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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 September 30, 2021

or

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

For the transition period from _____ to _____

Commission file number: 001-36182

Xencor, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-1622502**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 West Lemon Avenue, Monrovia, CA	**91016**
(Address of principal executive offices)	(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 November 1, 2021**
Common stock, par value $0.01 per share	58,481,559

Xencor, Inc.

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2021

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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 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;
- our ability to protect our intellectual property position;
- the rate and degree of market acceptance and clinical utility of our products;
- costs of compliance and our failure to comply with new and existing governmental regulations;
- the capabilities and strategy of our suppliers and vendors including key manufacturers of our clinical drug supplies;
- significant competition in our industry;
- costs of litigation and the failure to successfully defend lawsuits and other claims against us;
- the potential loss or retirement of key members of management;
- our failure to successfully execute our growth strategy, including any delays in our planned future growth;
- our failure to maintain effective internal controls; and

- our ability to accurately estimate expenses, future revenues, capital requirements and needs for additional financing.

The factors, risks and uncertainties referred to above and others are more fully described under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 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

Item1. Financial Statements

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

	September 30, 2021 (unaudited)	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 41,200	$ 163,544
Marketable debt securities	199,423	434,156
Equity securities	47,578	5,303
Accounts receivable	20,545	11,443
Contract asset	—	12,500
Prepaid expenses and other current assets	20,883	10,726
Total current assets	329,629	637,672
Property and equipment, net	24,179	21,682
Patents, licenses, and other intangible assets, net	16,675	15,977
Marketable debt securities - long term	276,743	1,030
Equity securities - long term	16,583	16,071
Other assets	33,455	10,812
Total assets	$ 697,264	$ 703,244
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 9,131	$ 8,954
Accrued expenses	22,108	17,603
Lease liabilities	128	1,889
Deferred revenue	12,950	92,615
Total current liabilities	44,317	121,061
Lease liabilities, net of current portion	34,087	9,739
Total liabilities	78,404	130,800
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value: 10,000,000 authorized shares; -0- issued and outstanding shares at September 30, 2021 and December 31, 2020	—	—
Common stock, $0.01 par value: 200,000,000 authorized shares at September 30, 2021 and December 31, 2020; 58,454,811 issued and outstanding at September 30, 2021 and 57,873,444 issued and outstanding at December 31, 2020	585	580
Additional paid-in capital	974,514	937,525
Accumulated other comprehensive income (loss)	(74)	74
Accumulated deficit	(356,165)	(365,735)
Total stockholders' equity	618,860	572,444
Total liabilities and stockholders' equity	$ 697,264	$ 703,244

See accompanying notes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Collaborations, licenses, milestones, and royalties	$ 19,683	$ 35,366	$ 121,096	$ 80,840
Operating expenses				
Research and development	50,610	44,452	141,519	121,853
General and administrative	10,373	7,636	27,462	22,086
Total operating expenses	60,983	52,088	168,981	143,939
Loss from operations	(41,300)	(16,722)	(47,885)	(63,099)
Other income (expenses)				
Interest income, net	196	1,423	558	6,552
Other income (expense), net	(593)	(23)	(610)	111
Gain on equity securities, net	1,506	2,772	57,507	794
Total other income, net	1,109	4,172	57,455	7,457
Net income (loss)	(40,191)	(12,550)	9,570	(55,642)
Other comprehensive income (loss)				
Net unrealized loss on marketable debt securities	(59)	(916)	(149)	(594)
Comprehensive income (loss)	$ (40,250)	$ (13,466)	$ 9,421	$ (56,236)
Basic net income (loss) per common share	$ (0.69)	$ (0.22)	$ 0.16	$ (0.97)
Diluted net income (loss) per common share	$ (0.69)	$ (0.22)	$ 0.16	$ (0.97)
Basic weighted average common shares outstanding	58,350,647	57,266,112	58,199,928	57,091,452
Diluted weighted average common shares outstanding	58,350,647	57,266,112	60,346,480	57,091,452

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, 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	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
Issuance of common stock upon exercise of stock awards	132,709	1	3,228	—	—	3,229
Issuance of restricted stock units	6,617	—	—	—	—	—
Comprehensive loss	—	—	—	(59)	(40,191)	(40,250)
Stock-based compensation	—	—	8,943	—	—	8,943
Balance, September 30, 2021 (unaudited)	58,454,811	$ 585	$ 974,514	$ (74)	$ (356,165)	$ 618,860

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, 2019	56,902,301	$ 569	$ 887,873	$ 1,161	$ (296,402)	$ 593,201
Issuance of common stock upon exercise of stock awards	79,930	1	1,470	—	—	1,471
Issuance of restricted stock units	19,022	—	—	—	—	—
Comprehensive loss	—	—	—	(105)	(8,074)	(8,179)
Stock-based compensation	—	—	6,512	—	—	6,512
Balance, March 31, 2020	57,001,253	570	895,855	1,056	(304,476)	593,005
Issuance of common stock upon exercise of stock awards	181,856	2	3,273	—	—	3,275
Issuance of restricted stock units	2,800	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	28,344	—	725	—	—	725
Comprehensive income (loss)	—	—	—	427	(35,018)	(34,591)
Stock-based compensation	—	—	8,231	—	—	8,231
Balance, June 30, 2020	57,214,253	572	908,084	1,483	(339,494)	570,645
Issuance of common stock upon exercise of stock awards	130,784	1	2,985	—	—	2,986
Issuance of restricted stock units	29,900	—	—	—	—	—
Issuance of common stock under the Employee Stock Purchase Plan	—	—		—	—	—
Comprehensive loss	—	—	—	(916)	(12,550)	(13,466)
Stock-based compensation	—	—	8,318	—	—	8,318
Balance, September 30, 2020 (unaudited)	57,374,937	$ 573	$ 919,387	$ 567	$ (352,044)	$ 568,483

See accompanying notes.

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

	Nine Months Ended September 30,	
	2021	**2020**
Cash flows from operating activities		
Net income (loss)	$ 9,570	$ (55,642)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,384	4,262
Amortization of premium (accretion of discount) on marketable securities	2,632	(981)
Stock-based compensation	26,586	23,061
Abandonment of capitalized intangible assets	727	403
Equity received in connection with license agreement	—	(4,589)
Equity received in connection with sale of financial assets	(3,300)	—
Change in fair value of equity securities	(39,206)	(794)
Impairment on equity securities	563	—
Loss on disposal of assets	17	4
Gain on sale of marketable securities available for sale	—	(153)
Changes in operating assets and liabilities:		
Accounts receivable	(9,102)	12,040
Interest receivable	182	1,135
Contract asset and deposits	12,059	53
Prepaid expenses and other assets	(10,158)	(3,629)
Accounts payable	177	2,920
Accrued expenses	4,505	2,386
Income taxes	—	895
Lease liabilities and right of use (ROU) assets	386	(168)
Deferred revenue	(79,665)	(3,291)
Net cash used in operating activities	(78,643)	(22,088)
Cash flows from investing activities		
Purchase of marketable securities	(387,826)	(477,310)
Purchase of equity securities	(842)	—
Proceeds from sale of property and equipment	4	—
Purchase of intangible assets	(2,348)	(2,143)
Purchase of property and equipment	(6,979)	(7,390)
Proceeds from maturities and sale of marketable securities	343,882	508,256
Net cash (used in) provided by investing activities	(54,109)	21,413
Cash flows from financing activities		
Proceeds from issuance of common stock upon exercise of stock awards	9,471	7,732
Proceeds from issuance of common stock under the Employee Stock Purchase Plan	937	725
Net cash provided by financing activities	10,408	8,457
Net (decrease) increase in cash and cash equivalents	(122,344)	7,782
Cash and cash equivalents, beginning of period	163,544	50,312
Cash and cash equivalents, end of period	$ 41,200	$ 58,094
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 13	$ 15
Supplemental disclosures of non-cash investing activities		
Unrealized loss on marketable securities	$ (149)	$ (594)

See accompanying notes.

Xencor, Inc.

Notes to Financial Statements
(unaudited)

September 30, 2021

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 2020 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 24, 2021.

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. During the three and nine months ended September 30, 2021, the Company recorded an impairment charge of $0.4 million related to an acquired license. There were no impairment charges recorded for the three and nine months ended September 30, 2020.

The Company capitalizes certain in-process intangible assets that are then abandoned when they are no longer pursued or used in current research activities. There was no material abandonment of in-process intangible assets during the three and nine months ended September 30, 2021 and 2020.

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 nine months ended September 30, 2021 and 2020. 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.

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 re-measures 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 readily determinable fair values, 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 nine months ended September 30, 2021, the Company recorded an impairment charge of $0.6 million in connection with an equity security without a readily determinable fair value.

Recent Accounting Pronouncements

Pronouncements Adopted in 2021

Effective January 1, 2021, the Company adopted ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes specific exceptions to the general principles in Topic 740 and simplifies the accounting for income taxes. The adoption of this standard did not have a significant impact on the Company's financial statements.

Effective January 1, 2021, the Company adopted ASU No. 2020-01, which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, *Investment – Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with Topic 321, *Investments – Equity Securities* immediately before applying or upon discontinuing the equity method. The adoption of this standard did not have a significant impact on the Company's financial statements.

Effective January 1, 2021, the Company adopted ASU No. 2020-10, *Codification Improvements*, which amends a variety of topics in the Accounting Standards Codification to improve consistency and clarify guidance. The adoption of this standard did not have a significant impact on the Company's financial statements.

There have been no other material changes to the significant accounting policies previously disclosed in the Company's 2020 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):

	September 30, 2021 (unaudited)				December 31, 2020			
	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
Available-for-Sale Debt Securities:								
Money Market Funds	$ 23,218	$ 23,218	$ —	$ —	$ 158,937	$ 158,937	$ —	$ —
Corporate Securities	103,610	—	103,610	—	119,833	—	119,833	—
Government Securities	372,556	—	372,556	—	315,353	—	315,353	—
Equity Securities:								
Securities with Readily Determinable Fair Value	47,578	47,578	—	—	5,303	5,303	—	—
Securities without Readily Determinable Fair Value	16,583	—	—	16,583	16,071	—	—	16,071
	$ 563,545	$ 70,796	$ 476,166	$ 16,583	$ 615,497	$ 164,240	$ 435,186	$ 16,071

Our policy is to record transfers of assets between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. During the three and nine months ended September 30, 2021 and 2020, there were no transfers between Level 1 and Level 2. During the nine months ended September 30, 2021, an equity investment without a readily determinable fair value was transferred to Level 1 from Level 3.

The following table provides a roll-forward account balance for recurring Level 3 fair value measurements (in thousands):

	Securities without Readily Determinable Fair Value
Balance at December 31, 2020	$ 16,071
Issuance	12,148
Impairment	(563)
Transfer out of Level 3	(11,073)
Balance at September 30, 2021	$ 16,583

The Company held equity securities without a readily determinable fair value at September 30, 2021 and December 31, 2020, respectively. The Company elects the measurement alternative to record 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 nine months ended September 30, 2021, the Company recorded an impairment charge of $0.6 million related to an equity security without a readily determinable value. This impairment charge was recorded as other income (expense).

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(in thousands, except share and per share data)			
Numerator:				
Net income (loss) attributable to common stockholders	$ (40,191)	$ (12,550)	$ 9,570	$ (55,642)
Denominator:				
Weighted-average common shares outstanding used in computing basic net income (loss)	58,350,647	57,266,112	58,199,928	57,091,452
Effect of dilutive securities	—	—	2,146,552	—
Weighted-average common shares outstanding used in computing diluted net income (loss)	58,350,647	57,266,112	60,346,480	57,091,452
Basic net income (loss) per common share	$ (0.69)	$ (0.22)	$ 0.16	$ (0.97)
Diluted net income (loss) per common share	$ (0.69)	$ (0.22)	$ 0.16	$ (0.97)

For the nine months ended September 30, 2021, we excluded 1,139,403 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. For the three months ended September 30, 2021 and the three and nine months ended September 30, 2020, all outstanding potentially dilutive securities have been excluded from the calculation of diluted net income (loss) per common share as the effect of including such securities would have been anti-dilutive.

4. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). For the three and nine months ended September 30, 2021 and 2020, the only component of other comprehensive income (loss) is net unrealized loss on marketable securities. There were no material reclassifications out of accumulated other comprehensive income (loss) during the three and nine months ended September 30, 2021 and 2020.

5. Marketable Debt and Equity Securities

The Company's marketable debt securities held as of September 30, 2021 and December 31, 2020 are summarized below:

September 30, 2021 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	$ 23,218	$ —	$ —	$ 23,218
Corporate Securities	103,623	9	(22)	103,610
Government Securities	372,607	32	(83)	372,556
	$ 499,448	$ 41	$ (105)	$ 499,384
Reported as				
Cash and cash equivalents				$ 23,218
Marketable securities				476,166
Total investments				$ 499,384

December 31, 2020 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money Market Funds	$ 158,937	$ —	$ —	$ 158,937
Corporate Securities	119,782	57	(6)	119,833
Government Securities	315,319	37	(3)	315,353
	$ 594,038	$ 94	$ (9)	$ 594,123
Reported as				
Cash and cash equivalents				$ 158,937
Marketable securities				435,186
Total investments				$ 594,123

The maturities of the Company's marketable debt securities as of September 30, 2021 are as follows:

September 30, 2021 (in thousands)	Amortized Cost	Estimated Fair Value
Mature in one year or less	$ 199,416	$ 199,423
Mature within two years	276,814	276,743
	$ 476,230	$ 476,166

The unrealized losses on available-for-sale investments and their related fair values as of September 30, 2021 and December 31, 2020 are as follows:

	Less than 12 months		12 months or greater	
September 30, 2021 (in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate Securities	$ 21,732	$ (9)	$ 11,727	$ (13)
Government Securities	—	—	161,209	(83)
	$ 21,732	$ (9)	$ 172,936	$ (96)

	Less than 12 months		12 months or greater	
December 31, 2020 (in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses
Corporate Securities	$ 15,843	$ (6)	$ —	$ —
Government Securities	40,802	(3)	—	—
	$ 56,645	$ (9)	$ —	$ —

The unrealized losses from the available-for-sale securities are primarily due to a change in the interest rate environment and not a change in the credit quality of the securities.

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). Equity securities with a readily determinable fair value and their fair values (in thousands) as of September 30, 2021 and December 31, 2020 are as follows:

	Fair Value September 30, 2021	Fair Value December 31, 2020
Astria Common Stock	$ 5,657	$ —
INmune Common Stock	36,617	—
Viridian Common Stock	5,304	5,303
	$ 47,578	$ 5,303

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. During the three and nine months ended September 30, 2021, the Company recorded an impairment charge of $0.6 million related to the Astria preferred stock. Equity securities without a readily determinable fair value and their carrying values (in thousands) as of September 30, 2021 and December 31, 2020 are as follows:

	Carrying Value September 30, 2021	Carrying Value December 31, 2020
Astria Preferred Stock	$ 512	$ —
Zenas Preferred Stock	16,071	16,071
	$ 16,583	$ 16,071

In 2018, the Company received equity shares in Quellis Biosciences, Inc. (Quellis) in connection with a licensing transaction. The Company recorded the Quellis equity as securities not having a readily determinable fair value, and the investment was recorded at its original cost. In 2021, Quellis merged into Catabasis Pharmaceuticals, Inc. (Catabasis), and the Company received 259,206 shares of common stock and 3,928 shares of preferred stock in Catabasis in exchange for its Quellis equity. In June 2021, 3,581 shares of the Catabasis preferred stock were exchanged for 3,580,539 shares of Catabasis common stock. The 3,839,745 shares of the Catabasis common stock have a readily determinable fair value. In August 2021, Catabasis effected a reverse stock split of its shares of common stock at a ratio of 1:6, and in September 2021, Catabasis changed its name to Astria Therapeutics, Inc. (Astria). The adjustment in the fair value of the Astria common stock has been recorded in unrealized gain (loss) on equity securities for the three and nine months ended September 30, 2021.

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 original 3,928 shares of preferred stock at their initial cost of $12.1 million and to review the carrying value for impairment or other changes in carrying value at each reporting period. After the conversion of 3,581 shares of Astria preferred stock to common stock in June 2021, the Company owned 347 shares of preferred stock and continued to carry the shares at their original cost of $1.1 million. During the three and nine months ended September 30, 2021, the Company recorded an impairment charge of $0.6 million related to its investment in Astria's preferred stock.

In 2017, the Company received 1,585,000 shares of common stock of INmune Bio, Inc.(INmune) and an option to acquire an additional 10% of INmune's outstanding shares of common stock in connection with a licensing transaction. The Company also received an option to acquire 108,000 shares of INmune common stock in connection with a designee appointed by us serving on the board of directors of INmune. The Company initially recorded its equity interest, including its option to acquire additional equity in INmune, at cost pursuant to ASC 323, *Investments – Equity Method and Joint Ventures*. In June 2021, the Company entered into an Option Cancellation Agreement with INmune and received an additional 192,533 shares of INmune common stock. During the three-month period ended June 30, 2021, the Company determined that it should no longer account for its investment in INmune under the equity method. In September 2021, the Company exercised its option to purchase 108,000 shares of INmune common stock for $0.8 million and the Company recorded a gain of $0.9 million on the purchase. The 1,885,533 shares of INmune common stock have 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 nine months ended September 30, 2021.

In 2020, the Company received 322,407 shares of common stock of Viridian Therapeutics, Inc. (Viridian) in connection with the Viridian Agreement (defined below). The shares of Viridian common stock are classified as equity securities with a readily determinable fair value at September 30, 2021.

In 2020, the Company received an equity interest in Zenas BioPharma Limited (Zenas), in connection with the Zenas Agreement (defined below). The Company elected the measurement alternative to carry the Zenas equity at cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. During the three and nine months ended September 30, 2021, there has not been any impairment or observable price changes related to this investment.

Unrealized gains recognized on equity securities during the three and nine months ended September 30, 2021 and 2020 consist of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net gains recognized on equity securities	$ 1,506	$ 2,772	$ 57,507	$ 794
Less: net gains recognized on sale of equity securities	—	—	(18,301)	—
Unrealized gains recognized on equity securities	$ 1,506	$ 2,772	$ 39,206	$ 794

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 September 30, 2021, the total number of shares of common stock available for issuance under the 2013 Plan is 13,243,218, which includes 2,684,456 shares of common stock that were available for issuance under the 2010 Plan as of the effective date of the 2013 Plan. 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 2,314,937 shares on January 1, 2021. As of September 30, 2021, a total of 12,235,413 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. We have reserved a total of 581,286 shares of common stock for issuance under the ESPP. 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 our Board, there was no increase in the number of authorized shares in the ESPP from 2015 to 2020. As of September 30, 2021, we have issued a total of 498,147 shares of common stock under the ESPP.

During the nine months ended September 30, 2021, the Company awarded 313,084 RSUs to certain employees. The standard vesting of these awards is generally in three equal annual installments and is contingent on continued service to the Company. The fair value of these awards is determined based on the intrinsic value of the stock on the date of grant and will be recognized as stock-based compensation expense over the requisite service period. As of September 30, 2021, we have granted a total of 766,871 shares of common stock issuable upon the vesting of RSUs.

Total employee, director and non-employee stock-based compensation expense recognized for the three and nine months ended September 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
General and administrative	$ 3,370	$ 2,881	$ 9,300	$ 7,975
Research and development	5,573	5,437	17,286	15,086
	$ 8,943	$ 8,318	$ 26,586	$ 23,061

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	$ 6,959	$ 6,624	$ 20,844	$ 19,172
ESPP	265	209	766	616
RSUs	1,719	1,485	4,976	3,273
	$ 8,943	$ 8,318	$ 26,586	$ 23,061

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, 2020	7,751,789	$ 26.23	7.00	$ 134,941
Options granted	1,662,574	$ 41.68		
Options forfeited	(352,210)	$ 36.06		
Options exercised	(416,200)	$ 22.76		
Balance at September 30, 2021	8,645,953	$ 28.97	6.79	$ 54,470
Exercisable	5,394,241	$ 23.74	5.61	$ 52,877

We calculate the intrinsic value as the difference between the exercise price of the options and the closing price of common stock of $32.66 per share as of September 30, 2021.

The weighted-average fair value of options granted during the nine-month periods ended September 30, 2021 and 2020 were $21.96 and $16.60 per share, respectively. There were 1,562,774 options granted during the nine-month period ended September 30, 2020. 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 nine months ended September 30, 2021 and 2020:

	Options		Options	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Expected term (years)	6.0	6.0	6.2	6.1
Expected volatility	55.6 %	56.2 %	55.6 %	54.5 %
Risk-free interest rate	0.88 %	0.35 %	1.00 %	0.80 %
Expected dividend yield	— %	— %	— %	— %

	ESPP		ESPP	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Expected term (years)	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	46.1 - 66.4 %	50.8 - 62.6 %	46.1 - 66.4 %	50.8 - 62.6 %
Risk-free interest rate	0.04 - 1.65 %	0.18 - 1.65 %	0.04 - 1.65 %	0.18 - 1.65 %
Expected dividend yield	— %	— %	— %	— %

As of September 30, 2021, the unamortized compensation expense related to unvested stock options was $58.8 million. The remaining unamortized compensation expense will be recognized over the next 2.7 years. As of September 30, 2021, the unamortized compensation expense under our ESPP was $0.3 million. The remaining unamortized expense will be recognized over the next 0.2 years.

The following table summarizes the RSU activity for the nine-month period ended September 30, 2021:

	Restricted Stock Units		Weighted Average Grant Date Fair Value (Per unit)
Unvested RSUs at December 31, 2020	358,825	$	33.04
Granted	313,084		41.40
Vested	(134,615)		31.94
Forfeited	(48,515)		36.59
Unvested RSUs at September 30, 2021	488,779	$	38.35

As of September 30, 2021, the unamortized compensation expense related to unvested RSUs was $14.7 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. In July 2017, under a separate lease agreement, the Company entered into a lease for additional space in the same building with a lease that continues through September 2022, also with an option to renew for an additional five years. The Company has assessed that it is unlikely to exercise either of the lease term extension options.

The Company leases additional office space in San Diego, California through August 2022, with an option to extend for an additional five 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.

In June 2021, the Company entered into an Agreement of Lease (465 N. Halstead), (the Halstead Lease) relating to 129,543 rentable square feet, for laboratory and office space, in Pasadena, California, where the Company intends to move its corporate headquarters in the second half of 2022. The term of the Halstead Lease will become effective in two phases. The first phase commences on July 1, 2022 and encompasses 83,083 square feet while the second phase commences no later than September 30, 2026 and encompasses an additional 46,460 square feet. The term of the Halstead Lease is 13 years from the first phase commencement date. The Company received delivery of the first phase premises on July 1, 2021 and is scheduled to complete construction of office, laboratory, and related improvements in the second half of 2022. The Halstead Lease provides the Company with improvement allowances of up to $17,032,015 and $3,252,000 in connection with the Phase 1 and Phase 2 building improvements, respectively. The initial base monthly rent is $386,335.95, or $4.65 per square foot, and includes increases of three percent annually. The Company will also be responsible for its proportionate share of operating expenses, tax expense, and utility costs. In July 2021, the Halstead Lease was amended to clarify the start date of the new lease as August 1, 2022 and to amend other provisions of the Halstead Lease to reflect the new start date of the lease. For the three and nine months ended September 30, 2021, ROU assets obtained in exchange for new operating lease liabilities are $29.7 million.

In June 2021, the Company entered into an 18-month lease for a 7,020-square-foot office space in Monrovia, California. The lease began on August 1, 2021, and the initial base monthly rent is $15,000. The Company received delivery of the premises on July 19, 2021. For the three and nine months ended September 30, 2021, ROU assets obtained in exchange for new operating lease liabilities are $0.3 million.

The following table reconciles the undiscounted cash flows for the operating leases at September 30, 2021 to the operating lease liabilities recorded on the balance sheet (in thousands):

Years ending December 31,	
For the remainder of 2021	$ 495
2022	2,337
2023	5,566
2024	5,713
2025	5,817
2026	5,279
Thereafter	52,117
Total undiscounted lease payments	77,324
Less: Tenant allowance	(17,032)
Less: Imputed interest	(26,077)
Present value of lease payments	$ 34,215
Lease liabilities - short-term	$ 128
Lease liabilities - long-term	34,087
Total lease liabilities	$ 34,215

The following table summarizes lease costs and cash payments for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2021	**2020**	**2021**	**2020**
Operating lease cost	$ 1,553	$ 599	$ 2,780	$ 1,896
Variable lease cost	16	70	44	129
Total lease costs	$ 1,569	$ 669	$ 2,824	$ 2,025
Cash paid for amounts included in the measurement of lease liabilities	$ 1,034	$ 527	$ 2,081	$ 1,650

As of September 30, 2021, the weighted-average remaining lease term for operating leases is 12.3 years, and the weighted-average discount rate for operating leases is 5.7%. As of September 30, 2020, the weighted-average remaining lease term for operating leases is 5.1 years, and the weighted-average discount rate for operating leases is 5.5%.

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 nine months ended September 30, 2021 and 2020.

Aimmune Therapeutics, Inc.

On February 4, 2020, the Company entered into a License, Development and Commercialization Agreement (the Aimmune Agreement) with Aimmune pursuant to which the Company granted Aimmune an exclusive worldwide license to XmAb7195, which was renamed AIMab7195. The Company received an upfront payment of $5.0 million and 156,238 shares of Aimmune common stock with an aggregate value of $4.6 million on the closing date. Under the Aimmune Agreement, the Company is also eligible to receive up to $385.0 million in milestones, which includes $22.0 million in development milestones, $53.0 million in regulatory milestones and $310.0 million in sales milestones, and tiered royalties on net sales of approved products from high-single to mid-teen percentage range.

No revenue was recognized in the three and nine months ended September 30, 2021, or the three months ended September 30, 2020. The Company recognized $9.6 million of revenue related to the agreement for the nine months ended September 30, 2020. There is no deferred revenue as of September 30, 2021 related to this agreement.

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 contractual milestones 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.

At December 31, 2020, the Company recorded a contract asset of $10.0 million related to a contractual sales milestone; the Company received payment for this milestone during the three-month period ended March 31, 2021.

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 $5.8 million and $4.3 million of royalty revenue under this arrangement for the three months ended September 30, 2021 and 2020, respectively. The Company recognized $16.4 million and $11.5 million of revenue for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, there is a receivable of $10.5 million related to royalties due under the arrangement. 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, the Company granted an exclusive license to Amgen to the rights to our CD38 x CD3 preclinical program and developed AMG 424. Amgen also applied our bispecific Fc technology to create AMG 509, a STEAP1 x CD3 XmAb 2+1 bispecific antibody.

In May 2020, Amgen notified the Company that it was terminating its rights with respect to the AMG 424 program, (now XmAb968). Under the terms of the Amgen Agreement, the rights to the XmAb968 program reverted to the Company. Pursuant to the termination agreement, the Company entered into a supply agreement with Amgen under which Amgen will provide drug product of XmAb968 to the Company. In the second quarter of 2021, the Company purchased XmAb968 drug product from Amgen to enable it to support additional studies of XmAb968.

There is a payable of $0.9 million due to Amgen in connection with the drug supply agreement at September 30, 2021. No revenue was recognized under the Amgen Agreement during the three and nine months ended September 30, 2021 or 2020. As of September 30, 2021, 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. Pursuant to the Astellas Agreement, the Company received an upfront payment of $15.0 million and is eligible to receive up to $240.0 million in milestones, which include $32.5 million in development milestones, $57.5 million in regulatory milestones and $150.0 million in sales milestones.

The Company recognized the $13.6 million allocated to the bispecific antibodies when it satisfied its performance obligation and transferred the bispecific antibodies to Astellas in June 2019. The $1.4 million allocated to the research activities was recognized as the research services were completed. The Company completed the remaining activities under the research plan during the second quarter of 2020.

At December 31, 2020, the Company recorded a contract asset of $2.5 million related to a development milestone; the Company received payment for this milestone in the three-month period ended March 31, 2021.

The Company did not recognize revenue related to the arrangement for the three and nine months ended September 30, 2021, or the three months ended September 30, 2020. The Company recognized $0.9 million revenue for the nine months ended September 30, 2020. There is no deferred revenue as of September 30, 2021 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 up to $66.0 million in milestones, which include $6.0 million in development milestones, $30.0 million in regulatory milestones and $30.0 million in sales milestones. In addition, the Company is eligible to receive royalties in the mid-single digit percentage range on net sales of approved products.

In January 2021, Quellis merged into Catabasis, and the Company received common stock and preferred stock of Catabasis 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 March 31, 2021. In June 2021, a portion of the Company's preferred stock in Catabasis was converted to common stock, which was recorded at its fair value as of June 30, 2021. The remaining Catabasis preferred stock is carried at its original cost and is reviewed for impairment or other changes at each reporting period. In August 2021, Catabasis effected a reverse stock split of its shares of common stock at a ratio of 1:6, and in September 2021, Catabasis changed its name to Astria. The Company recorded an impairment charge of $0.6 million for its investment in Astria preferred stock for the three months ended September 30, 2021.

The Company recognized unrealized loss of $2.4 million and unrealized gain of $6.7 million related to its equity interest in Astria for the three and nine months ended September 30, 2021. There is no deferred revenue as of September 30, 2021 related to this agreement.

Bristol Myers Squibb Company

In May 2021, the Company entered into a Technology License Agreement (the BMS Agreement) with Bristol-Myers Squibb Company (BMS) pursuant to which the Company provided a non-exclusive license to its Xtend technology to extend the half-life of antibodies that specifically bind to SARS-CoV-2. Under the terms of the BMS Agreement, BMS is responsible for all research, development, regulatory and commercial activities for antibodies, and the Company is eligible to receive royalties on net sales of approved products in the low-single digit percentage range.

BMS initiated a Phase 2 study with a licensed antibody to treat patients with COVID-19 in the third quarter of 2021. No revenue was recognized for the three and nine months ended September 30, 2021. There is no deferred revenue as of September 30, 2021 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. Hoffman-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%. In October 2020, a second candidate, a targeted IL-15 molecule, was designated as a development candidate, and all development costs incurred from the date of designation are being shared with Genentech under the initial cost-sharing percentage of 45%. In August 2021, Genentech and Xencor ceased development of the targeted IL-15 program due to observations in preclinical studies that suggested an undesirable risk/benefit profile.

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 recognized the $111.7 million allocated to the license when it satisfied its performance obligation and transferred the license to Genentech in March 2019. A total of $8.3 million of the transaction price was allocated to the research activities and is being recognized over a period of time through the end of the research term that services are rendered. The research term expired in the first half of 2021, and the balance in deferred revenue related to the Genentech Agreement was recognized as the Company is no longer required to render services.

The Company did not recognize revenue for the three months ended September 30, 2021. For the three months ended September 30, 2020, the Company recognized $0.9 million of revenue. For the nine months ended September 30, 2021 and 2020, the Company recognized $2.5 million and $2.3 million of revenue, respectively. As of September 30, 2021, there is a $5.3 million payable related to cost-sharing development activities during the third quarter of 2021 for the XmAb306 and the targeted IL-15 programs. There is no deferred revenue as of September 30, 2021, as the obligation to perform research activities has expired.

Gilead Sciences, Inc.

In January 2020, the Company entered into a Technology License Agreement (the Gilead Agreement) with Gilead Sciences, Inc. (Gilead), pursuant to which the Company provided an exclusive license to its Cytotoxic Fc and Xtend Fc technologies for an initial identified antibody and options for up to three additional antibodies directed to the same molecular target. The Company retains the right to grant licenses for other antibodies directed to the target. Gilead is responsible for all development and commercialization activities for all target candidates. The Company received an upfront payment of $6.0 million and is eligible to receive up to $67.0 million in milestones, which includes $10.0 million in development milestones, $27.0 million in regulatory milestones and $30.0 million in sales milestones for each product incorporating the antibodies selected. In addition, the Company is eligible to receive royalties in the low-single digit percentage range on net sales of approved products.

The Company did not recognize any revenue related to the Gilead Agreement for the three and nine months ended September 30, 2021, or the three months ended September 30, 2020. The Company recognized $13.5 million of revenue related to the Gilead Agreement for the nine months ended September 30, 2020. There is no deferred revenue as of September 30, 2021 related to this agreement.

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 1,585,000 shares of INmune common stock and an option to acquire additional shares of INmune. The Company also received an option to acquire 108,000 shares of INmune common stock with a designee appointed by us serving on the board of directors of INmune.

The option had a six-year term from the date of the INmune Agreement and provided the Company the option to purchase up to 10% of the fully diluted outstanding shares of INmune common stock for $10.0 million. The Company initially recorded its equity interest in INmune, including its option to acquire additional INmune shares, at cost pursuant to ASC 323.

In June 2021, the Company entered into the First Amendment to License Agreement (the Amended INmune Agreement) and an Option Cancellation Agreement (the Option Agreement) with INmune. The Amended INmune Agreement modified certain diligence provisions in the INmune Agreement with no change in total consideration or performance obligations. The Option Agreement provided for the sale of the option to INmune for the total consideration of $18.3 million which includes $15.0 million in cash and $3.3 million in additional shares of INmune common stock, which represented an additional 192,533 shares of INmune common stock. The Company recorded a realized gain of $18.3 million according to ASC 860, *Transfer and Servicing*, and recorded the additional investment of 192,533 shares of INmune common stock according to ASC 321, *Investments – Equity Securities*.

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. The Company adjusted the carrying value of this investment by recognizing an unrealized gain of $27.8 million as other income for the three months ended June 30, 2021.

In September 2021, the Company exercised its option to purchase 108,000 shares of INmune common stock for $0.8 million. The Company recognized an unrealized gain of $2.0 million, which consists of $1.1 million of fair value of the option and $0.9 million gain on the purchase, as other income for the three months ended September 30, 2021.

For the three months ended September 30, 2021, the Company recorded $4.5 million of unrealized gain related to its investment in INmune. For the nine months ended September 30, 2021, the Company recorded $32.5 million of unrealized gain and $18.3 million of realized gain related to its investment in INmune.

At the inception of the INmune Agreement in 2017, INmune was a related party as a result of the Company's significant influence with respect to its investment in INmune, as determined under ASC 323. The Company did not have any amounts due to or from INmune at June 30, 2021 or December 31, 2020. At June 30, 2021, the Company determined that it no longer has a significant influence in INmune and that INmune is no longer a related party.

Janssen Biotech, Inc.

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 will conduct research and development activities to discover novel CD28 bispecific antibodies for the treatment of prostate cancer. Janssen and the Company will conduct joint research activities for up to a three-year period to discover XmAb bispecific antibodies against CD28 and against an undisclosed prostate tumor-target with Janssen maintaining exclusive worldwide rights to develop and commercialize licensed products identified from the research activities.

Under the Janssen Agreement, the Company will conduct research activities and apply its bispecific Fc technology to antibodies targeting prostate cancer provided by Janssen. Upon completion of the research activities Janssen will have a candidate selection option to advance an identified candidate for development and commercialization. The activities will be conducted under a research plan agreed to by both parties. Janssen will assume full responsibility for development and commercialization of the CD28 bispecific antibody candidate. Pursuant to the Janssen Agreement, the Company received an upfront payment of $50.0 million and is eligible to receive up to $662.5 million in milestones which includes $161.9 million in development milestones, $240.6 million in regulatory milestones and $260.0 million in sales milestones. If commercialized, the Company is eligible to receive royalties on net sales that range from the high-single to low-double digit percentages.

The Company evaluated the Janssen Agreement under ASC 606 and identified the performance obligation under the Agreement to be delivery of CD28 bispecific antibodies to Janssen from the research activities outlined in the research plan. The Company determined that the license to the bispecific antibodies is not a separate performance obligation because it is not capable of being distinct; the license to the antibodies cannot be separated from the underlying antibodies.

The Company determined that the transaction price of the Janssen Agreement at inception was $50.0 million consisting of the upfront payment. The potential milestones are not included in the transaction price as these are contingent on future events, and the Company would not recognize these in revenue until it is not probable that these would not result in significant reversal of revenue amounts in future periods. The Company will re-assess the transaction price at each reporting period and when event outcomes are resolved or changes in circumstances occur.

The Company allocated the transaction price to the single performance obligation, delivery of CD28 bispecific antibodies to Janssen.

The Company is recognizing the $50.0 million transaction price as it satisfies its performance obligation to deliver CD28 bispecific antibodies to Janssen. The Company is using the expected input method, which considers an estimate of the Company's efforts to complete the research activities outlined in the Janssen Agreement.

The Company recognized $6.3 million and $37.0 million of revenue under this arrangement for the three and nine months ended September 30, 2021, and there is $13.0 million in deferred revenue as of September 30, 2021 related to our obligation to complete research activities and deliver CD28 bispecific antibodies under the 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.

In February 2020, the U.S. Food and Drug Administration (FDA) accepted MorphoSys' Biologics License Application (BLA) for tafasitamab and the Company received a milestone payment of $12.5 million. The Company recognized the payment as revenue in the period that the milestone event occurred.

On July 31, 2020, the FDA granted accelerated approval to MorphoSys' BLA for tafasitamab (now Monjuvi®) for marketing in the United States. In connection with the approval, the Company received a milestone payment of $25.0 million.

During the three months ended March 31, 2021, MorphoSys reported to us its plans to initiate additional clinical studies of Monjuvi, and the Company recorded a contract asset of $12.5 million as an adjustment to the total transaction price. In April 2021, MorphoSys and Incyte Corporation (Incyte) announced the dosing of the first patient in one of their planned Phase 3 clinical studies and the contract asset was recorded as a receivable. The Company received payment for this receivable in the three months ended June 30, 2021.

The Company is eligible to receive royalties in the high-single to low-double digit percentage range on approved sales of Monjuvi. Under ASC 606, the Company recognizes revenue for sales-based royalties upon the subsequent sale of the product. The Company recorded royalties for Monjuvi based on an estimate of sales to be reported by MorphoSys for the three and nine months ended September 30, 2021.

The Company recognized $1.3 million and $25.2 million of revenue during the three months ended September 30, 2021 and 2020, respectively. The Company recognized $16.4 million and $37.7 million of revenue during the nine months ended September 30, 2021, and 2020, respectively. As of September 30, 2021, there is a receivable of $1.5 million related to estimated royalties due under the arrangement. As of September 30, 2021, 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 are co-developing vibecotamab worldwide and sharing development costs;
- the Company will apply its bispecific technology in up to four target pair antibodies identified by Novartis (each a Global Discovery Program) during the research term; and

- the Company will provide Novartis with a non-exclusive license to certain of its Fc technologies to apply against up to ten targets identified by Novartis during the research term.

In August 2021, Novartis notified the Company it was terminating its rights with respect to the vibecotamab program, which will be effective in February 2022. Under the Novartis Agreement, Novartis is responsible for its share of vibecotmab development costs through August 2022.

We completed delivery of separate Global Discovery Programs in 2017 and in 2018. The research term expired in June 2021 without delivery of additional Global Discovery Programs.

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. During the three months ended June 30, 2021, Novartis advanced the Fc candidate into investigational new drug (IND)-enabling studies and the Company recognized a milestone of $1.0 million.

The Company recognized $40.1 million of revenue during the nine months ended September 30, 2021, as a result of the expiration of the research term under the Novartis Agreement. The Company also recognized $1.0 million of milestone revenue during the nine months ended September 30, 2021. No revenue was recognized during the three months ended September 30, 2021, or the three and nine months ended September 30, 2020. As of September 30, 2021, there is a receivable of $0.6 million related to cost-sharing of development activities for the third quarter of 2021 for the vibecotamab program. There is no deferred revenue as of September 30, 2021 as the research term to deliver additional Global Discovery Programs to Novartis under the arrangement has expired.

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 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 determined that the Second Vir Agreement and the Vir Amendments were modifications of the original Vir Agreement, and that the transfer of the license occurred at inception of the Vir Agreement. The total consideration under the arrangement did not change with the Second Vir Agreement or the Amendments as the Company will potentially receive additional royalty revenue which is variable consideration and is not included in the transaction price.

In June 2021, Vir announced its plan to initiate a Phase 2 study for VIR-3434 and subsequently completed dosing of the first patient in such study in July 2021. The Company recorded a $0.5 million contract asset in connection with this milestone event, and the payment was received in August 2021.

The Company recognized $6.3 million and $7.7 million of revenue for the three and nine months ended September 30, 2021, respectively. Total revenue recognized under the Vir Agreement and Second Vir Agreement includes $6.3 million and $7.2 million of royalty revenue for the three and nine months ended September 30, 2021 and $0.5 million and $0.3 million of milestone revenue for the nine months ended September 30, 2021 and September 30, 2020. There is a receivable of $6.3 million related to estimated royalty due under this agreement. There is no deferred revenue as of September 30, 2021 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 of 322,407 shares of Viridian common stock valued at $6.0 million and is eligible to receive up to $55.0 million in milestones, which includes $10.0 million in development milestones, $20.0 million in regulatory milestones and $25.0 million in sales milestones. If commercialized, the Company is eligible to receive royalties on net sales in the mid-single digit percentage range.

The Company recognized revenue of $6.0 million from the Viridian Agreement in 2020, which includes the upfront payment of 322,407 shares of Viridian common stock at their fair value at the date of the Viridian Agreement. At inception of the Viridian Agreement, these shares were recorded at their fair value and are adjusted to their fair value at the end of each reporting period. The Company reported unrealized loss in other income of $0.6 million for the three months ended September 30, 2021 related to the shares of Viridian common stock.

The Company did not recognize revenue for the three and nine months ended September 30, 2021, and there is no deferred revenue as of September 30, 2021 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 the Company is eligible to receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

The total transaction price is $16.1 million, which includes the upfront payment of 15% of the equity of Zenas at its fair value using the measurement alternative under ASC 321 as of the date of the Zenas Agreement. The Company recorded licensing revenue of $16.1 million for the Zenas Agreement for the three months ended December 31, 2020. 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. The Company did not record an impairment or change in the value of the Zenas equity at September 30, 2021.

The Company did not recognize any revenue related to the Zenas Agreement for the three and nine months ended September 30, 2021. There is no deferred revenue as of September 30, 2021 related to this agreement.

Revenue earned

The revenues recorded for the three and nine months ended September 30, 2021 and 2020 were earned principally from the following licensees (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Aimmune	$ —	$ —	$ —	$ 9.6
Alexion	5.8	4.3	16.4	11.5
Astellas	—	—	—	0.9
Genentech	—	0.9	2.5	2.3
Gilead	—	—	—	13.5
Janssen	6.3	—	37.0	—
MorphoSys	1.3	25.2	16.4	37.7
Novartis	—	—	41.1	—
Omeros	—	5.0	—	5.0
Vir	6.3	—	7.7	0.3
Total	$ 19.7	$ 35.4	$ 121.1	$ 80.8

The table below summarizes the disaggregation of revenue recorded for the three and nine months ended September 30, 2021 and 2020 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Research collaboration	$ 6.3	$ 0.9	$ 79.7	$ 3.2
Milestone	—	25.0	14.0	37.8
Licensing	—	5.0	—	28.1
Royalties	13.4	4.5	27.4	11.7
Total	$ 19.7	$ 35.4	$ 121.1	$ 80.8

Remaining Performance Obligations and Deferred Revenue

The Company’s remaining performance obligation as of September 30, 2021 is conducting research activities pursuant to research plans under the Janssen Agreement. The Company completed its performance obligations for research activities pursuant to the Astellas Agreement in the second quarter of 2020. The Company’s obligation to perform research services for Genentech and to deliver additional Global Discovery Programs under the Novartis Agreement ended upon expiration of the respective research terms for each agreement in the second quarter of 2021. As of September 30, 2021 and 2020, the Company has deferred revenue of $13.0 million and $43.8 million, respectively. All deferred revenue as of September 30, 2021 is classified as current liabilities as the Company’s obligations to perform services are due on demand when requested by Janssen under the Janssen Agreement.

10. Income taxes

There was no provision for income taxes for the three and nine months ended September 30, 2021 or 2020. For the three and nine months ended September 30, 2021, taxable income was reduced by temporary differences in revenue recognition and from unrealized gains in equity securities. As of September 30, 2021, 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.

11. Subsequent Event

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").

Under the terms of the Second Janssen Agreement, the Company will receive a $100.0 million upfront payment and Johnson & Johnson Innovation, JJDC, Inc. ("Johnson and Johnson"), will 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 748,062 shares of Company common stock to be issued to Johnson and Johnson will be subject to customary resale restrictions pursuant to Rule 144 of the Securities Act of 1933. In addition, the Company is eligible to receive milestone payments and royalties on net sales as follows:

- *Plamotamab*. The Company is eligible to receive up to a total of $517.5 million in milestone payments, which includes $120.0 million in development milestones, $137.5 million in regulatory milestones and $260.0 million in sales milestones, as well as tiered royalties in the mid-teen to low-twenties percent range on net sales of products containing plamotamab, including CD28/plamotamab combination products developed under the agreement.
- *CD28 Licensed Antibodies.* The Company is eligible to receive up to a total of $670.0 million in milestone payments, which includes an aggregate of $169.4 million in development milestones and $240.6 million in regulatory milestones. For any products containing CD28 Licensed Antibodies, but excluding CD28/plamotamab combination products, the Company is eligible to receive $260.0 million in sales milestones, as well as tiered royalties in the high-single digit to low-double digit range on net sales.

The Company will collaborate with Janssen on further clinical development of plamotamab with Janssen paying 80% and the Company paying 20% of costs. The Company will continue, at its own expense, to conduct the previously announced clinical collaboration to evaluate the combination of plamotamab, tafasitamab, and lenalidomide in patients with B-cell lymphoma after which Janssen may opt into cost sharing to further develop the combination after establishing proof of concept.

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. Independent of plamotamab development activities, upon clinical proof-of-concept for a CD28 Licensed Antibody that is being developed outside of a plamotamab combination, the Company has the right to opt-in to fund 15% of development costs and, if it opts-in to fund such development costs, to perform up to 30% of the detailing efforts in the United States. The Company would then be eligible for low-double digit to mid-teen percent royalties on net sales of those products.

The Second Janssen Agreement contains customary closing conditions, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act, and the Company expects the closing to occur in the fourth quarter of 2021.

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, 2020 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2020. 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 are advancing a broad portfolio of clinical-stage drug candidates from our proprietary XmAb® technology platforms. We use our protein engineering capabilities to increase our understanding of protein structure and interactions and to design new XmAb technologies and development candidates with improved properties. In contrast to conventional approaches to antibody design, which focus on the segment of antibodies that interact with target antigens, our protein engineering efforts and the XmAb technologies are focused on the Fc domain, 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 Fc domains, the XmAb technology, can be readily substituted for natural Fc domains.

Our protein engineering capabilities and XmAb technologies enable us and our partners to develop antibodies and biotherapeutic drug candidates with improved properties and function, which can provide innovative approaches to treating disease and potential clinical advantages over other treatment options. For example, our capabilities have enabled us to develop an antibody scaffold to rapidly create novel bispecific antibodies that bind two different targets simultaneously, creating entirely new biological mechanisms. Other applications of our XmAb technologies enhance antibody performance by increasing immune inhibitory activity, improving cytotoxicity, extending circulating half-life and stabilizing novel protein structures, such as engineered cytokines. Currently, there are three marketed drugs that have been developed with our XmAb technologies.

Refer to Part I, Item 1, "XmAb Bispecific Technologies" and "Other XmAb Fc Technologies" in the description of our business included in our Annual Report on Form 10-K for the year ended December 31, 2020 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 months ended September 30, 2021, 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 ongoing 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 candidate 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, and is made available by Vir and its partner GlaxoSmithKline Plc. Sotrovimab incorporates our Xtend Fc technology for longer duration of action. VIR-7832, a second antibody licensed to Vir, which also targets the SARS-CoV-2 virus, also incorporates Xtend technology and other XmAb Fc technologies, and it is currently enrolling patients in a Phase 1b/2a study. We are eligible to receive a mid-single digit percentage royalty on the net sales of both sotrovimab and VIR-7832. Our partner BMS has also licensed our Xtend technology to improve the half-life of an antibody that is targeting SARS-CoV-2 and has initiated a Phase 2 study for the candidate. We are eligible to receive low-single digit percentage royalty on net sales of the BMS candidate.

- Revenue: We receive upfront payments, milestone payments, royalties, and equity interests from partners from licensing our XmAb technologies and drug candidates. The COVID-19 pandemic has not adversely affected our revenues for the quarter ended September 30, 2021. During this quarter, for example, we generated approximately $19.7 million in revenue from our partnerships and collaborations including but not limited to our agreements with Janssen, Vir, and Alexion, recognizing $6.3 million, $6.3 million, and $5.8 million of revenue, respectively. We also recorded an unrealized gain of $1.5 million related to equity investments that we received in licensing transactions. In October 2021, we entered into the Second Janssen Agreement with Janssen, which became effective November 5, 2021, under which we will receive an upfront payment of $100.0 million, in addition to $25.0 million which we will receive for the sale of the Company's common stock to Johnson and Johnson in a related transaction at the same time.

  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. 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 the Phase 1 study 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 our clinical development for the period ended September 30, 2021, some of our clinical programs have experienced slower patient enrollment as a result of the pandemic. 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 onsite 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, and have been, developed and implemented. As of September 30, 2021, these activities have continued without interruption from the COVID-19 pandemic.

Our development activities include conducting IND-enabling studies for XmAb819, our first 2+1 CD3 bispecific candidate that targets ENPP3, XmAb808, our first tumor selective CD28 bispecific candidate that targets B7-H3, and XmAb662, our IL12 cytokine candidate. Several other bispecific antibody and cytokine programs are in earlier stages of development. During the third quarter of 2020, the manufacturers of our drug supplies notified us of critical shortages of materials used in their manufacturing processes due to pandemic-related reallocation of resources. The shortages will not affect our current clinical programs as we have sufficient supply of drug material to continue the ongoing trials without interruption. However, these shortages extended the development timelines of early-stage development candidates, including XmAb819, by three to six months. We continue to monitor the effect of the COVID-19 pandemic on our supply chain.

Clinical-Stage XmAb Bispecific Antibody and Cytokine Drug Candidate Updates

Our modular XmAb bispecific technology 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 seventh, in development for patients with autoimmune disease, entered clinical development in April 2021.

XmAb306/RO7310729 (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. An ongoing Phase 1 dose-escalation study of XmAb306 in patients with advanced solid tumors has enrolled six cohorts in a monotherapy arm and four cohorts in an atezolizumab combination arm, and further dose escalation in both study arms is continuing.

XmAb306 has been generally well tolerated as both a monotherapy and in combination with atezolizumab. No dose-limiting toxicities or treatment-related serious adverse events have been observed to date. Assessments of pharmacokinetics indicate that XmAb306 has a multi-day circulating half-life, which is consistent with its reduced-potency design and data generated in preclinical studies. Unconfirmed responses, as evaluated by RECIST criteria, have been observed in multiple tumor types, including in a patient treated with XmAb306 monotherapy.

In recently dosed cohorts, the study has reached dose levels that promote T cell activity, and evidence of peripheral effector T cell proliferation has been observed. Consistent and robust dose-dependent natural killer (NK) cell expansion and NK cell accumulation upon repeat dosing has been observed for multiple NK cell subsets, including mature NK cells. Significant NK cell expansion and accumulation was observed beginning in lower dose cohorts, and at higher dosing cohorts NK cell expansion has reached 40- to 100-fold higher levels than baseline and has been sustained for weeks throughout dosing.

Additional studies of XmAb306 in combination with other agents are being planned. Under the Genentech Agreement, Xencor shares in 45 percent of worldwide development and commercialization costs for XmAb306 and will receive a share of net profits or net losses from product sales at the same percentage rate.

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. Preliminary safety and anti-tumor activity from the ongoing Phase 1 dose-escalation study of plamotamab 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. We are currently enrolling patients in this study. In November 2020, we entered a strategic clinical collaboration with MorphoSys AG and Incyte to investigate the chemotherapy-free triple combination of plamotamab, tafasitamab, and lenalidomide in patients with relapsed or refractory diffuse large B cell lymphoma (DLBCL), first-line DLBCL and relapsed or refractory follicular lymphoma (FL). We plan to initiate the first of these studies, in patients with relapsed or refractory DLBCL, an aggressive type of NHL, in late 2021 or early 2022.

In October 2021, we entered into a collaboration with Janssen to advance plamotamab and XmAb CD28 bispecific antibody combinations for the treatment of patients with B-cell malignancies, which expands our strategy to develop multiple highly active, chemotherapy-free regimens to treat patients with B-cell cancers. Janssen received

worldwide exclusive development and commercial rights to plamotamab, and we will collaborate with Janssen on further clinical development of plamotamab, with us paying 20% of costs, including those for a subcutaneous formulation study anticipated to enter clinical trials in 2022. We will continue, at our own expense, the combination study of plamotamab, tafasitamab, and lenalidomide.

An abstract with updated clinical results from the Phase 1 study of plamotamab in patients with non-Hodgkin lymphoma was accepted for presentation at the American Society of Hematology Annual Meeting in December 2021.

Vudalimab (PD-1 x CTLA-4): Vudalimab (XmAb717) 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 in multiple types of solid tumors, including for patients with castration-resistant prostate cancer. Data from the Phase 1 study indicates that vudalimab was generally well-tolerated and that the most common treatment-related adverse events were immune-related adverse events (irAEs); however, rates of irAEs, including colitis, were lower than typically observed with CTLA-4 blockade. Clinical responses were observed in all expansion cohorts. We have initiated a Phase 2 study of vudalimab for patients with certain molecular subtypes of metastatic castration-resistant prostate cancer (mCRPC), as a monotherapy or in combination depending on the subtype. We are initiating a second Phase 2 study for patients with advanced gynecologic and genitourinary malignancies, and the study includes a cohort to evaluate vudalimab in patients with clinically-defined high-risk mCRPC.

An abstract with updated clinical results from expansion cohorts in the Phase 1 study of vudalimab in patients with prostate cancer, renal cell carcinoma and other cancers without approved checkpoint therapies was accepted for presentation at the Annual Meeting of the Society for Immunotherapy of Cancer, November 10-14, 2021.

Tidutamab (SSTR2 x CD3): Tidutamab is a bispecific antibody that targets somatostatin receptor 2, (SSTR2), a target on many neuroendocrine-like tumor types, and CD3. Dose-escalation and expansion data from the Phase 1 study in patients with neuroendocrine tumors (NET) indicates that tidutamab was generally well tolerated at the recommended dose identified for the expansion portion of the study. Tidutamab induced sustained activation of cytotoxic T cells and engagement of the SSTR2 target and demonstrated an encouraging safety profile. We are enrolling patients in a Phase 2 clinical study for tidutamab in patients with Merkel cell carcinoma and small cell lung cancer, which are SSTR2-expressing tumor types known to be responsive to immunotherapy.

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. In April 2021, the first subject was dosed in a randomized, double-blind, placebo-controlled Phase 1 clinical study that will evaluate the safety and tolerability of XmAb564, administered subcutaneously in healthy adult volunteers.

Vibecotamab (CD123 x CD3): Vibecotamab is a bispecific antibody that targets CD123, an antigen on acute myeloid leukemia (AML) cells and leukemic stem cells, and CD3, an activating receptor on T cells. In August 2021, Novartis notified the Company it was terminating its rights with respect to the vibecotamab program, which will be effective February 2022. We do not intend any further internal development of vibecotamab.

XmAb968(CD38 x CD3) (formerly AMG424): XmAb968 is a bispecific antibody that targets CD38 and CD3. We are supporting a Phase 1 investigator sponsored trial, which is evaluating XmAb968 in patients with T-cell acute lymphoblastic leukemia, T-cell lymphoblastic lymphoma and acute myeloid leukemia.

Additional wholly owned XmAb bispecific antibody programs in Phase 1 clinical studies include XmAb841 (CTLA-4 x LAG-3) and XmAb104 (PD-1 x ICOS). We continue enrolling patients with advanced solid tumors to these studies.

Advancements Expanding XmAb Bispecific Platforms

We conduct further research into the function and application of antibody Fc domains 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 recently 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. Our lead XmAb 2+1 bispecific antibody candidate is XmAb819, a first-in-class ENPP3 x CD3 bispecific antibody. ENPP3 is a tumor-associated antigen in renal cell carcinoma (RCC) and exhibits low-level expression on normal tissues. We plan to submit an IND application for XmAb819 in 2021 and initiate a Phase 1 study in early 2022.

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, which is currently advancing in IND-enabling studies. We plan to submit an IND application for XmAb808 and initiate a Phase 1 study in 2022.

Our CD28 platform is also the subject of two collaborations with Janssen. The first collaboration was announced in December 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 2021, we presented emerging preclinical data from early-stage programs that highlight the potential of the XmAb 2+1 bispecific antibody format and the CD28 platform at the American Association for Cancer Research (AACR) Annual Meeting. Abstracts with data from four preclinical-stage programs, including our IL-12-Fc cytokine program, PD-L1 x CD28 bispecific antibody program, TGFβR2 bispecific program, and bispecific NK cell engager platform, were accepted for presentation at the Annual Meeting of the Society for Immunotherapy of Cancer, November 10-14, 2021.

Progress Across Partnerships

A key part of our business strategy is to leverage our protein engineering capabilities, XmAb technologies and drug candidates with partnerships, collaborations, and licenses. We have sixteen partnerships for the licensing of our XmAb technologies and drug candidates. Through these arrangements we generate revenues in the form of upfront payments, milestone payments, royalties, and equity interests from our partners. 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 and also equity interests in the form of stock. The types of arrangements that we have entered 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. Monjuvi® and Minjuvi® are registered trademarks of MorphoSys AG.

In April 2021, MorphoSys and Incyte announced the initiation of a Phase 3 study (inMIND) evaluating the addition of tafasitamab to lenalidomide and rituximab in patients with relapsed or refractory follicular lymphoma or marginal zone lymphoma. In the first nine months of 2021, we earned $12.5 million for the development milestone, and we recognized royalty revenue of $1.3 million and $3.9 million on net sales of Monjuvi for the three and nine months ended September 30, 2021, respectively.

In March 2021, the two-year research collaboration with Genentech to discover new targeted IL-15 cytokine candidates concluded, and we may independently advance into development targeted IL-15 programs not previously nominated under the agreement.

A targeted IL-15 program was identified as a development candidate under the Genentech Agreement in October 2020, and we were sharing in 45% of development costs for this candidate. In August 2021, Genentech and Xencor ceased development of the targeted IL-15 program due to observations in preclinical studies that suggested an undesirable clinical profile. No additional development of this candidate is planned by Genentech or us.

In November 2020, we entered into an agreement with Zenas, to which we licensed the exclusive, worldwide rights to develop and commercialize three preclinical-stage Fc-engineered drug candidates for autoimmune disease. Zenas is a cross-border biopharmaceutical company committed to becoming a global leader in the development and delivery of immune-based therapies for patients in China and around the world. XmAb6755, XPro9523, and XmAb10171 incorporate an Xtend Fc Domain, a Cytotoxic Fc Domain, or both. Zenas has indicated that these programs, which are collectively named ZB002, ZB003 and ZB004, are undergoing IND-enabling studies to support clinical development for both new and established autoimmune disease indications. We received a 15% equity interest in the company, and we are eligible to receive royalties on net sales of approved products in the mid-single digit to mid-teen percentage range.

In October 2017, we entered into an agreement with INmune, pursuant to which we provided INmune with an exclusive license to our XPro1595 drug candidate. INmune is currently conducting a Phase 2 study in hospitalized patients with respiratory symptoms from COVID-19 infection, as Quellor™ and Phase 1 studies in patients with Alzheimer’s disease and treatment resistant depression, as XPro1595. In connection with the license, we received shares of INmune common stock and an option to acquire up to 10% of the outstanding common stock of INmune for $10.0 million. At inception of the INmune Agreement, INmune became a related party of the Company as a result of the Company’s significant influence with respect to its investment in INmune. In June 2021, we sold the option for $15.0 million in cash and $3.3 million in additional shares of INmune common stock. After the sale of the option, the Company determined that INmune is no longer a related party of the Company as of June 2021. In September 2021, we exercised an option to acquire an additional 108,000 shares of INmune common stock for $0.8 million.

Technology License Agreements

We enter into technology licensing agreements pursuant to which we license access to one or more of our XmAb Fc technologies 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., Europe, and Japan for the treatment of patients with paroxysmal nocturnal hemoglobinuria (PNH) and for patients with atypical hemolytic uremic syndrome (aHUS). Alexion is also evaluating Ultomiris in a broad late-stage development program across many indications in neurology and nephrology. We earned $5.8 million and $16.4 million in royalties from Alexion for the three and nine months ended September 30, 2021, respectively. Alexion, AstraZeneca Rare Disease, is the group within AstraZeneca focused on rare diseases, created following AstraZeneca's acquisition of Alexion in 2021.

Vir has non-exclusive access to multiple of our 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 $6.3 million and $7.2 million in royalties from Vir for the three and nine months ended September 30, 2021, respectively.

In August 2019, we provided Vir a non-exclusive license to our Xtend Fc technology for two targets in infectious disease. Vir has advanced two programs under this agreement. In the second quarter of 2021, Vir announced plans to initiate a Phase 2 trial of VIR-3434 in combination with an siRNA drug candidate as a potential treatment for patients with chronic hepatitis B virus infection, and we earned $0.5 million for the development milestone.

In May 2021, we entered into a technology license agreement with Bristol-Myers Squibb Company (BMS) under which BMS has access to Xtend Fc technology to extend the half-life of a novel antibody combination therapy that is intended to neutralize the SARS-CoV-2 virus for the treatment or prevention of COVID-19. Phase 2 and 3 studies are planned as part of the NIH ACTIV-2 trial examining treatment of infected outpatients. Under the terms of the agreement, BMS is solely responsible for the activities and costs related to research, development, regulatory, and commercial activities for their COVID-19 drug candidates, and Xencor is eligible to receive royalties on net sales in the mid-single digit percent range. BMS initiated a Phase 2 study of the antibody combination therapy in the third quarter of 2021.

In connection with our June 2016 collaboration and license agreement with Novartis, we granted Novartis a non-exclusive license to certain non-bispecific XmAb Fc technologies to apply against up to ten targets. In the second quarter of 2021, we earned $1.0 million for a development milestone related to an undisclosed XmAb antibody program.

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 products approved for commercial sale and have not generated any revenues from product sales, and we continue to incur significant research and development expenses and other expenses related to our ongoing operations. To date, we have funded our operations primarily through the sale of stock and from payments generated from our product development partnerships and licensing arrangements.

As of September 30, 2021, we had an accumulated deficit of $356.2 million. Substantially all of the operating losses that we have incurred resulted from expenses incurred in connection with our product candidate development programs, our research activities and general and administrative costs associated with our operations.

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations for the three months ended September 30, 2021 and 2020 (in millions):

	Three Months Ended September 30,		
	2021	2020	Change
Revenues:			
Research collaboration	$ 6.3	$ 0.9	$ 5.4
Milestone	—	25.0	(25.0)
Licensing	—	5.0	(5.0)
Royalties	13.4	4.5	8.9
Total revenues	19.7	35.4	(15.7)
Operating expenses:			
Research and development	50.6	44.5	6.1
General and administrative	10.4	7.6	2.8
Total operating expenses	61.0	52.1	8.9
Other income, net	1.1	4.2	(3.1)
Net loss	$ (40.2)	$ (12.5)	$ (27.7)

Revenues

Revenues for the three months ended September 30, 2021 are primarily from the collaboration with Janssen and royalty revenue from Alexion, MorphoSys, and Vir. Revenues for the three months ended September 30, 2020 are primarily from the milestone revenue recognized from MorphoSys, licensing revenue from Omeros, and the royalty revenue from Alexion.

Research and Development Expenses

The following tables summarize our research and development expenses for the three months ended September 30, 2021 and 2020 (in millions):

	Three Months Ended September 30,		
	2021	2020	Change
Product programs:			
Obexelimab (XmAb5871)	$ 0.2	$ 0.3	$ (0.1)
Bispecific programs:			
CD3 programs:			
*Vibecotamab**	*1.5*	*3.3*	*(1.8)*
Plamotamab	*9.6*	*8.0*	*1.6*
Tidutamab	*3.4*	*4.4*	*(1.0)*
XmAb819 (ENPP3 x CD3)	*4.0*	*2.7*	*1.3*
Total CD3 programs	18.5	18.4	0.1
Tumor micro environment (TME) activator programs:			
Vudalimab (XmAb717)	*6.8*	*7.2*	*(0.4)*
XmAb104	*2.7*	*3.7*	*(1.0)*
XmAb841	*3.6*	*2.8*	*0.8*
Total TME activators programs	13.1	13.7	(0.6)
Cytokine programs:			
*XmAb306/RG6323 and a targeted IL-15 candidate**	*5.7*	*2.3*	*3.4*
XmAb564	*3.8*	*5.0*	*(1.2)*
Total cytokine programs	9.5	7.3	2.2
Subtotal bispecific programs	41.1	39.4	1.7
Other, research and early stage programs	9.3	4.8	4.5
Total research and development expenses	$ 50.6	$ 44.5	$ 6.1

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

	Three Months Ended September 30,		
	2021	2020	Change
External research and development expenses	$ 28.2	$ 26.1	$ 2.1
Internal research and development expenses	16.8	13.0	3.8
Stock based compensation	5.6	5.4	0.2
Total research and development expenses	$ 50.6	$ 44.5	$ 6.1

Research and development expenses increased by $6.1 million for the three months ended September 30, 2021 over the same period in 2020 primarily due to increased spending on our XmAb306, the targeted IL-15 program, and other early stage programs.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2021 and 2020 (in millions):

	Three Months Ended September 30,		
	2021	2020	Change
General and administrative	$ 10.4	$ 7.6	$ 2.8

General and administrative expenses increased by $2.8 million for the three months ended September 30, 2021 over the same period in 2020 primarily due to increased general and administrative staffing and additional lease expenses.

Other Income, Net

Other income, net was $1.1 million and $4.2 million for the three months ended September 30, 2021 and 2020, respectively. The decrease in other income, net was primarily due to the unrealized gain recognized from the change in fair value of our equity investments in connection with our licensing transactions.

Comparison of the Nine Months Ended September 30, 2021 and 2020

The following table summarizes our results of operations for the nine months ended September 30, 2021 and 2020 (in millions):

	Nine Months Ended September 30,		
	2021	2020	Change
Revenues:			
Research collaboration	$ 79.7	$ 3.2	$ 76.5
Milestone	14.0	37.8	(23.8)
Licensing	—	28.1	(28.1)
Royalties	27.4	11.7	15.7
Total revenues	121.1	80.8	40.3
Operating expenses:			
Research and development	141.5	121.9	19.6
General and administrative	27.5	22.1	5.4
Total operating expenses	169.0	144.0	25.0
Other income, net	57.5	7.5	50.0
Net income (loss)	$ 9.6	$ (55.7)	$ 65.3

Revenues

Revenues for the nine months ended September 30, 2021 are primarily from our collaboration with Janssen, milestone revenue recognized from MorphoSys and Novartis, research revenue recognized in connection with the expiration of research terms under the Genentech and Novartis collaborations, and the royalty revenue from Alexion, MorphoSys, and Vir. Revenues for the nine months ended September 30, 2020 are primarily from royalty revenue from Alexion, milestones revenue from MorphoSys, and licensing revenue recognized from our collaborations with Gilead, Aimmune, and Omeros.

Research and Development Expenses

The following tables summarize our research and development expenses for the nine months ended September 30, 2021 and 2020 (in millions):

	Nine Months Ended September 30,		
	2021	2020	Change
Product programs:			
Obexelimab (XmAb5871)	$ 1.1	$ 2.3	$ (1.2)
Bispecific programs:			
CD3 programs:			
*Vibecotamab**	*6.5*	*8.9*	*(2.4)*
Plamotamab	*26.4*	*24.3*	*2.1*
Tidutamab	*11.6*	*11.3*	*0.3*
XmAb819 (ENPP3 x CD3)	*11.3*	*5.7*	*5.6*
Total CD3 programs	55.8	50.2	5.6
Tumor micro environment (TME) activator programs:			
Vudalimab (XmAb717)	*19.0*	*19.4*	*(0.4)*
XmAb104	*11.5*	*10.1*	*1.4*
XmAb841	*9.1*	*7.5*	*1.6*
Total TME activators programs	39.6	37.0	2.6
Cytokine programs:			
*XmAb306/RG6323 and a targeted IL-15 candidate**	*12.8*	*6.3*	*6.5*
XmAb564	*10.6*	*11.6*	*(1.0)*
Total cytokine programs	23.4	17.9	5.5
Subtotal bispecific programs	118.8	105.1	13.7
Other, research and early stage programs	21.6	14.5	7.1
Total research and development expenses	$ 141.5	$ 121.9	$ 19.6

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

	Nine Months Ended September 30,		
	2021	2020	Change
External research and development expenses	$ 75.5	$ 68.0	$ 7.5
Internal research and development expenses	48.7	38.8	9.9
Stock based compensation	17.3	15.1	2.2
Total research and development expenses	$ 141.5	$ 121.9	$ 19.6

Research and development expenses increased by $19.6 million for the nine months ended September 30, 2021 over the same period in 2020 primarily due to increased spending on XmAb306, the targeted IL-15 program, XmAb819, and other early stage programs.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2021 and 2020 (in millions):

	Nine Months Ended September 30,		
	2021	2020	Change
General and administrative	$ 27.5	$ 22.1	$ 5.4

General and administrative expenses increased by $5.4 million for the nine months ended September 30, 2021 over the same period in 2020 primarily due to increased general and administrative staffing and additional spending on professional services and leases.

Other Income, Net

Other income, net was $57.5 million and $7.5 million for the nine months ended September 30, 2021 and 2020, respectively. The increase in other income, net was primarily due to the gain realized from the sale of the INmune option, and the unrealized gain recognized from the change in accounting for our investments in equity securities in connection with our licensing transactions.

Cash Flows

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

	Nine Months Ended September 30,		
	2021	2020	Change
Net cash provided by (used in):			
Operating activities	$ (78,643)	$ (22,088)	$ (56,555)
Investing activities	(54,109)	21,413	(75,522)
Financing activities	10,408	8,457	1,951
Net increase (decrease) in cash	$ (122,344)	$ 7,782	$ (130,126)

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2021 increased by $56.6 million over the same period in 2020. The increase in cash used in operating activities is primarily due to increased research and development expenses.

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 for the nine months ended September 30, 2021 increased by $2.0 million over the same period in 2020, which reflects additional proceeds received from the exercise of stock options and purchases under the ESPP.

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 September 30, 2021, we had $537.9 million of cash, cash equivalents, receivables, and marketable debt securities compared to $610.2 million as of December 31, 2020. 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. In November 2021, the Second Janssen Agreement became effective under which we are eligible to receive a $100.0 million upfront payment and a $25.0 million payment for the sale of common stock, both are expected to be received before year end. We expect to continue to receive additional payments from our collaborators for research and development services rendered, additional milestone, opt-in, contingent payments, and royalties. Our ability to receive 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 product sales to date and do not expect to do so until we obtain regulatory approval of and commercialize one or more of our product 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 product 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.

Although it is difficult to predict our funding requirements, based upon our current operating plan, we expect that our existing cash, cash equivalents, marketable securities, and certain potential milestone payments will fund our operating expenses and capital expenditure requirements into 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 September 30, 2021.

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, 2020.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) of the Exchange Act, our management, with the supervision of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(b) and 15d-15(e)) as of September 30, 2021. 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 September 30, 2021.

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 September 30, 2021 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, 2020, including the addition of the risk factors set forth below, the information of which supplements such risk factors, any of 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, 2020, including those implicated by the information set forth below, 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.

Preliminary, interim, and topline data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose preliminary, interim or topline data from our clinical trials. These updates are based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. Additionally, interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Therefore, positive interim results in any ongoing clinical trial may not be predictive of such results in the completed study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the preliminary results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Preliminary data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, preliminary, interim or topline data should be viewed with caution until the final data are available. In addition, we may report interim analyses of only certain endpoints rather than all endpoints. Adverse changes between preliminary or interim data and final data could significantly harm our business and prospects. Further, additional disclosure of interim data by us or by our competitors in the future could result in volatility in the price of our common stock. See the description of risks under the heading "Risks Related to our Common Stock" for more disclosure related to the risk of volatility in our stock price.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is typically selected from a more extensive amount of available information. You or others may not agree with what we determine is the material or otherwise appropriate information to include in our disclosure, and any information we determine not to disclose may ultimately be deemed significant with respect to future decisions, conclusions, views, activities or otherwise regarding a particular product, product candidate or our business. If the preliminary or topline data that we report differ from late, final or actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize our product candidates may be harmed, which could harm our business, financial condition, results of operations and prospects.

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).
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: November 8, 2021

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: November 8, 2021

Exhibit 31.2

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: November 8, 2021

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 September 30, 2021, 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: November 8, 2021

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 8th day of November 2021.

/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.