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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

or

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

For the transition period from ________ to ________

Commission file number: 001-36182

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.)
111 West Lemon Avenue, Monrovia, CA (Address of principal executive offices)	**91016** (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 Securities Exchange Act of 1934). 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 July 29, 2022
Common stock, par value $0.01 per share	59,698,148

Xencor, Inc.

Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2022

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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 Quarterly Report on Form 10-Q 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 Quarterly Report. 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 the ongoing COVID-19 pandemic in the United States and abroad 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, cost, and timing 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 accurately estimate expenses, future revenue, capital requirements and needs for additional financing;
- 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 ability to attract collaborators with development, regulatory, and commercial 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; and

- our failure to maintain effective internal controls.

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 for the fiscal year ended December 31, 2021 and this Quarterly Report on Form 10-Q. 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.
Balance Sheets
(in thousands, except share and per share data)

	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 49,410	$ 143,480
Marketable debt securities	435,623	153,767
Marketable equity securities	26,885	36,860
Accounts receivable	54,284	66,384
Prepaid expenses	19,734	23,877
Total current assets	585,936	424,368
Property and equipment, net	38,855	28,240
Patents, licenses, and other intangible assets, net	17,944	16,493
Marketable debt securities - long term	140,413	300,465
Marketable equity securities - long term	31,124	31,262
Notes receivable - long term	5,000	5,000
Right of use (ROU) asset	31,440	31,730
Other assets	613	653
Total assets	$ 851,325	$ 838,211
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 15,747	$ 14,001
Accrued expenses	16,348	19,443
Lease liabilities	7,647	—
Deferred revenue	35,299	37,294
Total current liabilities	75,041	70,738
Lease liabilities, net of current portion	33,943	33,969
Total liabilities	108,984	104,707
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value: 10,000,000 authorized shares; -0- issued and outstanding shares at June 30, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value: 200,000,000 authorized shares at June 30, 2022 and December 31, 2021; 59,684,420 issued and outstanding at June 30, 2022 and 59,355,558 issued and outstanding at December 31, 2021	598	595
Additional paid-in capital	1,044,172	1,017,523
Accumulated other comprehensive loss	(8,944)	(1,510)
Accumulated deficit	(293,485)	(283,104)
Total stockholders' equity	742,341	733,504
Total liabilities and stockholders' equity	$ 851,325	$ 838,211

See accompanying notes.

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

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Revenue				
Collaborations, milestones, and royalties	$ 30,175	$ 67,447	$ 115,670	$ 101,412
Operating expenses				
Research and development	47,084	49,497	94,839	90,908
General and administrative	11,091	8,863	22,364	17,090
Total operating expenses	58,175	58,360	117,203	107,998
Income (loss) from operations	(28,000)	9,087	(1,533)	(6,586)
Other income (expenses)				
Interest income, net	717	147	1,371	362
Other expense, net	(147)	(6)	(244)	(17)
(Loss) gain on equity securities, net	(6,545)	43,020	(9,974)	56,002
Total other income (expense), net	(5,975)	43,161	(8,847)	56,347
Net income (loss)	(33,975)	52,248	(10,380)	49,761
Other comprehensive loss				
Net unrealized loss on marketable debt securities	(1,823)	(112)	(7,435)	(90)
Comprehensive income (loss)	$ (35,798)	$ 52,136	$ (17,815)	$ 49,671
Basic net income (loss) per common share	$ (0.57)	$ 0.90	$ (0.17)	$ 0.86
Diluted net income (loss) per common share	$ (0.57)	$ 0.87	$ (0.17)	$ 0.82
Basic weighted average common shares outstanding	59,567,139	58,247,941	59,487,924	58,123,319
Diluted weighted average common shares outstanding	59,567,139	60,335,339	59,487,924	60,503,846

See accompanying notes.

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

Stockholders' Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2021	59,355,558	$ 595	$ 1,017,523	$ (1,510)	$ (283,104)	$ 733,504
Issuance of common stock upon exercise of stock awards	36,500	—	731	—	—	731
Issuance of restricted stock units	137,134	1	(1)	—	—	—
Comprehensive income (loss)	—	—	—	(5,611)	23,594	17,983
Stock-based compensation	—	—	10,805	—	—	10,805
Balance, March 31, 2022 (unaudited)	59,529,192	$ 596	$ 1,029,058	$ (7,121)	$ (259,510)	$ 763,023
Issuance of common stock upon exercise of stock awards	70,874	1	1,315	—	—	1,316
Issuance of restricted stock units	15,774	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	68,580	1	1,196	—	—	1,197
Comprehensive loss	—	—	—	(1,823)	(33,975)	(35,798)
Stock-based compensation	—	—	12,603	—	—	12,603
Balance, June 30, 2022	59,684,420	598	1,044,172	(8,944)	(293,485)	742,341

Stockholders' Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2020	57,873,444	$ 580	$ 937,525	$ 74	$ (365,735)	$ 572,444
Issuance of common stock upon exercise of stock awards	230,701	2	5,337	—	—	5,339
Issuance of restricted stock units	117,808	1	(1)	—	—	—
Comprehensive income (loss)	—	—	—	23	(2,487)	(2,464)
Stock-based compensation	—	—	8,293	—	—	8,293
Balance, March 31, 2021 (unaudited)	58,221,953	$ 583	$ 951,154	$ 97	$ (368,222)	$ 583,612
Issuance of common stock upon exercise of stock awards	52,790	1	902	—	—	903
Issuance of restricted stock units	10,190	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	30,552	—	937	—	—	937
Comprehensive income (loss)	—	—	—	(112)	52,248	52,136
Stock-based compensation	—	—	9,350	—	—	9,350
Balance, June 30, 2021	58,315,485	584	962,343	(15)	(315,974)	646,938

See accompanying notes.

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities		
Net (loss) income	$ (10,380)	$ 49,761
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	4,402	3,391
Amortization of premium on marketable securities	968	1,711
Stock-based compensation	23,408	17,643
Abandonment of capitalized intangible assets	1,047	310
Equity received in connection with sale of financial assets	—	(3,300)
Change in fair value of equity securities	9,974	(37,701)
Impairment on equity securities	138	—
Loss (gain) on disposal of assets	125	(4)
Changes in operating assets and liabilities:		
Accounts receivable and contract asset	12,100	8,618
Interest receivable from marketable debt securities	(448)	496
Prepaid expenses and other assets	4,183	(4,930)
Accounts payable	1,746	(1,842)
Accrued expenses	(3,095)	(275)
Lease liabilities and ROU assets	7,911	(83)
Deferred revenue	(1,995)	(73,415)
Net cash provided by (used in) operating activities	50,084	(39,620)
Cash flows from investing activities		
Purchase of marketable debt securities	(206,148)	(231,459)
Proceeds from sale of property and equipment	—	4
Purchase of intangible assets	(3,197)	(1,324)
Purchase of property and equipment	(14,443)	(4,234)
Proceeds from maturities and sale of marketable debt securities	76,390	221,752
Net cash used in investing activities	(147,398)	(15,261)
Cash flows from financing activities		
Proceeds from issuance of common stock upon exercise of stock awards	2,047	6,242
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	1,197	937
Net cash provided by financing activities	3,244	7,179
Net decrease in cash and cash equivalents	(94,070)	(47,702)
Cash and cash equivalents, beginning of period	143,480	163,544
Cash and cash equivalents, end of period	$ 49,410	$ 115,842
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 9	$ 9
Supplemental disclosures of non-cash investing activities		
Unrealized loss on marketable debt securities	$ (7,435)	$ (90)

See accompanying notes.

Xencor, Inc.

Notes to Financial Statements
(unaudited)

June 30, 2022

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited 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 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 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 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 interim financial statements and related notes should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 24, 2022.

Use of Estimates

The preparation of 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 gain (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 interim financial statements include estimates made for royalty revenue, 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.

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 six months ended June 30, 2022 and 2021.

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 $0.7 million and $1.0 million of in-process intangible assets during the three and six months ended June 30, 2022, respectively. There was no material abandonment of in-process intangible assets during the three and six months ended June 30, 2021.

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 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 six months ended June 30, 2022 and 2021. 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 six months ended June 30, 2022, the Company recorded an unrealized loss of $1.8 million and $7.4 million, respectively, in its portfolio of marketable debt securities. The unrealized loss is due to the changing interest rate environment and is not due to changes in the credit quality of the underlying securities. The unrealized loss is recorded in other comprehensive income (loss) for the three and six months ended June 30, 2022.

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 Statements of Comprehensive Income (Loss) in the period of sale.

The Company also has investments in equity securities without a readily determinable fair value, where the Company elects 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. During the three and six months ended June 30, 2022, the Company recorded an impairment charge of $0.1 million in connection with equity securities without a readily determinable fair value. There was no impairment charge recorded for the three and six months ended June 30, 2021.

Recent Accounting Pronouncements

Pronouncements Not Yet Effective

In June 2022, the Financial Accounting Standards Board (FASB) issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which is effective for fiscal years beginning on and after December 15, 2023, and interim periods within those fiscal years. The standard clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and is not considered in measuring fair value. The Company does not anticipate that the standard will have a significant impact on its financial statements.

There have been no other material changes to the significant accounting policies previously disclosed in the Company's 2021 Annual Report on Form 10-K.

2. 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 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):

	June 30, 2022 (unaudited)			December 31, 2021		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
Money Market Funds	$ 20,320	$ 20,320	$ —	$ 123,892	$ 123,892	$ —
Corporate Securities	175,841	—	175,841	144,418	—	144,418
Government Securities	400,195	—	400,195	309,814	—	309,814
	$ 596,356	$ 20,320	$ 576,036	$ 578,124	$ 123,892	$ 454,232

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 six months ended June 30, 2022 and 2021, there were no transfers between Level 1 and Level 2.

3. Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing the net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period without consideration of common stock equivalents. Diluted net income (loss) per common share is computed by dividing the net income (loss) attributable to common stockholders 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 income (loss) per common share is computed as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in thousands, except share and per share data)		(in thousands, except share and per share data)	
Numerator:				
Net income (loss) attributable to common stockholders	$ (33,975)	$ 52,248	$ (10,380)	$ 49,761
Denominator:				
Weighted-average common shares outstanding used in computing basic net income (loss)	59,567,139	58,247,941	59,487,924	58,123,319
Effect of dilutive securities	—	2,087,398	—	2,380,527
Weighted-average common shares outstanding used in computing diluted net income (loss)	59,567,139	60,335,339	59,487,924	60,503,846
Basic net income (loss) per common share	$ (0.57)	$ 0.90	$ (0.17)	$ 0.86
Diluted net income (loss) per common share	$ (0.57)	$ 0.87	$ (0.17)	$ 0.82

For the three and six months ended June 30, 2022, we excluded all shares of stock issuable pursuant to outstanding options and RSUs from the calculation, because the inclusion of such shares would have had an anti-dilutive effect. For the three and six months ended June 30, 2021, we excluded 1,374,608 and 698,917 shares of stock issuable pursuant to outstanding options and RSUs from the calculation, respectively, because the inclusion of such shares would have had an anti-dilutive effect.

4. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). For each of the three- and six-month periods ended June 30, 2022 and 2021, the only component of other comprehensive loss is net unrealized loss on marketable debt securities. There were no material reclassifications out of accumulated other comprehensive loss during each of the three- and six-month periods ended June 30, 2022 and 2021.

5. Marketable Debt and Equity Securities

The Company's marketable debt securities held as of June 30, 2022 and December 31, 2021 are summarized below:

June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Money Market Funds	$ 20,320	$ —	$ —	$ 20,320
Corporate Securities	177,243	—	(1,402)	175,841
Government Securities	407,727	—	(7,532)	400,195
	$ 605,290	$ —	$ (8,934)	$ 596,356
Reported as				
Cash and cash equivalents				$ 20,320
Marketable securities				576,036
Total investments				$ 596,356

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
Money Market Funds	$ 123,892	$ —	$ —	$ 123,892
Corporate Securities	144,584	—	(166)	144,418
Government Securities	311,148	1	(1,335)	309,814
	$ 579,624	$ 1	$ (1,501)	$ 578,124
Reported as				
Cash and cash equivalents				$ 123,892
Marketable securities				454,232
Total investments				$ 578,124

The maturities of the Company's marketable debt securities as of June 30, 2022 are as follows:

June 30, 2022	Amortized Cost	Estimated Fair Value
(in thousands)		
Mature in one year or less	$ 440,279	$ 435,623
Mature within two years	144,691	140,413
	$ 584,970	$ 576,036

The unrealized losses on available-for-sale investments and their related fair values as of June 30, 2022 and December 31, 2021 are as follows:

	Less than 12 months		12 months or greater	
June 30, 2022	Fair value	Unrealized losses	Fair value	Unrealized losses
(in thousands)				
Corporate Securities	$ 88,927	$ (957)	$ 15,899	$ (445)
Government Securities	275,536	(3,699)	124,515	(3,833)
	$ 364,463	$ (4,656)	$ 140,414	$ (4,278)

	Less than 12 months		12 months or greater	
December 31, 2021	Fair value	Unrealized losses	Fair value	Unrealized losses
(in thousands)				
Corporate Securities	$ 50,337	$ (51)	$ 45,872	$ (115)
Government Securities	39,909	(54)	254,593	(1,281)
	$ 90,246	$ (105)	$ 300,465	$ (1,396)

The unrealized losses from the available-for-sale securities are primarily 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. These investments are carried at fair value with changes in fair value recognized each period and reported within other income (expense). For the three and six months ended June 30, 2022, losses of $6.5 million and $10.0 million, respectively, were recorded in loss on equity securities under other income (expense) related to these securities. 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 June 30, 2022 and December 31, 2021 are as follows:

	Fair Value June 30, 2022	Fair Value December 31, 2021
Astria Common Stock	$ 1,920	$ 3,449
INmune Common Stock	16,668	19,233
Viridian Common Stock	8,297	14,178
	$ 26,885	$ 36,860

The Company also has investments in equity securities without a readily determinable fair value. The Company elects the measurement alternative to record these investments at their initial cost and evaluate 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. Equity securities without a readily determinable fair value and their carrying values (in thousands) as of June 30, 2022 and December 31, 2021 are as follows:

	Carrying Value June 30, 2022	Carrying Value December 31, 2021
Astria Preferred Stock	$ 174	$ 312
Zenas Preferred Stock	30,950	30,950
	$ 31,124	$ 31,262

In 2018, the Company received equity shares in Quellis Biosciences, Inc. (Quellis) in connection with a licensing transaction. In 2021, Quellis merged into Astria Therapeutics, Inc. (Astria) (formerly Catabasis Pharmaceuticals, Inc.), and the Company received common and preferred stock in Astria in exchange for its Quellis equity. The shares of Astria common stock have a readily determinable fair value. The adjustment in the fair value of the Astria common stock has been recorded in gain (loss) on equity securities for the three and six months ended June 30, 2022.

The Company records its investment in the shares of Astria preferred stock as an equity interest without a readily determinable fair value. The Company elected to record the shares of preferred stock at their initial cost and to review the carrying value for impairment or other changes in carrying value at each reporting period. During the three and six months ended June 30, 2022, the Company recorded an impairment charge of $0.1 million related to its investment in Astria's preferred stock.

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, and the adjustment in the fair value of the shares of INmune common stock has been recorded in gain (loss) on equity securities for the three and six months ended June 30, 2022.

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, and the adjustment in the fair value of the shares of Viridian common stock was recorded in gain (loss) on equity securities for the three and six months ended June 30, 2022.

The Company currently holds an equity interest in Zenas BioPharma Limited (Zenas), a private biotechnology company. The Company's equity interests include preferred stock in Zenas and a warrant to acquire additional equity in Zenas in a subsequent financing. The Company also holds a convertible promissory note from Zenas. The Company elected the measurement alternative to carry the Zenas equity and the warrant at 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. During the three and six months ended June 30, 2022, there has not been any impairment or observable price changes related to this investment.

Unrealized (loss) gain recognized on equity securities during each of the three- and six-month periods ended June 30, 2022 and 2021, consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) gain recognized on equity securities	$ (6,545)	$ 43,020	$ (9,974)	$ 56,002
Less: net gain recognized on sale of equity securities	—	(18,300)	—	(18,301)
Unrealized (loss) gain recognized on equity securities	$ (6,545)	$ 24,720	$ (9,974)	$ 37,701

6. Stock Based Compensation

Our Board of Directors (the Board) and the requisite stockholders previously approved the 2010 Equity Incentive Plan (the 2010 Plan). In October 2013, the Board approved the 2013 Equity Incentive Plan (the 2013 Plan), and in November 2013, our stockholders approved the 2013 Plan, which became effective as of December 3, 2013. As of December 2, 2013, we suspended the 2010 Plan, and no additional awards may be granted under the 2010 Plan. Any shares of common stock covered by awards granted under the 2010 Plan that terminate after December 2, 2013 by expiration, forfeiture, cancellation, or other means without the issuance of such shares will be added to the 2013 Plan reserve.

As of June 30, 2022, the total number of shares of common stock available for issuance under the 2013 Plan is 15,063,313. Unless otherwise determined by the Board, beginning January 1, 2014, and continuing until the expiration of the 2013 Plan, the total number of shares of common stock available for issuance under the 2013 Plan will automatically increase annually on January 1 of each year by 4% of the total number of issued and outstanding shares of common stock as of December 31 of the immediately preceding year. Pursuant to approval by the Board, the total number of shares of common stock available for issuance under the 2013 Plan was increased by 2,374,222 shares on January 1, 2022. As of June 30, 2022, a total of 14,284,024 options have been granted under the 2013 Plan.

In November 2013, the Board and our stockholders approved the ESPP, which became effective as of December 5, 2013. As of June 30, 2022, the total number of shares of common stock available for issuance under the ESPP is 576,409. Unless otherwise determined by the Board, beginning on January 1, 2014, and continuing until the expiration of the ESPP, the total number of shares of common stock available for issuance under the ESPP will automatically increase 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. Pursuant to approval by the Board, the total number of shares of common stock available for issuance under the ESPP was increased by 1%, which is 593,555 shares, on January 1, 2022. As of June 30, 2022, we have issued a total of 598,432 shares of common stock under the ESPP.

During the six months ended June 30, 2022, the Company awarded 763,830 RSUs to certain employees. 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 June 30, 2022, a total of 1,888,317 RSUs have been granted under the 2013 Plan.

Total employee, director and non-employee stock-based compensation expense recognized for the three months ended June 30, 2022 and 2021 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
General and administrative	$ 4,350	$ 3,193	$ 8,024	$ 5,930
Research and development	8,253	6,157	15,384	11,713
	$ 12,603	$ 9,350	$ 23,408	$ 17,643

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	$ 7,512	$ 7,355	$ 14,345	$ 13,885
ESPP	290	253	591	501
RSUs	4,801	1,742	8,472	3,257
	$ 12,603	$ 9,350	$ 23,408	$ 17,643

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, 2021	8,676,329	$ 29.11	6.65	$ 100,057
Options granted	1,883,951	$ 29.73		
Options forfeited	(284,373)	$ 33.50		
Options exercised	(107,374)	$ 19.06		
Balance at June 30, 2022	10,168,533	$ 29.21	6.73	$ 32,587
Exercisable	6,202,735	$ 26.08	5.33	$ 32,277

We calculate the intrinsic value as the difference between the exercise price of the options and the closing price of common stock of $27.37 per share as of June 30, 2022.

The weighted-average fair value of options granted during the six-month periods ended June 30, 2022 and 2021 were $15.64 and $22.54 per share, respectively. There were 1,488,576 options granted during the six-month period ended June 30, 2021. We estimated the fair value of each stock option using the Black-Scholes option-pricing model based on the date of grant of such stock option with the following weighted average assumptions for the three and six months ended June 30, 2022 and 2021:

	Options Three Months Ended June 30,		Options Six Months Ended June 30,	
	2022	2021	2022	2021
Expected term (years)	6.3	6.2	6.4	6.2
Expected volatility	53.1 %	55.3 %	53.0 %	55.6 %
Risk-free interest rate	3.13 %	1.03 %	1.93 %	1.02 %
Expected dividend yield	— %	— %	— %	— %

	ESPP Three Months Ended June 30,		ESPP Six Months Ended June 30,	
	2022	2021	2022	2021
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	43.2 - 55.7 %	46.1 - 66.4 %	43.2 - 55.7 %	46.1 - 66.4 %
Risk-free interest rate	0.13 - 2.82 %	0.04 - 1.65 %	0.13 - 2.82 %	0.04 - 1.65 %
Expected dividend yield	— %	— %	— %	— %

As of June 30, 2022, the unamortized compensation expense related to unvested stock options was $66.5 million. The remaining unamortized compensation expense will be recognized over the next 2.7 years. As of June 30, 2022, the unamortized compensation expense under our ESPP was $1.8 million. The remaining unamortized expense will be recognized over the next 1.4 years.

The following table summarizes the RSU activity for the six-month period ended June 30, 2022:

	Restricted Stock Units	Weighted Average Grant Date Fair Value (Per unit)
Unvested RSUs at December 31, 2021	826,148	$ 37.79
Granted	763,830	29.71
Vested	(152,908)	37.82
Forfeited	(60,950)	34.81
Unvested RSUs at June 30, 2022	1,376,120	$ 33.43

As of June 30, 2022, the unamortized compensation expense related to unvested RSUs was $36.9 million. The remaining unamortized expense will be recognized over the next 2.2 years.

7. 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 July 2017, under a separate agreement, the Company entered into a lease for additional space in the same building with a lease that continues through September 2022. The lease contained an option to renew for additional lease term and the option period has lapsed.

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 commences on August 1, 2022 and provides 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.

The Company leases additional office space in San Diego, California through August 2022. In May 2022, the Company extended the term of the lease through December 2023. For the three and six months ended June 30, 2022, ROU assets obtained in exchange for new operating lease liabilities are $1.5 million.

The Company also leases additional office space in Monrovia, California under a lease that extends through January 2023, with an option to extend for an additional two years. The Company has assessed that it is unlikely to exercise the option to extend the lease term.

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 June 30, 2022 to the operating lease liabilities recorded on the balance sheet (in thousands):

Years ending December 31,		
For the remainder of 2022	$	1,064
2023		6,804
2024		5,713
2025		5,817
2026		5,279
2027		5,433
Thereafter		46,685
Total undiscounted lease payments		76,795
Less: Tenant allowance		(10,817)
Less: Imputed interest		(24,388)
Present value of lease payments	$	41,590
Lease liabilities - short-term	$	7,647
Lease liabilities - long-term		33,943
Total lease liabilities	$	41,590

The following table summarizes lease costs and cash payments for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	$ 1,574	$ 614	$ 3,136	$ 1,228
Variable lease cost	33	18	132	28
Total lease costs	$ 1,607	$ 632	$ 3,268	$ 1,256
Cash paid for amounts included in the measurement of lease liabilities	$ 665	$ 548	$ 1,349	$ 1,047

As of June 30, 2022, the weighted-average remaining lease term for operating leases is 12.0 years, and the weighted-average discount rate for operating leases is 6.0%. As of June 30, 2021, the weighted-average remaining lease term for operating leases is 3.1 years, and the weighted-average discount rate for operating leases is 4.0%.

8. 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. The Company does not believe it is currently subject to any material 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 under in 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 sheet. 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.

9. Collaboration and Licensing Agreements

The following is a summary description of the material revenue arrangements, including arrangements that generated revenue in the three and six months ended June 30, 2022 and 2021.

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 eligible to receive a contractual milestone for certain commercial achievements and is also 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.

Under ASC 606, *Revenue from Contracts with Customers*, the Company recognizes revenue for sales-based royalties upon the subsequent sale of the product. The Company recognized $6.7 million and $5.2 million of royalty revenue under this arrangement for the three months ended June 30, 2022 and 2021, respectively. The Company recognized $12.9 million and $10.5 million of royalty revenue under this arrangement for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, there is a receivable of $12.0 million related to royalties due under the arrangement, and there is no deferred revenue related to this agreement.

Amgen Inc.

In September 2015, the Company entered into a research and license agreement (the Amgen Agreement) with Amgen Inc. (Amgen) to develop and commercialize bispecific antibody product candidates using the Company's proprietary XmAb bispecific Fc technology. Under the Amgen Agreement, Amgen applied our bispecific Fc technology to create AMG 509, a STEAP1 x CD3 XmAb 2+1 bispecific antibody, which is currently being developed by Amgen in a Phase 1 study.

No revenue was recognized under the Amgen Agreement during the three and six months ended June 30, 2022 or 2021, and there is no deferred revenue related to the arrangement.

Astellas Pharma Inc.

Effective March 29, 2019, the Company entered into a Research and License Agreement (the Astellas Agreement) with Astellas Pharma Inc. (Astellas).

Pursuant to the Astellas Agreement, the Company applied its bispecific Fc technology to research antibodies provided by Astellas to generate bispecific antibody candidates and returned the candidates to Astellas for further development and commercialization.

Under the Astellas Agreement, Astellas developed ASP2138, a CLDN18.2 x CD3 bispecific antibody, which is currently being developed by Astellas in a Phase 1 study.

At March 31, 2022, the Company recorded a contract asset of $5.0 million related to a future development milestone under the Astellas Agreement. In June 2022, Astellas achieved the development milestone, and the Company recorded a receivable of $5.0 million.

The Company recognized $5.0 million of revenue for the six months ended June 30, 2022; no revenue was recognized related to the arrangement for the three months ended June 30, 2022, and 2021, or the six months ended June 30, 2021. As of June 30, 2022, there is a receivable of $5.0 million, and there is no deferred revenue related to the arrangement.

Astria Therapeutics, Inc.

In May 2018, the Company entered into an agreement with Quellis, pursuant to which the Company provided Quellis a non-exclusive license to its Xtend Fc technology to apply to an identified antibody. Quellis is responsible for all development and commercialization activities. The Company received an equity interest in Quellis and is eligible to receive development, regulatory and sales milestones, and royalties in the mid-single digit percentage range on net sales of approved products.

In January 2021, Quellis merged into Astria (formerly Catabasis), and the Company received common stock and preferred stock of Astria in exchange for its equity in Quellis. The Company recognized an increase in the fair value of its equity interest for the exchange of shares, which was recorded as unrealized gain for the three months ended June 30, 2021. The Astria preferred stock is carried at its original cost and is reviewed for impairment or other changes at each reporting period.

The Company recognized an unrealized loss of $2.4 million and $1.5 million related to its equity interest in Astria for the three and six months ended June 30, 2022, respectively. The Company recognized an unrealized loss of $3.7 million and unrealized gain of $9.2 million related to its equity interest in Astria for the three and six months ended June 30, 2021, respectively. There is no deferred revenue as of June 30, 2022 related to this agreement.

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 XmAb306 (also named RG6323), the Company's IL-15/IL-15Ra candidate.

Pursuant to the Genentech Agreement, XmAb306 is designated as a development program and all costs incurred for developing XmAb306 from March 8, 2019, the effective date of the Genentech Agreement, are being shared with Genentech under the initial cost-sharing percentage of 45%.

Pursuant to the Genentech Agreement, the Company and Genentech conducted joint research activities for a two-year period to identify and discover additional IL-15 candidates developed from the Company's cytokine and bispecific technologies. The two-year research term expired in March 2021. The Company is eligible for clinical milestone payments for new Collaboration Products identified from the research efforts.

The Company did not recognize revenue related to the Genentech Agreement for the three and six months ended June 30, 2022. For the three and six months ended June 30, 2021, the Company recognized $2.3 million and $2.5 million of revenue, respectively. As of June 30, 2022, there is a $3.5 million payable related to cost-sharing development activities during the second quarter of 2022 for development studies being conducted under the Genentech Agreement. There is no deferred revenue as of June 30, 2022, as obligations to perform research activities have expired.

INmune Bio, Inc.

In October 2017, the Company entered into a License Agreement (the INmune Agreement) with INmune. Under the terms of the INmune Agreement, the Company provided INmune with an exclusive license to certain rights to a proprietary protein, XPro1595. In connection with the agreement, the Company received shares of INmune common stock.

During the three months ended June 30, 2021, the Company determined that it should no longer record its investment in INmune under the equity method and recorded its investment in INmune pursuant to ASC 321.

For the three and six months ended June 30, 2022, the Company recorded $0.8 million of unrealized gain and $2.6 million of unrealized loss, respectively, related to its investment in INmune. For the three and six months ended June 30, 2021, the Company recognized an unrealized gain of $27.9 million and a realized gain of $18.3 million.

Janssen Biotech, Inc.

Janssen Agreement

In November 2020, the Company entered into a Collaboration and License Agreement (the Janssen Agreement) with Janssen Biotech, Inc. (Janssen) pursuant to which the Company and Janssen conducted research and development activities to discover novel CD28 bispecific antibodies for the treatment of prostate cancer with Janssen maintaining exclusive worldwide rights to develop and commercialize licensed products identified from the research activities.

Under the Janssen Agreement, the Company conducted research activities and applied its bispecific Fc technology to antibodies targeting prostate cancer provided by Janssen. Upon completion of the research activities Janssen 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 Janssen, and Janssen exercised its candidate selection option to select a bispecific CD28 antibody for further development. Janssen will assume full responsibility for development and commercialization of the CD28 bispecific antibody candidate.

Second Janssen Agreement

On October 1, 2021, the Company entered into a second Collaboration and License Agreement (the Second Janssen Agreement) with Janssen pursuant to which the Company granted Janssen an exclusive worldwide license to develop, manufacture, and commercialize plamotamab, the Company’s CD20 x CD3 development candidate, and pursuant to which Xencor and Janssen will conduct research and development activities to discover novel CD28 bispecific antibodies. The parties will conduct joint research activities for up to a two-year period to discover XmAb bispecific antibodies against CD28 and undisclosed B cell tumor-targets with Janssen 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.

Pursuant to the Second Janssen Agreement, the Company received an upfront payment of $100.0 million and is eligible to receive up to $1,187.5 million in milestones which include $289.4 million in development milestones, $378.1 million in regulatory milestones and $520.0 million in sales milestones. Under the terms of the Stock Purchase Agreement, Johnson & Johnson Innovation, JJDC, Inc. (JJDC), agreed to purchase $25.0 million of newly issued unregistered shares of the Company’s common stock, priced at a 30-day volume-weighted average price of $33.4197 per share as of October 1, 2021. The Company issued JJDC 748,062 shares of its common stock which had a fair market value of $28.9 million when the shares were transferred.

The Company will collaborate with Janssen on further clinical development of plamotamab with Janssen and share development costs with Janssen paying 80% and the Company paying 20% of certain development costs.

The Company is generally responsible for conducting research activities under the Second Janssen Agreement, and Janssen is generally responsible for all development, manufacturing, and commercialization activities for CD28 Licensed Antibodies that are advanced.

There is a receivable of $4.6 million as of June 30, 2022, related to cost-sharing activities for development of plamotamab under the Second Janssen Agreement. The Company recognized $0.2 million and $16.2 million of revenue related to the two Janssen agreements for the three months ended June 30, 2022 and 2021, respectively. The Company recognized $2.0 million and $30.8 million of revenue related to the two Janssen agreements for the six months ended June 30, 2022, and 2021, respectively, and there is $35.3 million in deferred revenue as of June 30, 2022 related to the Second Janssen Agreement.

MorphoSys AG

In June 2010, the Company entered into a Collaboration and License Agreement with MorphoSys AG (MorphoSys), which was subsequently amended. Under the 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. If certain developmental, regulatory and sales milestones are achieved, the Company is eligible to receive future milestone payments and royalties.

The Company recognized $1.2 million of royalty revenue during each of the three months ended June 30, 2022 and 2021. The Company recognized $3.5 million and $15.1 million of revenue during the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, there is a receivable of $1.8 million related to estimated royalties due under the arrangement. As of June 30, 2022, there is no deferred revenue related to this agreement.

Novartis Institute for Biomedical Research, Inc.

In June 2016, the Company entered into a Collaboration and License Agreement (the Novartis Agreement) with Novartis Institutes for BioMedical Research, Inc. (Novartis) to develop and commercialize bispecific and other Fc engineered antibody drug candidates using the Company's proprietary XmAb technologies and drug candidates.

Pursuant to the Novartis Agreement, the Company and Novartis were co-developing vibecotamab worldwide and sharing development costs. In August 2021, Novartis notified the Company it was terminating its rights with respect to the vibecotamab program, which became effective in February 2022. Under the Novartis Agreement, Novartis is responsible for its share of vibecotamab development costs through February 2023.

In June 2021, Novartis selected an Fc candidate and received a non-exclusive license to the Company's Fc technology. Novartis will assume full responsibility for development and commercialization of the licensed Fc product candidate. The Company is eligible to receive development, clinical, and sales milestones and royalties on net sales of approved products for the licensed Fc candidate.

No revenue was recognized during the three and six months ended June 30, 2022 from the Novartis Agreement. The Company recognized $41.1 million of revenue during the three and six months ended June 30, 2021. As of June 30, 2022, there is a receivable of $0.8 million related to cost-sharing of development activities for the second quarter of 2022 for the vibecotamab program, and there is no deferred revenue as of June 30, 2022.

Vir Biotechnology, Inc.

In the third quarter of 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 two novel antibodies that Vir is investigating as potential treatments for patients with COVID-19. 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. In May 2021, the FDA granted emergency use authorization (EUA) to Vir's COVID-19 antibody, sotrovimab (VIR-7831), for the treatment of mild-to-moderate COVID-19 in high-risk adults and patients.

In February 2021, the Company entered into the Vir Amendment No. 1 to the Vir Agreement and the Vir Amendment No. 1 to the Second Vir Agreement (collectively, the Vir Amendments), in each case, pursuant to which the Company provided a non-exclusive license to additional Fc technology for the targets previously identified in the Vir Agreement and the Second Vir Agreement, respectively. If Vir incorporates additional Fc technologies in the identified targets, the Company is eligible to receive additional royalties on net sales of approved products from low to mid-single digit range.

The Company recognized $22.1 million and $92.3 million of royalty revenue for the three and six months ended June 30, 2022, respectively. The Company recognized $0.9 million of royalty revenue and $0.5 million of milestone revenue for the three and six months ended June 30, 2021, respectively. As of June 30, 2022, there is a receivable of $22.1 million related to estimated royalty due under this agreement, and there is no deferred revenue related to this agreement.

Viridian Therapeutics, Inc.

In December 2020, the Company entered into a Technology License Agreement (Viridian Agreement) with Viridian, pursuant to which the Company provided Viridian a non-exclusive license to its Xtend Fc technology and an exclusive license to apply its Xtend Fc technology to antibodies targeting IGF-1R. Viridian is responsible for all development and commercialization activities. The Company received an upfront payment and is eligible to receive development, regulatory and sales milestones, and royalties on net sales in the mid-single digit percentage range.

In December 2021, the Company entered into a second Technology License Agreement (Second Viridian Agreement) with Viridian for a non-exclusive license to certain antibody libraries developed by the Company. Under the Second Viridian Agreement, Viridian received a one-year research license to review the antibodies and the right to select up to three antibodies for further development. Viridian is responsible for all further development of the selected antibodies. The Company received an upfront payment and is eligible to receive development, regulatory and sales milestones, in addition to royalties on net sales of approved products under the Second Viridian Agreement.

In connection with the Viridian Agreement and the Second Viridian Agreement, the Company received shares of Viridian common stock.

The Company reported unrealized loss in other income of $5.0 million and $5.9 million for the three and six months ended June 30, 2022 related to the shares of Viridian common stock. The Company reported unrealized gain in other income of $0.5 million and $0.6 million for the three and six months ended June 30, 2021 related to the Viridian common stock. The Company did not recognize revenue for the three and six months ended June 30, 2022 or 2021. There is no deferred revenue as of June 30, 2022 related to this agreement.

Zenas BioPharma Limited

In November 2020, the Company entered into a License Agreement (the Zenas Agreement) with Zenas, pursuant to which the Company granted Zenas exclusive, worldwide rights to develop and commercialize three preclinical-stage Fc-engineered drug candidates: XmAb6755, XPro9523, and XmAb10171. Under the Zenas Agreement, Zenas will be responsible for all further development and commercialization activities for the drug candidates. The Company received a 15% equity interest in Zenas with a fair value of $16.1 million and is eligible to receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

The equity in Zenas is recorded at the fair value as of the date of the Zenas Agreement and is reviewed each reporting period for impairment or other evidence of change in value.

In November 2021, the Company entered into a second License Agreement (Second Zenas Agreement) with Zenas, in which we licensed the exclusive worldwide rights to develop and commercialize the Company's obexelimab (XmAb5871) drug candidate. Under the Second Zenas Agreement, Zenas will be responsible for all further development and commercialization activities for obexelimab. The Company received a warrant to acquire additional equity in Zenas and is eligible to receive development, regulatory and sales milestones, and royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

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

The Company did not record an impairment or change in the value of the Zenas equity or the warrant in Zenas in the three and six months ended June 30, 2022 or 2021. The Company did not recognize any revenue related to the Zenas Agreement for the three and six months ended June 30, 2022 or 2021, and there is no deferred revenue related to this agreement.

Revenue earned

The revenues recorded for the three and six months ended June 30, 2022 and 2021 were earned principally from the following licensees (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Alexion	$ 6.7	$ 5.2	$ 12.9	$ 10.5
Astellas	—	—	5.0	—
Genentech	—	2.3	—	2.5
Janssen	0.2	16.2	2.0	30.8
MorphoSys	1.2	1.2	3.5	15.1
Novartis	—	41.1	—	41.1
Vir	22.1	1.4	92.3	1.4
Total	$ 30.2	$ 67.4	$ 115.7	$ 101.4

The table below summarizes the disaggregation of revenue recorded for the three and six months ended June 30, 2022 and 2021 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research collaboration	$ 0.2	$ 58.6	$ 2.0	$ 73.4
Milestone	—	1.5	5.0	14.0
Royalties	30.0	7.3	108.7	14.0
Total	$ 30.2	$ 67.4	$ 115.7	$ 101.4

Remaining Performance Obligations and Deferred Revenue

The Company’s remaining performance obligation as of June 30, 2022 is conducting research activities pursuant to research plans under the Second Janssen Agreement. The Company’s obligation to perform research services under the Genentech and the Novartis Agreements ended upon expiration of the respective research terms for each agreement in the second quarter of 2021. As of June 30, 2022 and 2021, the Company has deferred revenue of $35.3 million and $19.2 million, respectively. All deferred revenue as of June 30, 2022 is classified as current liabilities as the Company’s obligations to perform services are due on demand when requested by Janssen under the Second Janssen Agreement.

10. Income taxes

There was no provision for income taxes for the three and six months ended June 30, 2022 or 2021. Beginning in 2022, the Tax Cuts and Jobs Act (TCJA) requires taxpayers to capitalize certain research and development costs and amortize them over five or fifteen years pursuant to Internal Revenue Code Section 174. Previously, such costs could be deducted in the period they were incurred. This provision may increase our taxable income for the tax year ended December 31, 2022 and subsequent years, and result in additional cash payments for our federal income taxes. As of June 30, 2022, the Company’s deferred income tax assets, consisting primarily of net operating loss and tax credit carryforwards, have been fully offset by a valuation allowance.

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 Quarterly Report on Form 10-Q and the financial statements and accompanying notes thereto for the fiscal year ended December 31, 2021 and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2021. See also “Special Note Regarding Forward-Looking Statements” included in this Quarterly Report on Form 10-Q.

Company Overview

We are a clinical-stage biopharmaceutical company focused on discovering and developing engineered monoclonal antibody and cytokine therapeutics to treat patients with cancer and autoimmune diseases who have unmet medical needs. We and our partners are advancing a broad portfolio of clinical-stage XmAb® drug candidates from our proprietary protein engineering and technology platforms. We also use our protein engineering capabilities to increase our understanding of protein structure and interactions to design new 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 part of an antibody that interacts with multiple segments of the immune system and controls antibody structure. The Fc domain is constant and interchangeable among antibodies, and our engineered XmAb 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 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 have developed an antibody scaffold to rapidly create novel bispecific antibodies that bind two 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, such as engineered cytokines. Three marketed XmAb medicines have been developed with our protein engineering technologies and are generating milestone payments and royalties for us.

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 for the year ended December 31, 2021 for a discussion of our core Fc technology platforms.

COVID-19

We are closely monitoring the COVID-19 pandemic and continue to evaluate its impact on all aspects of our business including how it will affect our partners, collaborations, supply chains and research and development operations. While the pandemic did not significantly disrupt our business during the three and six months ended June 30, 2022, the evolving nature of the pandemic prevents us from reasonably predicting how the pandemic will affect our financial condition, results of operations and cash flows due to numerous uncertainties. These uncertainties include the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impacts and the direct and indirect economic effects of the pandemic and containment measures, among others. Many states, including California, where we are headquartered and where our principal place of business is located, and cities therein have implemented restrictions, rules and guidelines that affect the continued operation of businesses. Other countries and states where we conduct manufacturing of our drug products, testing activities and clinical sites where patients are enrolled in our clinical trials have enacted similar restrictions that could affect our ability to conduct our drug development and clinical operations.

The potential impacts on our business, revenue, clinical studies and research and development activities of the COVID-19 pandemic include:

- Business: Our broad protein engineering capabilities and technologies are uniquely suited to provide us with opportunities to identify and enhance compounds that may target the novel coronavirus and potentially treat patients with COVID-19. For example, sotrovimab (VIR-7831), an antibody that targets the SARS-CoV-2 virus, received an EUA from the FDA for the treatment of mild-to-moderate COVID-19 in high-risk adults and pediatric patients. Due to the high frequency of the Omicron BA.2 subvariant, sotrovimab is not currently authorized in any U.S. region. Sotrovimab currently has EUA temporary authorization or marketing approval (under the brand name Xevudy®) in more than 40 countries. Sotrovimab incorporates our Xtend Fc technology for longer duration of action. We have licensed the use of our Xtend Fc domain to multiple partners who are incorporating it into their investigational antibodies targeting the SARS-CoV-2 virus, and we are eligible to receive royalties on net sales of these candidates.

- Revenue: We receive upfront payments, milestone payments and royalties from licensing our XmAb technologies and drug candidates. The COVID-19 pandemic has not adversely affected the amount of revenue we generate from such partnerships and collaborations for the quarter ended June 30, 2022. During this quarter, for example, we received approximately $30.0 million in revenue from our partnerships and collaborations.

  Our ability to earn revenue from these and other partnerships is dependent on the ability of our partners to generate sales from products, such as Ultomiris®, Monjuvi® and sotrovimab, the ability of our partners to advance our partnered programs through later stages of development and through regulatory approval, which would entitle us to potential milestone payments. A majority of our revenue received in the first half of 2022 is royalty revenue from the sales of sotrovimab under our partnership with Vir. In April 2022, GSK, which is marketing sotrovimab with Vir, announced that a majority of the total 2022 projected sales of sotrovimab was recorded in the first quarter. We recorded royalty revenues of $70.3 million and $22.1 million in the first and second quarter, respectively, related to sales of sotrovimab, and based on the guidance from GSK, we expect the amount of royalties that we expect to receive from the sale of sotrovimab to continue to decline in subsequent quarters of 2022. If the COVID-19 pandemic adversely affects the sales or clinical, development and regulatory progress of partnered programs, the amount of revenue we could earn would be adversely affected.

- Clinical studies: We are currently enrolling patients into multiple clinical trials evaluating our drug candidates, and our partner Genentech is enrolling patients in multiple Phase 1 studies of XmAb306 (also known as RG6323), our co-development program with Genentech. Many partners are also enrolling patients in clinical trials with drug candidates that incorporate one or more XmAb technologies. Although the pandemic has not materially affected development of our clinical programs for the quarter ended June 30, 2022, some of our clinical programs have temporarily experienced slower patient enrollment, and the initiations of new studies for certain programs have been delayed. These delays have not broadly affected the status of our portfolio programs and have been limited to specific trials and specific sites. Many clinical sites have delayed starting new clinical trials and others have postponed enrollment to address the pandemic.

- Research, development, and administrative activities: We have implemented environmental, health, and safety procedures for all employees and have also offered reimbursement of costs incurred and time off to employees to receive vaccinations that have been authorized. We believe we provide a safe and healthy environment for our onsite employees who have been able to continue research operations, following an initial period of reduced onsite activities while new policies and procedures were developed and implemented. As of June 30, 2022, these activities have continued without interruption from the COVID-19 pandemic.

  Our development activities include initiating a Phase 1 study of XmAb808, our first tumor selective CD28 bispecific candidate that targets B7-H3, and XmAb662, our IL12-Fc cytokine candidate. Several other bispecific antibody and cytokine programs are in earlier stages of development. Certain manufacturing and supply companies have indicated supply chain issues and shortages of research and manufacturing supply materials. The development timelines for additional early-stage programs and ongoing clinical programs could be affected if the supply shortages and delays continue for an extended period.

- Government credits: In the second quarter of 2022, we recorded a receivable of $3.2 million related to the U.S. Government Employee Retention Tax Credit (ERTC) Program. The ERTC was established to assist companies that were impacted by the pandemic during 2020 and 2021. The receivable relates to credits that were earned in connection with our operations in the first and second quarter of 2021.

Clinical-Stage XmAb Bispecific Antibody and Cytokine Drug Candidate Updates

Our modular XmAb bispecific Fc domains and protein engineering capabilities enable us to rapidly advance multiple drug candidates into clinical development. We and our partners are currently enrolling Phase 1 or Phase 2 studies for six wholly owned or co-development candidates to treat patients with many different types of cancer, and a candidate in development for patients with autoimmune disease.

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 other solid tumor types. We are conducting a Phase 2 study of vudalimab in patients with mCRPC, as a monotherapy or in combination with chemotherapy or a PARP inhibitor depending on the tumor's molecular subtype. We plan to present initial data from the study in the second half of 2022.

We are also conducting a second Phase 2 study in patients with advanced gynecologic and genitourinary malignancies, as well as clinically-defined high-risk mCRPC.

Plamotamab (CD20 x CD3): Plamotamab is a bispecific antibody that targets CD20, an antigen on B-cell tumors, and CD3, an activating receptor on T cells, and we are co-developing the program in collaboration with Janssen. Data from the dose-escalation portion of a Phase 1 study in B-cell malignancies, including from patients with relapsed or refractory non-Hodgkin's lymphoma (NHL), indicate that plamotamab was generally well tolerated and demonstrated encouraging clinical activity as a monotherapy. Expansion cohorts are actively recruiting patients with diffuse large B-cell lymphoma (DLBCL) and follicular lymphoma (FL) and are dosing using the recommended Phase 2 regimen to further evaluate the safety and efficacy of plamotamab monotherapy. In 2022, subcutaneous administration of plamotamab will be incorporated into the study, and we plan to present data from expansion cohorts in the second half of 2022.

We are also collaborating with MorphoSys AG and Incyte Corporation to investigate the chemotherapy-free triple combination of plamotamab, tafasitamab, and lenalidomide in patients with relapsed or refractory DLBCL, first-line DLBCL and relapsed or refractory FL. In May 2022, we completed the first patient dosing in the first of these studies, a potentially registration-enabling Phase 2 study, in patients with relapsed or refractory DLBCL, an aggressive type of NHL.

XmAb306/RG6323 (IL15/IL15Rα-Fc Cytokine): XmAb306 is an IL15/IL15Rα-Fc fusion protein that incorporates our Xtend extended half-life technology, and we are co-developing this program in collaboration with Genentech, a member of the Roche Group. Genentech is conducting a Phase 1 dose-escalation study of XmAb306 as a single agent and in combination with atezolizumab. In November 2021, we announced that XmAb306 promoted high levels of sustained NK cell expansion and evidence of peripheral T cell proliferation had been observed. Genentech has initiated a second study, evaluating XmAb306 in combination with daratumumab (anti-CD38 antibody) in patients with relapsed/refractory multiple myeloma. Additional studies of XmAb306 in combination with other agents are also being planned.

XmAb104 (PD-1 x ICOS): XmAb104 is a bispecific antibody that targets PD-1, an immune checkpoint receptor, and ICOS, an immune co-stimulatory receptor, to selectively activate the tumor microenvironment. We reported initial dose-escalation data from the Phase 1 study at the American Society of Clinical Oncology in June 2022. XmAb104 was well tolerated and exhibited a distinct safety profile compared to other clinical-stage ICOS programs. Anti-tumor activity was observed in patients, and biomarker activity was consistent with engagement with T cells. We are evaluating XmAb104 as a monotherapy and in combination with ipilimumab, in the expansion portion of a Phase 1 clinical study for the treatment of patients with advanced solid tumors.

XmAb564 (IL2-Fc Cytokine): XmAb564 is a wholly owned, monovalent interleukin-2 Fc (IL-2-Fc) fusion protein, engineered to selectively activate and expand regulatory T cells (Tregs) for the potential treatment of patients with autoimmune diseases. XmAb564 is engineered with reduced binding affinity for IL-2's beta receptor and increased binding affinity for its alpha receptor. In preclinical studies, XmAb564 was well-tolerated, promoted the selective and sustained expansion of Tregs and exhibited a favorable pharmacokinetic profile. We are enrolling healthy volunteers in a randomized, double-blind, placebo-controlled Phase 1 study to evaluate the safety and tolerability of XmAb564, administered subcutaneously. In 2022, we plan to present data from the study and initiate a multiple-ascending dose study in select patient populations.

XmAb819 (ENPP3 x CD3): XmAb819 is a bispecific antibody that targets ENPP3 and CD3, and it is our lead XmAb 2+1 bispecific antibody candidate. ENPP3 is a tumor-associated antigen in renal cell carcinoma (RCC) and exhibits low-level expression on normal tissues. We are conducting a Phase 1 study to evaluate XmAb819 in patients with advanced clear cell RCC.

Tidutamab (SSTR2 x CD3) and *XmAb841 (CTLA-4 x LAG-3):* In May 2022, we announced that we do not intend further internal development of tidutamab and XmAb841. Neither program demonstrated a competitive clinical profile in recent studies, and we have decided to focus resources on new clinical programs. We will continue to support patients currently enrolled and being treated. We anticipate spending on these two programs to decline throughout 2022.

Advancements Expanding XmAb Bispecific and Cytokine Platforms

We conduct further research into the function and application of antibody components and cytokines 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 bispecific antibodies and cytokines in a variety of formats, and we have introduced CD3 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

CD3 bispecifics to address an expanded set of tumor antigens. Multiple clinical-stage programs incorporate our XmAb 2+1 format, including XmAb819 (ENPP3 x CD3) and Amgen's AMG 509 (STEAP1 x CD3).

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. We are advancing wholly owned CD28 candidates including our lead candidate, XmAb808, a B7-H3 x CD28 bispecific antibody designed to be evaluated for the treatment of patients with a range of solid tumors. We submitted an IND application for XmAb808 in the second quarter of 2022, and we plan to initiate a Phase 1 study in the second half of 2022.

Our CD28 platform is also the subject of two collaborations with Janssen. The first collaboration was announced in 2020 and involves our research efforts to create and characterize CD28 bispecific antibody candidates against a prostate tumor target specified by Janssen. The second Janssen collaboration was announced in October 2021 and includes conducting research activities with Janssen to create and characterize CD28 bispecific antibody candidates against B-cell targets during a two-year period, with Janssen having an exclusive worldwide license to develop selected molecules from the research activities and also selected molecules in combination with plamotamab and other agents, such as other CD3 bispecific antibodies.

In April 2022, we presented emerging preclinical data from two wholly owned cytokine programs at the American Association for Cancer Research Annual Meeting: XmAb143, a decoy-resistant and potency-reduced IL18-Fc fusion protein, and a LAG-3 targeted IL15/IL15Rα-Fc fusion protein, which is biased toward binding and activating LAG-3-positive immune cells that are more likely to be tumor-reactive.

In 2023, we plan to submit an IND application for XmAb662, a wholly owned, reduced-potency IL12-Fc cytokine and initiate a Phase 1 study in patients with advanced solid tumors.

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). Tafasitamab was created and initially developed by us. Tafasitamab is co-marketed by Incyte and MorphoSys under the brand name Monjuvi in the U.S. and is marketed by Incyte under the brand name Minjuvi in the E.U. Incyte has exclusive commercialization rights to tafasitamab outside the U.S. Monjuvi® and Minjuvi® are registered trademarks of MorphoSys AG. We earned $1.2 million in estimated royalties from MorphoSys for the three months ended June 30, 2022.

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.

In September 2015, we entered into an agreement with Amgen Inc. to develop and commercialize bispecific antibody product candidates using our proprietary XmAb bispecific Fc technology. Amgen applied our XmAb bispecific Fc technology to create AMG 509, a STEAP1 x CD3 XmAb 2+1 bispecific antibody, which is being evaluated in an ongoing dose-escalation Phase 1 study for patients with prostate cancer. In February 2022, Amgen presented encouraging, preliminary pharmacodynamic activity by induction of percent maximum prostate-specific antigen (PSA) decline among 30 patients in the study, which provides an early signal of activity and validation of the potential of the XmAb 2+1 format.

In March 2019, we entered into an agreement with Astellas Pharma, Inc., under which we applied our XmAb bispecific Fc technology to an antigen pair provided by Astellas and generated bispecific antibody candidates for further certain characterization and testing. Astellas selected a bispecific antibody developed under the collaboration, ASP2138, a CLDN18.2 x CD3 bispecific antibody, for further development and is conducting a Phase 1 clinical study in patients with gastric, gastroesophageal, and pancreatic cancers. We recognized a $5.0 million milestone from Astellas for a development milestone for the six months ended June 30, 2022.

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 from regulatory agencies in the U.S. and multiple global markets for the treatment of patients with paroxysmal nocturnal hemoglobinuria (PNH) and for patients with atypical hemolytic uremic syndrome (aHUS). In April 2022, Ultomiris was approved by the FDA for the treatment of adult patients with generalized myasthenia gravis (gMG) who are anti-acetylcholine receptor (AChR) antibody positive. Alexion is also evaluating Ultomiris in a broad late-stage development program across many indications in neurology and nephrology. We earned $6.7 million in royalties from Alexion for the three months ended June 30, 2022.

Vir has non-exclusive access to multiple XmAb Fc technologies, including Xtend™ Fc technology, designed to extend the half-life of novel antibodies that Vir is investigating as potential treatments for patients with COVID-19. In May 2021, the FDA granted EUA to sotrovimab (VIR-7831) for the treatment of mild-to-moderate COVID-19 in high-risk adults and pediatric patients. A second drug candidate, VIR-7832, is in a Phase 1b/2a trial of adults with mild-to-moderate COVID-19. We earned $22.1 million in royalties from Vir for the three months ended June 30, 2022.

Refer to Part I, Item 1, Note 9, *Collaboration and Licensing Agreements* of the Notes to Financial Statements included in this Quarterly Report on Form 10-Q for a description of the key terms of our arrangements.

We have over 1,300 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 pre-clinical 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 June 30, 2022, we had an accumulated deficit of $293.5 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 June 30, 2022 and 2021

The following table summarizes our results of operations for the three months ended June 30, 2022 and 2021 (in millions):

	Three Months Ended June 30,		
	2022	2021	Change
Revenues:			
Research collaboration	$ 0.2	$ 58.6	$ (58.4)
Milestone	—	1.5	(1.5)
Royalties	30.0	7.3	22.7
Total revenues	30.2	67.4	(37.2)
Operating expenses:			
Research and development	47.1	49.5	(2.4)
General and administrative	11.1	8.9	2.2
Total operating expenses	58.2	58.4	(0.2)
Other income (expense), net	(6.0)	43.2	(49.2)
Net income (loss)	$ (34.0)	$ 52.2	$ (86.2)

Revenues

Revenues for the three months ended June 30, 2022 are primarily from royalty revenue from Alexion and Vir. Revenues for the three months ended June 30, 2021 are primarily from the collaboration with Janssen, milestone revenue recognized from Novartis, research revenue recognized in connection with the expiration of research terms under the Genentech and Novartis collaborations, and royalty revenue from Alexion and Vir.

Research and Development Expenses

The following tables summarize our research and development expenses for the three months ended June 30, 2022 and 2021 (in millions):

	Three Months Ended June 30,		
	2022	2021	Change
Product programs:			
Bispecific programs:			
CD3 programs:			
Vibecotamab[(1)(2)]	$ *1.5*	$ *2.0*	$ *(0.5)*
Plamotamab[(3)]	*1.7*	*10.3*	*(8.6)*
Tidutamab[(4)]	*2.9*	*3.9*	*(1.0)*
XmAb819 (ENPP3 x CD3)	*2.1*	*4.3*	*(2.2)*
Total CD3 programs	8.2	20.5	(12.3)
XmAb808 (B7-H3 x CD28)	4.1	0.5	3.6
Tumor micro environment (TME) activator programs:			
Vudalimab	*5.6*	*6.3*	*(0.7)*
XmAb104	*6.3*	*6.3*	—
XmAb841[(5)]	*2.0*	*2.3*	*(0.3)*
Total TME activators programs	13.9	14.9	(1.0)
Cytokine programs:			
XmAb306/RG6323 programs[(6)]	*4.2*	*3.0*	*1.2*
XmAb564	*3.8*	*3.6*	*0.2*
XmAb662 (IL-12-Fc)	*4.5*	*0.5*	*4.0*
Total cytokine programs	12.5	7.1	5.4
Subtotal bispecific programs	38.7	43.0	(4.3)
Other, research and early stage programs	8.4	6.5	1.9
Total research and development expenses	$ 47.1	$ 49.5	$ (2.4)

(1) The costs are net of cost-sharing reimbursement from Novartis under the Novartis Agreement.
(2) Represents wind down costs of the program; the Company stopped development of the vibecotamab program in 2021.
(3) The costs are net of cost-sharing reimbursement from Janssen under the Second Janssen Agreement.
(4) Represents wind down costs of the program; the Company stopped development of the tidutamab program in the second quarter of 2022.
(5) Represents wind down costs of the program; the Company stopped development of the XmAb841 program in the second quarter of 2022.
(6) Includes our share of costs paid to Genentech for cost-sharing under the Genentech Agreement.

	Three Months Ended June 30,		
	2022	2021	Change
External research and development expenses	$ 20.4	$ 26.5	$ (6.1)
Internal research and development expenses	18.4	16.8	1.6
Stock based compensation	8.3	6.2	2.1
Total research and development expenses	$ 47.1	$ 49.5	$ (2.4)

Research and development expenses decreased by $2.4 million for the three months ended June 30, 2022 over the same period in 2021 primarily due to reduced spending on our plamotamab and XmAb819 programs, partially offset by increased spending on our new development programs, XmAb808 and XmAb662.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended June 30, 2022 and 2021 (in millions):

	Three Months Ended June 30,		
	2022	2021	Change
General and administrative	$ 11.1	$ 8.9	$ 2.2

General and administrative expenses increased by $2.2 million for the three months ended June 30, 2022 over the same period in 2021 primarily due to increased general and administrative staffing and additional lease expenses.

Other Income (Expense), Net

Other income (expense), net was ($6.0) million and $43.2 million for the three months ended June 30, 2022 and 2021, respectively. Other income (expense) net for the three months ended June 30, 2022 consists primarily of unrealized loss recognized from the change in fair value of our equity investments. Other income (expense), net for the three months ended June 30, 2021 consists primarily of realized gain from the sale of an equity instrument as well as the unrealized gain recognized from the change in our accounting for one of our equity investments.

Comparison of the Six Months Ended June 30, 2022 and 2021

The following table summarizes our results of operations for the six months ended June 30, 2022 and 2021 (in millions):

	Six Months Ended June 30,		
	2022	2021	Change
Revenues:			
Research collaboration	$ 2.0	$ 73.4	$ (71.4)
Milestone	5.0	14.0	(9.0)
Royalties	108.7	14.0	94.7
Total revenues	115.7	101.4	14.3
Operating expenses:			
Research and development	94.8	90.9	3.9
General and administrative	22.4	17.1	5.3
Total operating expenses	117.2	108.0	9.2
Other income, net	(8.9)	56.4	(65.3)
Net income (loss)	$ (10.4)	$ 49.8	$ (60.2)

Revenues

Revenues for the six months ended June 30, 2022 are primarily from milestone revenue from Astellas and royalty revenue from Alexion, MorphoSys, and Vir. Revenues for the six months ended June 30, 2021 are primarily from the collaboration with Janssen, milestone revenue recognized from MorphoSys and Novartis, research revenue recognized in connection with the expiration of research terms under the Novartis collaboration, and the royalty revenue from Alexion, MorphoSys, and Vir.

Research and Development Expenses

	Six Months Ended June 30, 2022	2021	Change
Product programs:			
Bispecific programs:			
CD3 programs:			
Vibecotamab(1)(2)	*2.9*	*4.9*	*(2.0)*
Plamotamab(3)	*7.1*	*17.0*	*(9.9)*
Tidutamab(4)	*6.4*	*8.2*	*(1.8)*
XmAb819 (ENPP3 x CD3)	*5.6*	*7.3*	*(1.7)*
Total CD3 programs	22.0	37.4	(15.4)
XmAb808 (B7-H3 x CD28)	8.9	0.5	8.4
Tumor micro environment (TME) activator programs:			
Vudalimab	*11.1*	*12.2*	*(1.1)*
XmAb104	*11.8*	*8.8*	*3.0*
XmAb841(5)	*4.6*	*5.5*	*(0.9)*
Total TME activators programs	27.5	26.5	1.0
Cytokine programs:			
XmAb306/RG6323 programs(6)	*7.5*	*6.9*	*0.6*
XmAb564	*6.9*	*6.8*	*0.1*
XmAb662 (IL-12-Fc)	*7.1*	*0.4*	*6.7*
Total cytokine programs	21.5	14.1	0.7
Subtotal bispecific programs	79.9	78.5	1.4
Other, research and early stage programs	14.9	12.4	2.5
Total research and development expenses	$ 94.8	$ 90.9	$ 3.9

(1) The costs are net of cost-sharing reimbursement from Novartis under the Novartis Agreement.
(2) Represents wind down costs of the program; the Company stopped development of the vibecotamab program in 2021.
(3) The costs are net of cost-sharing reimbursement from Janssen under the Second Janssen Agreement.
(4) The Company stopped development of the tidutamab program in the second quarter of 2022.
(5) The Company stopped development of the XmAb841 program in the second quarter of 2022.
(6) Includes our share of costs paid to Genentech for cost-sharing under the Genentech Agreement.

	Six Months Ended June 30, 2022	2021	Change
External research and development expenses	$ 41.1	$ 47.3	$ (6.2)
Internal research and development expenses	38.3	31.9	6.4
Stock based compensation	15.4	11.7	3.7
Total research and development expenses	$ 94.8	$ 90.9	$ 3.9

Research and development expenses increased by $3.9 million for the six months ended June 30, 2022 over the same period in 2021 primarily due to increased spending on our new development programs, XmAb808 and XmAb662, partially offset by reduced spending on our plamotamab program.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the six months ended June 30, 2022 and 2021 (in millions):

	Six Months Ended June 30,		
	2022	2021	Change
General and administrative	$ 22.4	$ 17.1	$ 5.3

General and administrative expenses increased by $5.3 million for the six months ended June 30, 2022 over the same period in 2021 primarily due to increased general and administrative staffing and additional lease expenses.

Other Income (Expense), Net

Other income (expense), net was ($8.9) million and $56.4 million for the six months ended June 30, 2022 and 2021, respectively. Other income (expense) net for the six months ended June 30, 2022 consists primarily of unrealized loss recognized from the change in fair value of our equity investments. Other income (expense), net for the six months ended June 30, 2021 consists primarily of realized gain from the sale of an equity instrument, as well as the unrealized gain recognized from the change in our accounting for an equity investment, and unrealized gain recognized with respect to the exchange of shares without a readily determinable fair value for shares in an entity with a readily determinable fair value.

Cash Flows

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

	Six Months Ended June 30,		
	2022	2021	Change
Net cash provided by (used in):			
Operating activities	$ 50,084	$ (39,620)	$ 89,704
Investing activities	(147,398)	(15,261)	(132,137)
Financing activities	3,244	7,179	(3,935)
Net decrease in cash	$ (94,070)	$ (47,702)	$ (46,368)

Operating Activities

Cash provided by operating activities for the six months ended June 30, 2022 was $50.1 million, while cash used in operating activities for the six months ended June 30, 2021 was $39.6 million. The increase in cash provided by operating activities is primarily due to additional royalty revenue recognized in the six months ended June 30, 2022.

Investing Activities

Investing activities consist primarily of investments in marketable 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 represents net proceeds from the exercise of stock options and ESPP purchase for the six months ended June 30, 2022 and June 30, 2021, respectively. The proceeds received from option exercises decreased by $3.9 million over the same period in 2021.

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.

As of June 30, 2022, we had $679.7 million of cash, cash equivalents, receivables, and marketable debt securities compared to $664.1 million as of December 31, 2021. The investments in marketable debt securities are further described above in Note 5, *Marketable Debt and Equity Securities*, of Notes to Financial Statements included in this Quarterly Report on Form 10-Q. 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 as well as 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 through the end of 2025. We have based these estimates on assumptions that may prove to be wrong, and the COVID-19 pandemic could materially alter these estimates, which would cause us to use our capital resources sooner than we currently expect.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements.

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 June 30, 2022.

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 Quarterly Report on Form 10-Q.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in the quantitative or qualitative aspects of our market risk profile. For additional information regarding the Company's exposure to certain market risks, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" included in the Form 10-K for the fiscal year ended December 31, 2021.

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 June 30, 2022. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in this Quarterly Report on Form 10-Q has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of June 30, 2022.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable assurance, not absolute assurance, that the objectives of our disclosure control system are met and, as set forth above, our principal executive officer and principal financial officer have concluded, that based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that the objective of our disclosure control system were met.

Changes in Internal Control

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Beginning March 17, 2020, a majority of our business, accounting and financial reporting employees began working remotely due to the COVID-19 pandemic. Since that time, we have not experienced any material impact to our internal controls over financial reporting. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact to their design and operating effectiveness.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings.

The disclosure in Note 8, *Commitments and Contingencies*, of the Notes to Financial Statements included in this Quarterly Report on Form 10-Q includes a discussion of our legal proceedings and is incorporated herein by reference.

ITEM 1A. Risk Factors

You should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, which could materially affect our business, financial position, or future results of operations. See also "Special Note Regarding Forward-Looking Statements" included in this Quarterly Report on Form 10-Q. In addition to the risks set forth in our Annual Report on Form 10-K for the year ended December 31, 2021, 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.

ITEM 6. Exhibits

Exhibit Number	Description of Document
3.1	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).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 11, 2013).
4.1	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).
4.2	Third Amended and Restated Investor Rights Agreement, dated June 26, 2013, among the Company and certain of its stockholders incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-191689), originally filed with the SEC on October 11, 2013).
10.1	First Amendment to Office Lease, dated May 19, 2022, by and between the Company and PRII High Bluffs LLC and Collins Corporate Center Partners, LLC
31.1	Rule 13a-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
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)

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/ JOHN J. KUCH
John J. Kuch
Chief Financial Officer
(Principal Financial Officer)

Dated: August 3, 2022

FIRST AMENDMENT TO OFFICE LEASE

This First Amendment to Office Lease (this "First Amendment") is made and entered into by and between **PRII HIGH BLUFFS, LLC,** a Delaware limited liability company and **COLLINS CORPORATE CENTER PARTNERS, LLC**, a Delaware limited liability company, as tenants in common (collectively, "Landlord"), and **XENCOR, INC.,** a Delaware corporation ("Tenant"), to be effective on and as of the date on which Landlord executes this First Amendment as set forth on the signature page hereto (the "Effective Date").

RECITALS

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated June 21, 2017 (the "Lease"), pursuant to which Tenant now leases from Landlord certain premises designated as Suite 200, consisting of approximately 23,746 rentable square feet (the "Premises") on the second (2nd) floor of the building located at 12481 High Bluff Drive, San Diego, California 92130 (the "Building"), all as more particularly described in the Lease; and

WHEREAS, Landlord and Tenant desire to amend the terms of the Lease to, among other things, extend the Lease Term, and to modify certain other terms and provisions of the Lease, all as more particularly provided in this First Amendment below;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and pursuant to the foregoing, and in consideration of the mutual covenants and agreements contained in the Lease and in this First Amendment, the parties agree that, as of the Effective Date, the Lease is hereby modified and amended as set out below:

1. Definitions. All capitalized terms used in this First Amendment shall have the same meanings ascribed to them in the Lease, unless otherwise defined in this First Amendment.

2. Recitals. The recitals set forth above are true and correct and are incorporated into this First Amendment by reference as if fully set forth in this First Amendment below.

3. Extension Term. The Lease Term, which is currently scheduled to expire on August 31, 2022, is hereby extended for an additional period of sixteen (16) months commencing on September 1, 2022 (the "Extension Term Commencement Date") and continuing through and expiring on December 31, 2023 (such period, the "Extension Term"), upon and subject to all of the existing terms of the Lease, as amended by this First Amendment.

4. Basic Annual Rent. For the duration of the Lease Term, as extended by the Extension Term, Tenant shall continue to pay Basic Annual Rent attributable to the Premises in accordance with the existing terms and provisions of the Lease applicable thereto; provided, however, commencing on and as of the Extension Term Commencement Date and continuing for the duration of the Extension Term, the Basic Annual Rent attributable to the Premises shall be in the following amounts:

Period	Monthly Basic Annual Rent*	Approx. Monthly Rate Per Rentable Sq. Ft.
09/01/22 – 08/31/23	$102,107.80	$4.30
09/01/23 – 12/31/23	$105,171.03	$4.43

*Landlord and Tenant acknowledge that the initial "Monthly Basic Annual Rent" was calculated by multiplying the stipulated rentable square footage of the Premises (23,746 rentable square feet) by the initial "Monthly Rate Per Rentable Square Foot" in the table above, and then the succeeding amounts for each column were calculated by escalating the initial amounts by 3.0%.

5. Additional Rent. For the duration of the Lease Term, as extended by the Extension Term, Tenant shall continue to pay Additional Rent, including, without limitation, Tenant's Proportionate Share of Operating Costs, in accordance with the existing terms and provisions of the Lease applicable to the calculation thereof.

6. Condition of the Premises. Tenant is currently in possession of the Premises and, for the Extension Term, Tenant continues to lease from Landlord the Premises in its existing "AS-IS," "WHERE-IS," and "WITH ALL FAULTS" condition, and Tenant acknowledges that Landlord shall have no obligation to refurbish or otherwise improve the Premises or provide allowances after the Effective Date hereof. Tenant acknowledges and agrees that any and all obligations of Landlord in the Lease to perform improvements or provide allowances, if any, have been satisfied, including, without limitation, Landlord's obligation to pay the Landlord's Construction Allowance set forth in *Item 18* of the Basic Lease Provisions and Exhibit B to the Lease.

7. Landlord's Address for Notices. Landlord's address for all notices to be delivered under the Lease, originally set forth in *Item 14* of the Basic Lease Provisions of the Lease, is hereby amended to be as follows (or to such other address that Landlord may later designate in writing):

PRII High Bluffs LLC
c/o PGIM Real Estate
101 California Street, 40th Floor
San Francisco, CA 94111
Attention: PRISA II Asset Manager

with copies to:

PRII High Bluffs LLC
c/o PGIM Real Estate
7 Giralda Farms
Madison, NJ 07940
Attention: Legal

And

PRII High Bluffs LLC
c/o Unire Real Estate Group, Inc.
675 Placentia Avenue, Suite 200
Brea, CA 92821
Attn: Mark Harryman

8. No Preferential Rights or Options. Notwithstanding anything contained in the Lease to the contrary, Landlord and Tenant stipulate and agree that Tenant has no preferential rights or options under the Lease, as herein amended, such as any rights of renewal, expansion, reduction, refusal, offer, purchase, cancellation, termination, relocation, or any other such preferential rights or options; such rights or options originally set forth in the Lease, including, without limitation, the extension option set forth on Addendum One to the Lease and the right of first offer set forth on Addendum Two to the Lease, being hereby null and void in their entirety and of no further force or effect.

9. CASp Disclosure. As of the Effective Date, the Premises has not undergone an inspection by a Certified Access Specialist (CASp). In accordance with California Civil Code Section 1938, Landlord makes the following disclosure to Tenant:

> "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

Except as otherwise expressly agreed upon in writing by Landlord, Landlord shall not have any obligation for the payment of the CASp fee or the cost of making repairs pursuant thereto, nor shall Landlord have any liability to Tenant arising out of or related to the fact that neither the Building nor the Premises has been inspected by a CASp, and Tenant waives all such liability and acknowledges that Tenant shall have no recourse against Landlord or the Building as a result of or in connection therewith.

10. Estoppel. Tenant hereby represents, warrants, and agrees that: (i) there exists no breach, default, or event of default by Landlord under the Lease, or any event or condition which, with the giving of notice or passage of time or both, would constitute a breach, default, or event of default by Landlord under the Lease; (ii) the Lease continues to be a legal, valid, and binding agreement and obligation of Tenant; and (iii) Tenant has no current offset or defense to its performance or obligations under the Lease.

11. Brokers. Tenant warrants that it has had no dealings with any broker or agent other than Jones Lang LaSalle Brokerage, Inc. and Cushman & Wakefield (collectively, the "Brokers") in connection with the negotiation or execution of this First Amendment, and Tenant agrees to indemnify Landlord and hold Landlord harmless from and against any and all costs, expenses or liability for commissions or other compensations or charges claimed by any broker or agent, other than Brokers, with respect to this First Amendment.

12. Cannabis. Tenant agrees that the Premises shall not be used for the use, growing, producing, processing, storing (short or long term), distributing, transporting, or selling of cannabis, cannabis derivatives, or any cannabis containing substances, or any office uses related to the same.

13. ERISA. Tenant represents, warrants and covenants to Landlord and the Landlord Entities that, as of the date hereof and throughout the Term of the Lease, Tenant is not, and is not entering into this

First Amendment on behalf of, (i) an employee benefit plan, (ii) a trust holding assets of such a plan or (iii) an entity holding assets of such a plan. Notwithstanding any terms to the contrary in the Lease or in this First Amendment, in no event may Tenant assign or otherwise transfer its interest under the Lease to a third party who is, or is entering into the assignment or Lease on behalf of, (a) an employee benefit plan, (b) a trust holding assets of such a plan or (c) an entity holding assets of such a plan if such assignment or other transfer would or could cause Landlord to incur any prohibited transaction excise tax penalties or other materially adverse consequences under the Employee Retirement Income Security Act of 1974, as amended, Section 4975 of the Internal Revenue Code of 1986, as amended or similar law. Notwithstanding any provision in the Lease or this First Amendment to the contrary, the representations, warranties, covenants and agreements set forth in this Section are intended to inure to the benefit of both Landlord and the Landlord Entities and the Landlord Entities shall be entitled to rely hereon and enforce the provisions of this Section. Tenant acknowledges and agrees that as a condition to the effectiveness of any assignment of, or sublease under, the Lease or any other transfer or change of control, and as a requirement and condition of the effectiveness of any consent to assignment, sublease, transfer, or change of control by Landlord pursuant to the Lease, Tenant shall reaffirm or cause the assignee, sublessee, or transferee, as applicable, to reaffirm, on behalf of itself or such assignee, sublessee, or transferee, as applicable, the representations of this Section 13 and Section 14 below, and it shall be reasonable for Landlord to refuse to consent to an assignment, sublease, transfer, or change of control in the absence of such reaffirmation.

14. Tenant Compliance.

(a) OFAC Compliance. Tenant certifies, represents, warrants and covenants to Landlord that: (i) it is not, and shall not during the Lease Term become, a person or entity with whom Landlord is restricted from doing business under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H. R. 3162, Public Law 107-56 (commonly known as the "USA Patriot Act") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "Anti-Terrorism Laws"), including, without limitation, persons and entities named on the Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons List (collectively, "Prohibited Persons"); (ii) to the best of its knowledge, it is not currently engaged in any transactions, provision of services to, or dealings with, or otherwise associated with, any Prohibited Persons, nor otherwise engaged in any activity that would violate Anti-Terrorism Laws in connection with the use or occupancy of the Premises or the Building; and (iii) it will not, during the Lease Term, engage in any transactions, provide services to, deal with, or be otherwise associated with, any Prohibited Persons, nor will it engage in any other activity that would violate Anti-Terrorism Laws in connection with the use or occupancy of the Premises or the Building.

(b) Anti-Corruption Compliance. Tenant certifies, represents, warrants and covenants to Landlord that it shall not during the Lease Term engage in activities that would violate the provisions of the U.S. Foreign Corrupt Practices Act and the anti-bribery laws of other nations generally. Accordingly, (i) Tenant has not, and shall not, in connection with its performance under the Lease, or in connection with any other business transactions involving Landlord or the Premises, made, promised, or offered to make any payment or transfer of anything of value, directly or indirectly to any US or non-US government official or to an intermediary for payment to any such government official; and, (ii) Tenant has not, and shall not, in connection with its performance under the Lease, or in connection with any other business transactions involving Landlord or the Premises, made, promised, or offered to make any payments or transfers of value that have the purpose or effect of public or commercial bribery, or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business.

(c) Anti-Money Laundering Compliance. Tenant certifies, represents, warrants and covenants to Landlord that it shall not during the Lease Term engage in activities that would violate the provisions of the US Bank Secrecy Act as amended by the USA Patriot Act ("AML Laws"). In this regard Tenant will not engage in, facilitate or permit the Premises or the Building to be used in connection with transactions that in any way involve the proceeds of crime under US law or are related to the financing of terrorist activities. Further, Tenant will not use proceeds of crime to pay its obligations under the Lease.

(d) Breach. If at any time after the date hereof Tenant becomes a Prohibited Person or is accused by The Office of Foreign Assets Control or other Federal Authorities of being associated with a person designated as a Prohibited Person, then it shall notify Landlord within five (5) business days after becoming aware of such designation. If at any time after the date hereof Tenant becomes a Prohibited Person or Tenant otherwise breaches any certification, representation, warranty or covenant set forth in this Section 14, then such event shall constitute an event of default hereunder, entitling Landlord to any and all remedies under the Lease or at law or in equity (including the right to terminate the Lease), without affording Tenant any notice or cure period. Tenant hereby agrees to defend (with counsel reasonably acceptable to Landlord), indemnify, and hold harmless Landlord from and against any and all claims arising from or related to any such breach of the foregoing certifications, representations, warranties and covenants. Tenant's indemnification obligations in this Section 14 shall survive the expiration or earlier termination of the Lease.

15. Entire Agreement/Conflict. The transmission of this document by Landlord does not constitute an offer by Landlord and shall not be binding on Landlord until its execution by Landlord. The Lease, as amended by this First Amendment, sets forth the entire agreement between the parties with respect to the matters set forth herein and any exhibits, schedules and appendixes attached to this First Amendment are incorporated herein as if fully set forth in this First Amendment and shall be deemed to be a part of this First Amendment. There have been no additional oral or written representations or agreements. With the exception of those terms and conditions specifically modified and amended herein, the herein referenced Lease shall remain in full force and effect in accordance with all its terms and conditions; however, Tenant shall not be entitled, in connection with entering into this First Amendment, to any free rent, allowance, alteration, improvement or similar economic incentive to which Tenant may have been entitled in connection with entering into the Lease, unless otherwise expressly provided in this First Amendment. In the event of any conflict between the terms and provisions of this First Amendment and the terms and provisions of the Lease, the terms and provisions of this First Amendment shall supersede and control.

16. Miscellaneous. This First Amendment shall be construed and enforced in accordance with the laws of the state in which the Premises are located. Time is of the essence with respect to all of Tenant's obligations and deadlines set forth in this First Amendment. No provision of this First Amendment may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. The illegality, invalidity or unenforceability of any provision of this First Amendment shall in no way impair or invalidate any other provision of this First Amendment, and such remaining provisions shall remain in full force and effect. Notwithstanding

anything to the contrary in the Lease or herein, Landlord shall never be liable for consequential, special, or indirect damages under the Lease.

17. Joint Product/Headings. This First Amendment is the result of arms-length negotiations between Landlord and Tenant, both of whom were represented by their respective attorneys. Accordingly, neither party shall be deemed to be the author of this First Amendment and this First Amendment shall not be construed against either party. The section and paragraph headings of this First Amendment are for convenience only and in no way limit or enlarge the scope or meaning of the language hereof.

18. Counterparts. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, and all of such counterparts shall constitute one agreement. To facilitate execution of this First Amendment, the parties may execute and exchange counterparts of this First Amendment via attachment to electronic mail (*.pdf or similar file types). The parties further agree that counterparts of this First Amendment hereto may be signed electronically via Adobe Sign, DocuSign protocol or other electronic platform. All such signatures may be used in the place of original "wet ink" signatures to this First Amendment and shall have the same legal effect as the physical delivery of an original signature.

19. Authority. Tenant and each person signing this First Amendment on behalf of Tenant represents to Landlord as follows: (i) Tenant is duly organized and an existing legal entity, in good standing in the State in which the Premises are located; (ii) Tenant has and is qualified to do business in the State in which the Premises are located; (iii) Tenant has the full right and authority to enter into this First Amendment; and (iv) each person signing on behalf of Tenant was and continues to be authorized to do so.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Office Lease Agreement as of the dates shown below, to be effective for all purposes, however, as of the Effective Date.

LANDLORD:

PRII HIGH BLUFFS LLC, AND COLLINS CORPORATE CENTER PARTNERS, LLC, AS TENANTS IN COMMON

By: PRII BLUFFS LLC,
a Delaware limited liability company,
as Owner Agent

By: Cognac High Bluffs LLC,
a Delaware limited liability company,
its managing member

By: PRISA II LHC, LLC,
a Delaware limited liability company,
its sole member

By: /s/ Nicole Diggs

Name: Nicole Diggs

Title: Vice President

Date: May 19, 2022

TENANT:

XENCOR, INC.,
a Delaware corporation

By: /s/ John Kuch

Name: John Kuch

Title: CFO

Date: May 17, 2022

Exhibit 31.1

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 of Xencor, Inc., (the “Company”);

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 Company as of, and for, the periods presented in this report;

4. The Company’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 Company 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 Company, 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 Company’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 Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’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 Company’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 Company’s internal control over financial reporting.

/s/ BASSIL I. DAHIYAT

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

Date: August 3, 2022

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

I, John J. Kuch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xencor, Inc., (the "Company");

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 Company as of, and for, the periods presented in this report;

4. The Company'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 Company 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 Company, 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

/s/ JOHN J. KUCH

John J. Kuch
Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2022

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Bassil I. Dahiyat, President & Chief Executive Officer of Xencor, Inc. (the "Company"), and John J. Kuch, Chief Financial Officer of the Company, each hereby certifies that, to the best of their knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic 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 Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2022

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 3rd day of August 2022.

/s/ BASSIL I. DAHIYAT	/s/ JOHN J. KUCH
Bassil I. Dahiyat	John J. Kuch
President & Chief Executive Officer	Chief Financial Officer
(Principal Executive 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.