therefore uncertain at this time.

Funding Requirements

We have not generated any revenue from the sale of products developed by us to date and do not expect to do so until we obtain regulatory approval of and commercialize one or more of our internal product development candidates. As we are currently in the clinical stage of development, it will be some time before we expect to achieve this, and it is uncertain that we ever will commercialize one or more of our internal product development candidates. We expect that we will continue to increase our operating expenses in connection with ongoing, and additional clinical and preclinical development of product candidates in our pipeline and also development candidates that we are co-developing with our partners.

Although it is difficult to predict our funding requirements, based upon our current operating plan, we expect that our existing cash, cash equivalents, marketable securities, and certain potential milestone payments will fund our operating expenses and capital expenditure requirements into 2028. We have based these estimates on assumptions that may prove to be wrong which would cause us to use our capital resources sooner than we currently expect.

Contractual Obligations and Commitments

There were no material changes outside of the ordinary course of business to our specific contractual obligations during the three months ended September 30, 2024.

Critical Accounting Policies

For a discussion of our material changes in critical accounting policies, see "Recent Accounting Pronouncements" in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Financial Statements included in this Form 10-Q/A.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) of the Exchange Act, our management, with the supervision of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(b) and 15d-15(e)) as of September 30, 2024. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act has been appropriately 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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

At the time our Original Form 10-Q for the quarterly period ended September 30, 2024 was filed on November 6, 2024, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2024.

Subsequent to the original evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2024 due to the material weaknesses relating to the design of controls related to the review of the accounting treatment of the proceeds from the sale of future royalties pursuant to the Ultomiris Royalty Sale Agreement as part of our non-routine transactions and the design of controls related to the evaluation of certain tax legislation, which led to the restatement of our audited financial statements for the year ended December 31, 2023 and the unaudited financial statements for the three and nine months ended September 30, 2024. For additional information see the Explanatory Note in this Form 10-Q/A.

Notwithstanding these material weaknesses and after completion of additional procedures prior to the filing of this Form 10-Q/A, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our financial statements in this Form 10-Q/A represent fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America. The material weaknesses did result in a restatement of consolidated financial statements previously reported by us, which are included within this Form 10-Q/A.

Material Weaknesses Remediation Efforts

We previously reported a material weakness in our internal control over financial reporting related to the Company's design and operating deficiencies in the impairment analysis of our investment in an equity security without a readily determinable fair value, as described in "Item 4. Controls and Procedures" of our Form 10-Q for the quarter ended March 31, 2024. That material weakness has been remediated as of September 30, 2024.

As management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, we understand the importance of developing a resolution plan aligned with management and overseen by the Audit Committee of our Board of Directors. Since the material weaknesses related to the design of controls related to the review of the accounting treatment of the proceeds from the sale of future royalties as part of our non-routine transactions analysis and design of controls related to the evaluation of certain tax legislation were identified, management has been implementing and continues to implement measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively.

Our plan to address the material weakness related to the design of controls related to the review of the accounting treatment of the proceeds from the sale of future royalties pursuant to the Ultomiris Royalty Sale Agreement, includes the following: (1) implement a more rigorous analysis of non-routine transactions, (2) on highly technical and complex accounting transactions, improve our process to identify and select qualified third-party advisors and (3) enhance our review of capabilities and work performed by the third-party advisors specifically related to the review of accounting guidance for complex non-routine transactions.

Our plan to address the material weakness related to the design of controls related to the evaluation of certain tax legislation includes: (1) enhance our review of capabilities and work performed by third-party advisors related to the

review of tax advice and (2) on a quarterly basis, review income tax legislative changes and their impact to our financial statements with our tax expert.

Management is committed to maintaining an effective internal control environment and remediating the identified material weaknesses in a timely manner, with appropriate oversight from our Audit Committee. We recognize that the material weaknesses in our internal control over financial reporting will not be considered remediated until the remediated controls operate for a sufficient period of time and can be tested and concluded by management to be designed and operating effectively. We continue to evaluate and work to improve our internal control over financial reporting related to the identified material weaknesses and management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above. In addition, we report the progress and status of the above remediation efforts to the Audit Committee on a periodic basis.

Changes in Internal Control

Other than the remediation actions described above there were no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1A. Risk Factors

In addition to the risk listed below, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K/A for the year ended December 31, 2023, which could materially affect our business, financial position, or future results of operations. In addition to the risks set forth in our Annual Report on Form 10-K/A for the year ended December 31, 2023, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business.

Risks Related to our Intellectual Property

Our products could infringe patents and other property rights of others, which may result in costly litigation and, if we are not successful, could cause us to pay substantial damages or limit our ability to commercialize our products, which could have a material adverse effect on our business.

Our commercial success depends upon our ability, and the ability of our collaborators, to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the patents and other proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. For example, we are aware of issued patents owned by Merus N.V. (Merus) that may relate to and claim components of our bispecific antibody product candidates and partnered bispecific product candidates, including plamotamab, vudalimab and XmAb819, will putatively expire in 2033. In August 2024, Merus filed suit against us in the United States District Court of the District of Delaware alleging that we have infringed three of its patents. We maintain that our development of these candidates currently falls into the “safe harbor” of non-infringement under 35 U.S.C. §271(e)(1). This protection, however, would not be available upon commercialization nor can we give assurances on how the Court would rule on this issue. We also believe we have strong defenses to Merus’s claims, including defenses of invalidity and/or non-infringement for the Merus patents, but there is no guarantee that we will prevail. If we are found to infringe the Merus patents, we may be ordered by a court to cease commercializing the applicable product candidates, which could materially harm our business. In addition, we could be found liable for monetary damages, including treble damages and attorneys’ fees if we are found to have willfully infringed the Merus patents.

In addition, as the biopharmaceutical industry expands and more patents are issued, the risk increases that there may be patents issued to third parties that relate to our products and technology of which we are not aware or that we must challenge to continue our operations as currently contemplated. Our products may infringe or may be alleged to infringe these patents. Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patents that may cover our technologies, our product candidates or their use. Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover our technologies, our products or the use of our products. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future.

In order to defend against a claim of patent infringement, we would need to demonstrate that our products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. This burden is a high one, and there is no assurance that a court would find these claims to be invalid or not infringed. Even if we are successful in these proceedings, we may incur substantial costs and divert management’s time and attention in pursuing these proceedings, which could have a material adverse effect on us.

Any such claims are likely to be expensive to defend, and some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources.

If we are found to infringe a third party’s intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology. We may also elect to enter into such a license in order to settle litigation or in order to resolve disputes prior to litigation. However, we may not be able to obtain

any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us and could require us to make substantial royalty payments. We could also be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

We have identified material weaknesses in our internal control over financial reporting, and our management has concluded that our disclosure controls and procedures were not effective as of December 31, 2023 or September 30, 2024. If we fail to remediate these material weaknesses, or if we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, investors may lose confidence in the accuracy and completeness of our financial reports and the trading price of our common stock may decline.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our management is required to report on, and our independent registered public accounting firm is required to audit, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to determine the adequacy of our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation if a deficiency is identified. Annually, we perform activities that include reviewing, documenting, and testing our internal control over financial reporting. If we fail to maintain the adequacy of our internal control over financial reporting, we will not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Any failure to achieve and maintain an effective system of internal control could result in materially misstated consolidated financial statements and a failure to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could result in significant expenses to remediate any internal control deficiency and lead to a decline in the price of our common stock.

As discussed further in the Explanatory Note to this Form 10-Q/A, on February 11, 2025, we concluded that certain periods of our historical financial statements should no longer be relied upon and should be restated to reflect the correct accounting for the sale of future royalties pursuant to the Ultomiris Royalty Sale Agreement and to account for additional tax liabilities. In addition, on February 7, 2025, RSM informed us that disclosure should be made or action should be taken to prevent future reliance on RSM's audit report filed with the Annual Report on Form 10-K for the year ended December 31, 2023, originally filed with the SEC on February 29, 2024 and completed interim review related to previously issued financial statements included in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024, June 30, 2024 and September 30, 2024. In connection with this restatement, our management re-evaluated the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of December 31, 2023 and September 30, 2024. Our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2023 and September 30, 2024, and our management has concluded that our internal control over financial reporting was not effective as of December 31, 2023 and September 30, 2024 due to a material weakness (a material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis) related to the design and operating effectiveness of controls related to non-routine transactions and the evaluation of certain tax legislation.

We are in the process of implementing remediation plans to address these material weaknesses. While we believe these efforts will improve our internal controls and address the root causes of the material weaknesses, the material weaknesses cannot be considered completely remediated until applicable controls have been designed, implemented, have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We cannot be certain that the steps we are taking will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting or prevent future material weaknesses or control deficiencies from occurring. In addition, we cannot be certain that we have identified all material weaknesses in our internal control over financial reporting, or that in the future we will not have additional material weaknesses in our internal control over financial reporting. For more information related to the material weaknesses and their remediation, see "Item 4. Controls and Procedures" of this Form 10-Q/A.

Item 6. Exhibits

Exhibit Number	Description of Document
3.1	<u>Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2013).</u>
3.2	<u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K, filed with the SEC on February 27, 2023).</u>
4.1	<u>Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 25, 2013).</u>
4.2	<u>Form of Pre-Funded Warrant to Purchase Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 12, 2024).</u>
10.1 [^]	<u>Royalty Purchase Agreement, entered into on November 3, 2023, by and between Xencor, Inc. and OCM Life Sciences Portfolio LP (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 7, 2023).</u>
10.2 [^]	<u>Royalty Purchase Agreement, entered into on November 3, 2023, by and between Xencor, Inc. and OCM Life Sciences Portfolio LP (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on November 7, 2023).</u>
31.1	<u>Rule 13a-14(a) Certification of Principal Executive Officer.</u>
31.2	<u>Rule 13a-14(a) Certification of Principal Financial Officer.</u>
32.1	<u>Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.</u>
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.DEF	Inline XBRL Definition Linkbase Document
101.LAB	Inline XBRL Labels Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
104	104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

[^] Certain identified information has been omitted pursuant to Item 601(b)(10) of Regulation S-K because such information is both (i) not material and (ii) information that the Registrant treats as private or confidential. The Registrant hereby undertakes to furnish supplemental copies of the unredacted exhibit upon request by the SEC.

SIGNATURES

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

XENCOR, INC.

BY: /s/ BASSIL I. DAHIYAT
Bassil I. Dahiyat, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

BY: /s/ BART JAN CORNELISSEN
Bart Jan Cornelissen
Chief Financial Officer
(Principal Financial Officer)

Dated: February 23, 2025

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

I, Bassil I. Dahiyat, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of Xencor, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BASSIL I. DAHIYAT

Bassil I. Dahiyat, Ph.D.

President & Chief Executive Officer

(Principal Executive Officer)

Date: February 23, 2025

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

I, Bart Jan Cornelissen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of Xencor, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ BART JAN CORNELISSEN

Bart Jan Cornelissen

Chief Financial Officer

(Principal Financial Officer)

Date: February 23, 2025

CERTIFICATION**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

In connection with the Quarterly Report on Form 10-Q/A of Xencor, Inc. (the “Company”) for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Bassil I. Dahiyat, President & Chief Executive Officer of Xencor, Inc. (the “Company”), and Bart Jan Cornelissen, Chief Financial Officer of the Company, each hereby certifies that, to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2025

/s/ BASSIL I. DAHIYAT

Bassil I. Dahiyat
President & Chief Executive Officer
(Principal Executive Officer)

/s/ BART JAN CORNELISSEN

Bart Jan Cornelissen
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Periodic Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Xencor, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.