

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020

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: 001-38672

**ARVINAS, INC.**

(Exact name of registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
5 Science Park  
395 Winchester Ave.  
New Haven, Connecticut  
(Address of principal executive offices)

47-2566120  
(I.R.S. Employer  
Identification No.)

06511  
(Zip Code)

Registrant's telephone number, including area code: (203) 535-1456

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 \$0.001 per share	ARVN	The Nasdaq Global Select Market LLC

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

None  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$1,347.5 million, based on the closing price of the registrant's Common Stock on such date. The number of shares of registrant's Common Stock, \$0.001 par value per share, outstanding as of February 24, 2021 was 48,874,027.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report incorporates by reference information from the definitive Proxy Statement for the registrant's 2021 Annual Meeting of Stockholders, which is expected to be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2020.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Annual Report on Form 10-K, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “target,” “potential,” “goals,” “will,” “would,” “could,” “should,” “continue” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Annual Report on Form 10-K include, among other things, statements about:

- the initiation, timing, progress and results of our current and future clinical trials of ARV-110, ARV-471 and ARV-766, including statements regarding the period during which the results of the clinical trials will become available;
- the timing of, and our ability to obtain, marketing approval of ARV-110 and ARV-471, and the ability of ARV-110 and ARV-471 and our other product candidates to meet existing or future regulatory standards;
- our plans to pursue research and development of other product candidates;
- the potential advantages of our platform technology and our product candidates;
- the extent to which our scientific approach and platform technology may potentially address a broad range of diseases;
- the potential receipt of revenue from future sales of our product candidates;
- the rate and degree of market acceptance and clinical utility of our product candidates;
- our estimates regarding the potential market opportunity for our product candidates;
- our sales, marketing and distribution capabilities and strategy;
- our ability to establish and maintain arrangements for manufacture of our product candidates;
- the potential achievement of milestones and receipt of payments under our collaborations;
- our ability to enter into additional collaborations with third parties;
- our intellectual property position;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- the impact of COVID-19 on our business and operations;
- the impact of government laws and regulations; and
- our competitive position.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Annual Report on Form 10-K, particularly in the “Risk Factors” section, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits to this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements except as required by applicable law.

Throughout this Annual Report on Form 10-K, the “Company,” “Arvinas,” “we,” “us,” and “our,” except where the context requires otherwise, refer to Arvinas, Inc. and its consolidated subsidiaries, or any one or more of them as the context may require, and “our board of directors” refers to the board of directors of Arvinas, Inc.

We use Arvinas, the Arvinas logo, and other marks as trademarks in the United States and other countries. This Annual Report on Form 10-K contains references to our trademarks and service marks and to those belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other entities’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other entity.

## Risk Factor Summary

Our business is subject to a number of risks that if realized could materially affect our business, prospects, operating results and financial condition. These risks are discussed more fully in the “Risk Factors” section of this Annual Report on Form 10-K. These risks include the following:

- We have incurred significant losses since our inception. To date, we have not generated any revenue from product sales and may never be profitable. We expect to incur losses over at least the next several years and may never achieve or maintain profitability. Our net loss was \$119.3 million for the year ended December 31, 2020, \$70.3 million for the year ended December 31, 2019 and \$41.5 million for the year ended December 31, 2018.
- We will need substantial additional funding. If we are unable to raise capital when needed, we may be required to delay, limit, reduce or terminate our research, product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.
- The ongoing COVID-19 pandemic has and may continue to affect our ability to initiate and complete preclinical studies, delay the initiation of our planned clinical trials or future clinical trials, disrupt regulatory activities, disrupt our manufacturing and supply chain or have other adverse effects on our business and operations. We cannot be certain what the overall impact of the COVID-19 pandemic will be on our business, and it has the potential to materially and adversely affect our business, financial condition, results of operations and prospects.
- Our approach to the discovery and development of product candidates based on our PROTAC technology platform is unproven, which makes it difficult to predict the time, cost of development and likelihood of successfully developing any products.
- We have a limited operating history that may make it difficult to evaluate the success of our business to date and to assess our future viability and are early in our development efforts. We initiated our first Phase 1 clinical trial for a product candidate, ARV-110, in March 2019, we initiated a Phase 1 clinical trial of ARV-471 in August 2019, and we expect to initiate a Phase 1 clinical trial of ARV-766 in the first half of 2021. Both the ARV-110 and ARV-471 clinical trials remain ongoing. All of our other product candidates are still in preclinical development.
- We cannot be certain of the timely completion or outcome of our preclinical testing and clinical trials. The results of preclinical studies may not be predictive of the results of clinical trials, and the results of early-stage clinical trials may not be predictive of the results of later-stage clinical trials. In addition, interim and preliminary data from our clinical trials that we announce from time to time, such as the recently announced interim data from our ongoing Phase 1/2 clinical trials of ARV-110 and ARV-471, may change as more patient data becomes available and are subject to audit and verification procedures that could result in material changes in the final data. If we are unable to obtain, or there are delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, our business will be materially harmed and our ability to generate revenue from product sales will be materially impaired.
- We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

- We rely, and expect to continue to rely, on third party manufacturing organizations for the manufacture of both drug substance and finished drug product for our product candidates for preclinical testing and clinical trials, and we expect to continue to do so for commercialization. This reliance on third parties may increase the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.
- If we are unable to obtain and maintain patent protection for our technology and products or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be impaired, and we may not be able to compete effectively in our market.

**Item 1. Business.****Overview**

We are a clinical-stage biopharmaceutical company dedicated to improving the lives of patients suffering from debilitating and life-threatening diseases through the discovery, development and commercialization of therapies to degrade disease-causing proteins. We use our PROTAC Discovery Engine, our proprietary technology platform to engineer proteolysis targeting chimeras, or PROTAC targeted protein degraders, that are designed to harness the body's own natural protein disposal system to selectively remove disease-causing proteins. We believe that our targeted protein degradation approach is a therapeutic modality that may provide distinct advantages over existing modalities, including traditional small molecule therapies and gene-based medicines. Our small-molecule PROTAC technology has the potential to address a broad range of intracellular disease targets, including those representing the up to 80% of proteins that cannot be addressed by existing small molecule therapies, commonly referred to as "undruggable" targets. We are using our PROTAC Discovery Engine to build an extensive pipeline of protein degradation product candidates to target diseases in oncology (including immuno-oncology), neuroscience, and other therapeutic areas.

We have designed and optimized our PROTAC Discovery Engine for the discovery of PROTAC therapeutics to address diseases caused by abnormal proteins or aberrant protein expression. We engineer our PROTAC targeted protein degraders to tag a target protein for degradation through the ubiquitin proteasome system, one of the cell's natural protein disposal systems, and then to iteratively degrade additional target protein molecules. The PROTAC Discovery Engine includes advanced screening capabilities, including in-house high-throughput and DNA-encoded library screening abilities that are tailored to the needs of incorporation into PROTAC protein degraders and to optimize their drug-like properties. Following selection and identification, we use tools including predictive computational modeling and privileged linkers that allow the potential for increased potency and selectivity. Finally, we have utilized our own proprietary PROTAC-specific optimization strategies, which we refer to as the Arvinas Rules, to create PROTAC degraders that, for example, are capable of being delivered through multiple routes of administration, including oral delivery, as well as PROTAC targeted protein degraders that are able to penetrate the blood brain barrier.

Our two lead product candidates are ARV-110 and ARV-471. We are developing ARV-110, a PROTAC protein degrader targeting the androgen receptor protein, or AR, for the treatment of men with metastatic castration-resistant prostate cancer, or mCRPC. We initiated a Phase 1 clinical trial of ARV-110 in March 2019. This Phase 1 trial is designed to assess the safety, tolerability and pharmacokinetics of ARV-110 and also includes measures of anti-tumor activity as secondary endpoints, including reduction in prostate specific antigen, or PSA, a well-recognized biomarker of prostate cancer progression. We received Fast Track designation for ARV-110 for mCRPC in May 2019. In October 2020, we initiated ARDENT, the Phase 2 expansion portion of the ARV-110 clinical trial.

We are also developing ARV-471, a PROTAC protein degrader targeting the estrogen receptor protein, or ER, for the treatment of patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. We initiated a Phase 1 clinical trial of ARV-471 in August 2019. This Phase 1 trial is designed to assess the safety, tolerability and pharmacokinetics of ARV-471 and also includes measures of anti-tumor activity as secondary endpoints. We amended the protocol for our Phase 1 clinical trial for ARV-471 in the first quarter of 2020 to include the Phase 2 expansion cohort and in the fourth quarter of 2020 to include a Phase 1b cohort expansion of ARV-471 in combination with Ibrance® (palbociclib). In February 2021, we initiated VERITAC, the Phase 2 expansion portion of the ARV-471 clinical trial.

In our preclinical studies, these lead product candidates have demonstrated potent and selective protein degradation. We believe favorable clinical trial results in these initial oncology programs would provide validation of our platform as a new therapeutic modality for the potential treatment of diseases caused by dysregulated intracellular proteins regardless of therapeutic area.

We expect to file an investigational new drug, or IND, application and initiate a Phase 1 trial in the first half of 2021 for ARV-766, an AR degrader developed to target and degrade wild-type and mutated AR including at least one additional, clinically relevant AR point mutation as compared to ARV-110.

In addition to our clinical product candidates, we are expanding our pipeline by utilizing our platform to potentially address currently undruggable targets. Unlike existing small molecule inhibitor therapies, our PROTAC targeted protein degraders can degrade proteins using any available binding site, including low-affinity active binding sites or non-functional binding sites, bringing biological utility to ligands that would otherwise be ineffective. While some gene-based medicines are also seeking to address undruggable targets, our PROTAC targeted protein degraders confer the advantages of traditional small molecule therapies, such as broad tissue distribution, multiple routes of administration, including oral delivery, a well-established development pathway and relative ease of manufacturing.

We are further diversifying our pipeline by developing new PROTAC targeted protein degraders against targets for which we believe protein degradation offers advantages to existing therapeutic modalities. For example, we are pursuing targets for the treatment of neurodegenerative diseases, including tauopathies, which are diseases associated with an aggregation of tau proteins in the brain, such as Alzheimer's disease. We have engineered PROTAC targeted protein degraders that, in preclinical studies, have successfully achieved blood brain barrier penetration, a key step in developing drugs with the potential to treat neurodegenerative targets. We believe there are many other indications for which our PROTAC technology may be advantageous. In an effort to realize the full potential of our PROTAC technology, our ongoing strategic collaborations with Pfizer Inc., or Pfizer, Genentech, Inc. and F. Hoffman-La Roche Ltd, collectively referred to as Genentech, and Bayer AG, or Bayer, address targets across multiple therapeutic areas.

We have been a leader in the field of directed protein degradation using chimeric small molecules since our founding in 2013. Our PROTAC technology platform has its origins in work performed at Yale University, or Yale, by our scientific founder and Chief Scientific Advisor, Professor Craig Crews, a leading researcher in the field of protein degradation. We have assembled a scientific team with extensive know-how and translational medicine expertise to develop PROTAC targeted protein degraders with features not previously disclosed in published third-party studies. Our management team draws on extensive experience in all phases of drug discovery and development gained at large pharmaceutical and biotechnology companies to continue to advance our product pipeline and expand the capabilities of our platform.

## Our Strategy

Our goal is to discover, develop, and commercialize therapies that improve the lives of patients suffering from cancer, neurological disorders and other serious diseases. We engineer PROTAC protein degraders that are designed to selectively remove disease-causing proteins, and we believe that our proprietary PROTAC technology is a new therapeutic modality with the potential to provide distinct advantages over existing therapies and to address a broad range of targets, including undruggable proteins. The key elements of our strategy are to:

- **Advance clinical development of our lead programs, which address the well-understood oncology targets AR and ER.** Our strategy for our PROTAC platform includes the initial pursuit of oncology targets with well-understood biology, well-characterized disease models and established biomarkers. We are conducting a Phase 1 dose escalation and Phase 2 dose expansion clinical trial for ARV-110 in men with mCRPC and a Phase 1 dose escalation and Phase 2 dose expansion clinical trial for ARV-471 (and a Phase 1b cohort expansion for ARV-471 in combination with Ibrance® (palbociclib)) in patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. We believe favorable clinical trial results in these initial oncology programs would validate the broader therapeutic potential of our PROTAC technology and PROTAC Discovery Engine.
- **Utilize our PROTAC Discovery Engine platform to address undruggable and difficult-to-drug targets.** We are applying our platform to develop treatments for diseases associated with a prioritized subset of the up to 80% of proteins that cannot be addressed by existing small molecule therapies, commonly referred to as undruggable targets. Our platform enables us to build PROTAC targeted protein degraders with the potential to degrade these proteins through the cell's natural protein degradation process using any available binding site, including low-affinity active binding sites or non-functional binding sites, bringing biological utility to ligands that would otherwise be inactive. We also believe that many "difficult-to-drug" targets, where prior approaches are inadequate, will also provide opportunities to apply our PROTAC Discovery Engine.
- **Develop new therapeutics with distinct advantages over existing modalities, including gene-based medicines.** We intend to address targets for which we believe protein degradation and the tunable features of our PROTAC targeted protein degraders offer advantages compared to existing therapeutic modalities. For example, unlike gene-based medicines, our PROTAC targeted protein degraders confer the advantages of traditional small molecule therapies, such as broad tissue distribution, multiple routes of administration, including oral delivery, a well-established development pathway and relative ease of manufacturing. In addition, we have engineered PROTAC targeted protein degraders that, in preclinical studies, have successfully achieved blood brain barrier penetration, creating potential opportunities for our PROTAC technology in neurodegenerative diseases. We also believe there are many other indications for which our technology may be advantageous, including autoimmune, anti-infective and inflammatory conditions.

- **Selectively collaborate to realize the full potential of our platform.** We are using our PROTAC Discovery Engine, to build an extensive pipeline of product candidates for which we retain full development and commercialization rights across a wide range of diseases. In an effort to realize the full potential of our PROTAC technology, our ongoing strategic collaborations with Bayer, Genentech and Pfizer address targets across multiple therapeutic areas. In addition to these collaborations in human therapeutics, we established a joint venture called Oerth Bio LLC, or Oerth, with Bayer to pursue our PROTAC technology in agricultural applications. We plan to continue to selectively pursue collaborations with leading biopharmaceutical companies with specialized capabilities or know-how, including global development and commercial expertise and capabilities. We believe this selective approach to collaboration will further broaden the therapeutic reach of our PROTAC technology, as well as complement and expand our internal development expertise.
- **Continue to expand the capabilities of our PROTAC Discovery Engine and the breadth of our intellectual property portfolio.** We are investing in our research and development activities to expand the capabilities of our PROTAC Discovery Engine and the breadth of our intellectual property portfolio. This includes: research into novel E3 ligases, key proteins in the ubiquitin proteasome system, that may have tissue-specific or disease-specific features; the discovery of novel binding ligands; the discovery of orally bioavailable and blood brain barrier penetrant PROTAC protein degraders; and improvement of our PROTAC targeted protein degrader design and optimization processes. We have exclusive worldwide rights to our platform technology, as well as issued patents for composition of matter in the United States and patent applications pending for composition of matter in key countries for our ARV-110, ARV-471 and ARV-766 product candidates and patent applications pending for composition of matter in the United States and key countries for our exploratory programs. We also have patents and pending patent applications for broad platform coverage for other PROTAC targeted protein degraders using specific E3 ligases.

## Our Product Pipeline

Our platform has generated several promising degradation product candidates that may be capable of targeting diseases in a wide range of organ systems and tissues. We and our collaborators have initiated programs across multiple therapeutic areas with the goal of developing and delivering life-changing therapies to patients in need. Our lead therapeutic programs, for which we retain full worldwide development and commercialization rights, are summarized in the table below.

	ARVN Program	Indication	Exploratory	Research	IND Enabling	Phase 1	Phase 2	Phase 3
Oncology / Immuno-oncology	ARV-110	mCRPC	[Progress bar from Exploratory to Phase 2]					
	ARV-766	mCRPC	[Progress bar from Exploratory to IND 2021]					
	AR-V7	mCRPC	[Progress bar from Exploratory to Research]					
	ARV-471	ER+/HER2- Breast Cancer	[Progress bar from Exploratory to Phase 2]					
	BCL6	B-cell Malignancies	[Progress bar from Exploratory to IND 2022]					
	KRAS	NSCLC, CRC, Pancreatic	[Progress bar from Exploratory to IND 2023]					
	Undisclosed	Solid Malignancies	[Progress bar from Exploratory to IND 2022]					
	Myc	Solid Malignancies	[Progress bar from Exploratory to Research]					
	HPK1	Solid Malignancies	[Progress bar from Exploratory to Research]					
	Neuroscience	Tau	FTLD-TAU, PSP, AD	[Progress bar from Exploratory to IND 2022]				
Alpha Synuclein		MSA, Parkinson's	[Progress bar from Exploratory to Research]					
mHTT		Huntington's	[Progress bar from Exploratory to Research]					
Undisclosed		Neurodegeneration	[Progress bar from Exploratory to Research]					

IND dates referenced in the table above are anticipated; ER+/HER2-, estrogen receptor+/human epidermal growth factor receptor 2-; NSCLC, non-small-cell lung carcinoma; CRC, colorectal cancer; FTLT-tau, frontotemporal lobar degeneration-tau; PSP, progressive supranuclear palsy; AD, Alzheimer's disease, MSA, multiple systems atrophy.

We classify our programs as in the exploratory stage of development when we are synthesizing and testing PROTAC protein degraders to evaluate degradation of the selected target, differential biology compared to inhibitors, and proof of concept pharmacodynamics and efficacy *in vivo*. A program advances to the research stage when we have identified a lead PROTAC protein degrader that demonstrates promising activity in *in vitro* and *in vivo* biological models relative to defined criteria. In the research stage, we are working to optimize the PROTAC protein degraders for a desired profile, including degradation potency, selectivity, drug metabolism and pharmacokinetics, pharmacodynamic activity and *in vivo* efficacy, and we have begun characterizing preclinical tolerability and toxicology. A program enters the IND-enabling stage once we are performing studies intended to support the submission of an IND application, including expanded toxicology, drug product optimization and IND documentation preparation.

In addition to the programs above and our early-stage development collaborations with Bayer, Genentech, and Pfizer, we are conducting exploratory research and development work on multiple other undisclosed targets.

## **Our Focus**

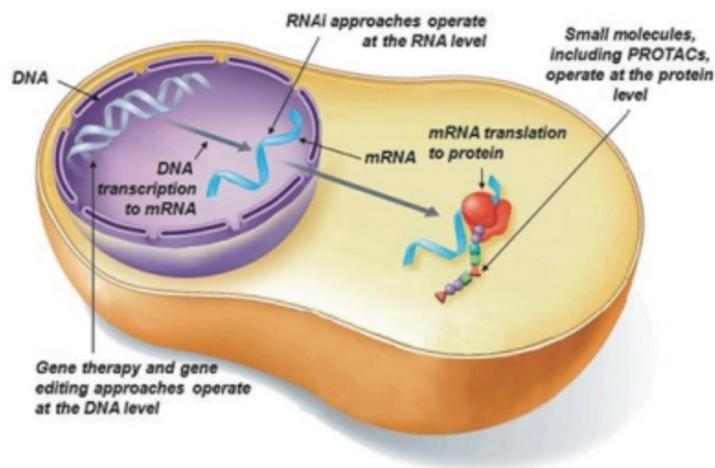
### ***The Role of Proteins in Disease***

Human cells produce tens of thousands of different proteins, the entirety of which is referred to as the proteome. Proteins are responsible for many structural, functional and regulatory processes in cells.

Proteins are large, complex biomolecules made through a series of steps based on instructions carried from deoxyribonucleic acid, or DNA, the genetic “blueprint” within the cell. Generally, sequences of DNA are converted into messenger ribonucleic acid, or mRNA, during a process called transcription. mRNA provides the template that specifies the assembly of a particular sequence of amino acids into proteins during a process known as translation. The amino acid sequence dictates, among other things, the conformation, or 3-D shape, of the resulting protein. Proteins can have complex shapes, with multiple chains of amino acids folding together in some cases to reach a final form. The final form of the protein, as well as the timing, location and concentration of its expression within the cell, is essential to the protein’s intended function.

In healthy cells, the transcription and translation processes contribute to producing properly folded proteins in the right amounts and at the correct times to ensure normal cell health and function. This balance can be disrupted by a variety of events and factors, such as cellular stress, genetic mutations and transcriptional or translational errors, which can then lead to cellular overexpression, abnormal production rates, misfolding or mutations of proteins. When proteins are overexpressed or mutated, a wide variety of diseases can result. For example, it is well documented that overexpression of androgen receptor, a nuclear hormone receptor, is implicated in prostate cancer. Similarly, overexpression of estrogen receptor is known to be associated with breast cancer. In neurodegenerative diseases, abnormal deposition of misfolded or aggregated proteins in the brain, including the intraneuronal aggregation of the microtubule-associated protein tau, are associated with Alzheimer’s disease. Recent genomic advances continue to implicate the role of specific proteins in many disease states.

There are multiple therapeutic approaches, both approved and in development, to treat diseases caused by abnormal proteins or aberrant protein expression. Each operates at a different point in the lifecycle of the protein, as illustrated in the following graphic:



### **Small Molecule Inhibitors, Gene Therapy and Gene Editing**

Traditional small molecules seek to block or inhibit the expression or function of an errant protein. While there are numerous examples of safe and effective small molecule therapies, their efficacy can be limited by weak or incomplete binding of the therapeutic molecule to the relevant binding site on the protein, the cell's ability to counteract the inhibitory effect of the drug by producing more of the protein, mutation of the target, or evolution of the cell to rely on alternate pathways. These cellular responses often result in a need for higher dosing levels, which can in turn introduce safety challenges from off-target and toxic effects, or drug resistance.

Gene therapy approaches act by augmenting the errant protein with normal protein by using viral vectors to introduce DNA from an exogenous source that codes for a functional protein. While there have been promising advances in this field, the fundamental approach is limited by delivery, expression efficacy, pre-treatment conditioning, durability and manufacturing challenges that curtail the practical utility of gene therapy.

Gene editing or gene silencing approaches such as CRISPR/Cas9, RNA interference and antisense act by either correcting or inactivating, or knocking out, the gene that would otherwise be transcribed and translated to express the errant protein. By correcting or knocking out the gene, the errant protein is never made, preventing its downstream negative effects. In the case of CRISPR/Cas9, the resulting modification of the gene occurs at the DNA level and is believed to be irreversible. While there are examples of approved therapies in this field that have the potential to correct specific genetic defects, gene editing and gene silencing approaches generally face delivery, stability, biodistribution, specificity and selectivity challenges, in addition to significant manufacturing hurdles.

### **Protein Degradation**

When proteins become old, mutated, misfolded or simply have served their purpose, they are naturally degraded by the body through the ubiquitin proteasome system in which cells mark or tag a particular protein for disposal by attaching several molecules of the small regulatory protein ubiquitin to the protein to be disposed. This process generally proceeds along the following steps in rapid sequence:

- The E1 enzyme activates ubiquitin, which is then transferred to an E2 enzyme.
- An E3 ubiquitin ligase, or E3 ligase, transfers the ubiquitin from the E2 enzyme to a specific target protein.
- Once a chain of at least four ubiquitins are attached to the target protein, the proteasome recognizes the polyubiquitinated protein.
- The proteasome breaks down or degrades the protein into its amino acid components.

Several therapeutic approaches work at the protein level by modulating the ubiquitin proteasome system to harness the cell's natural protein disposal system to degrade and remove a protein. Degradation can be induced by inhibiting chaperone molecules such as HSP90, which are known to facilitate correct protein folding, resulting in tagging misfolded proteins for degradation. HSP90 inhibitors, however, have shown limited efficacy in the clinic to date.

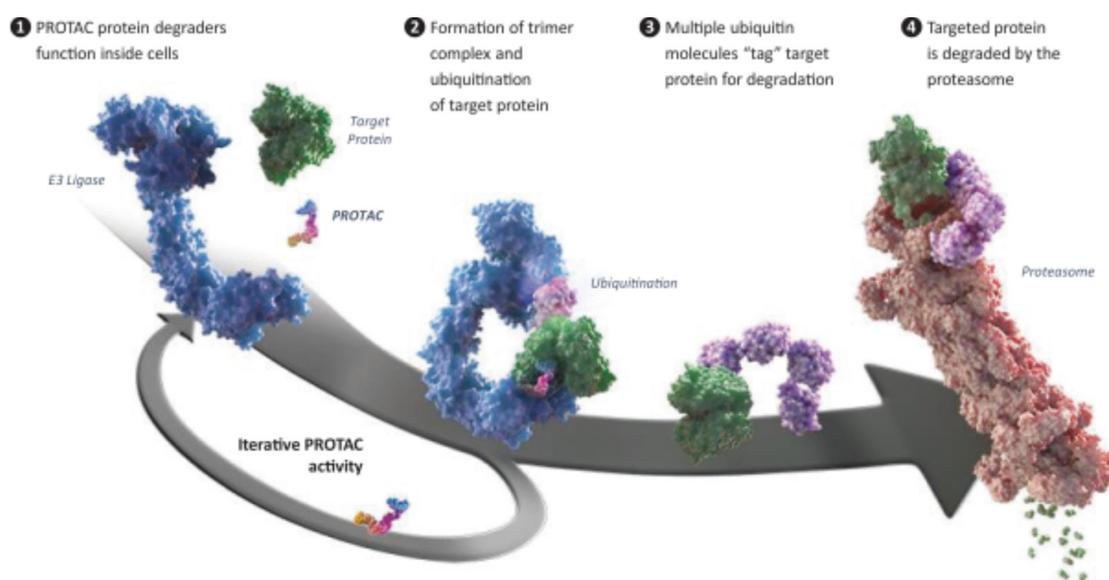
Some degraders use an approach that causes a conformational change in a specifically targeted protein, resulting in a misfolded protein, which triggers the cell's innate protein degradation system to dispose of the misfolded protein. Although these compounds have shown efficacy, they only induce the degradation of those proteins able to adopt a non-native state, leaving a wide array of protein targets unaddressed. The only currently marketed protein degrader utilizing this mechanism, the breast cancer therapy fulvestrant, requires intramuscular administration, further limiting its convenience and pharmacokinetic profile.

Chimeric small molecules use a different protein degradation approach. Instead of causing improper folding or inhibiting molecules that facilitate proper folding of the target protein, chimeric small molecules directly recruit an E3 ligase to tag specifically targeted proteins with ubiquitin, signaling the proteasome to degrade the targeted protein. Our PROTAC targeted protein degraders take this approach to protein degradation.

### **PROTAC Targeted Protein Degraders —Our Approach to Protein Degradation**

We have engineered our PROTAC targeted protein degraders to utilize the cell's naturally occurring protein disposal system, directing the proteasome to recognize and degrade specific proteins associated with disease. Our PROTAC targeted protein degraders are chimeric small molecules with two operative ends—one, a ligand that binds to the protein targeted for degradation, and the other, a ligand that binds to an E3 ligase. These two ligands are connected by a chemical chain linker. Our PROTAC targeted protein degraders bring the targeted protein and the E3 ligase together into a three-component grouping known as a trimer complex to facilitate the transfer of ubiquitin to the target protein. Once four ubiquitins are attached in a chain to the target protein, the proteasome recognizes and degrades the protein. The entire cycle from the formation of the trimer complex, which can occur in a period of nanoseconds, to degradation of the target protein by the proteasome happens over a period of minutes. After our PROTAC targeted protein degrader facilitates the tagging of a target protein molecule with ubiquitin through formation of the trimer complex, it can move on to another target protein molecule to conduct the degradation process again, potentially completing this cycle hundreds of times before eventually being metabolized or eliminated from the cell. We refer to this recycling as our PROTAC targeted protein degraders' iterative mechanism of action.

The figure below depicts our PROTAC-induced cycle from E3 ligase binding and target protein recruitment, to trimer formation and ubiquitin transfer, to degradation of the target protein by the proteasome, to the release of ubiquitin and PROTAC targeted protein degrader for further degradation cycles.



## Our Discovery Platform—PROTAC Discovery Engine

We have designed and optimized our PROTAC Discovery Engine for the discovery of PROTAC targeted protein degrader therapeutics to address diseases caused by abnormal proteins or aberrant protein expression. The PROTAC Discovery Engine includes advanced screening capabilities, including in-house high-throughput and DNA-encoded library screening abilities that are tailored to the needs of incorporation into PROTAC protein degraders and to optimize their drug-like properties. Following selection and identification, we use tools including predictive computational modeling and privileged linkers that allow the potential for increased potency and selectivity. Finally, we have utilized our own proprietary Arvinas Rules to create PROTAC degraders that, for example, are capable of being delivered through multiple routes of administration, including oral delivery, as well as PROTAC targeted protein degraders that are able to penetrate the blood brain barrier.

### Design and Optimization of our PROTAC Targeted Protein Degraders

As genomic knowledge and advances in genome mapping have increased, the understanding of proteins implicated in diseases has similarly increased. We undertake a rigorous evaluation process to prioritize protein targets for which we believe our PROTAC approach can achieve differentiated clinical outcomes for patients over existing modalities. Our PROTAC Discovery Engine is built from nearly 20 years of experience, know-how, and intellectual property and comprises three stages:

#### Ligase Selection and Ligand Identification

- **E3 KnowledgeBase** - The human body has more than 600 E3 ligases, and we select ligands for E3 ligases from our proprietary library for incorporation into our PROTAC targeted protein degraders. We continue to research additional E3 ligases that are expressed in specific tissues or diseases, and identify or discover associated binding ligands, to create novel PROTAC protein degraders that recruit E3 ligases with targeted expression patterns, such as tumor or central nervous system-localized E3 ligases, that may be beneficial for the development of targeted cancer and neurologic therapies. We believe our success with the diverse set of E3 ligases that we are currently employing and the binders of other E3 ligases that we are researching provide us with a competitive advantage as we develop a range of products with different technical characteristics.
- **Advanced Screening Capabilities** - We select ligands for incorporation into our PROTAC targeted protein degraders from a variety of sources. The ligands we select, which target the desired protein for degradation or E3 ligase for incorporation into our PROTAC targeted protein degraders, may include (1) *de novo* ligands discovered through high-throughput screening, biophysical directed binding approaches, virtual or *in silico* computer-based screening, and affinity-based hit identification through our in-house DNA-encoded libraries that are tailored to the needs of incorporation into PROTAC protein degraders and to optimize their drug-like properties or (2) ligands that are known to bind protein targets but may have faced therapeutic limitations that we believe our PROTAC technology can overcome, such as lack of potency or function, metabolic instability or off-target effects.

#### Rapid PROTAC Design

- **Zone of Ubiquitination** - Bringing the targeted protein and the E3 ligase together into a trimer complex is necessary but not sufficient for degradation. We use structural and biochemical information to predict precisely which lysine residues on the target protein can be “tagged” with ubiquitin, and we design PROTAC degraders to exploit this knowledge.
- **ANGLE: Arvinas Next Generation Linker Evolution** -We connect the selected protein-targeting ligands and E3 ligase ligands with our privileged chemical linkers. Linker selection is critical for rapid identification of protein degraders and can introduce function and selectivity to a nonfunctional or nonselective binding ligand upon incorporation into a PROTAC targeted protein degrader molecule. Linker composition can also be used to modulate properties of our PROTAC targeted protein degraders, such as membrane permeability, aqueous solubility, metabolic stability and biodistribution. We select from a proprietary library of conformationally privileged linkers to enable the efficient formation of the trimer complex essential to ubiquitin transfer and protein degradation.
- **Predictive Computational Modeling** - We use trimer structure-based computational modeling and design algorithms to rapidly identify potent degraders.
- **Proteomics** - A PROTAC degrader is often more selective than the targeting warhead. We have proteomics capabilities that enable us to understand that specificity in precise detail and iterate quickly to optimize the selectivity of our PROTAC degraders for the protein target.

## Turning Degraders into Drugs

- **Arvinas Rules-** Optimization of traditional small molecule agents tends to focus on guidelines that increase the chances of such molecules having sufficient permeability and solubility to make them orally bioavailable. Chimeric small molecules, including our PROTAC targeted protein degraders, are larger than traditional small molecule therapeutics, such that the conventional optimization parameters prevalent in traditional drug discovery do not readily apply. As such we have developed and apply our own proprietary Arvinas Rules for our PROTAC targeted protein degraders. Through our Arvinas Rules, we have made PROTAC targeted protein degraders that are orally bioavailable and that cross the blood brain barrier.
- **Deep knowledge of *in vivo* PK/IPD and efficacy relationships-** Our understanding of molecular features that impact PROTAC biodistribution and target degradation, in the body, enables us to create PROTAC degraders with drug-like properties and activities. We can use this understanding to rapidly progress from target identification to PROTAC optimization and development.

## Key Features of Our PROTAC Targeted Protein Degraders

In the design, optimization and development of our PROTAC targeted protein degraders, we focus on the following key features that we believe are critical to successfully engineering PROTAC targeted protein degrader therapeutics with potentially robust application across multiple indications and therapeutic areas: potency, selectivity, and deliverability and versatility. We have harnessed these features to successfully target and degrade a wide range of protein classes, including nuclear proteins, transcription factors, epigenetic modulators, membrane proteins, cytosolic proteins and high molecular weight neuroprotein aggregates.

### Potency

The potency of our PROTAC technology is driven by two key characteristics: the iterative mechanism of our PROTAC targeted protein degraders and the ability to turn weak binders into potent degraders.

#### *Iterative Mechanism*

Our PROTAC targeted protein degraders behave iteratively to repeatedly induce the ubiquitination and subsequent degradation of proteins. As a result, protein degradation may be observed with PROTAC targeted protein degrader concentrations much lower than those required for typical small molecule inhibition, even operating at picomolar concentrations. We expect that the high cellular potency of PROTAC targeted protein degrader could provide the possibility of removal of proteins at levels equivalent to the knock out effect intended by gene-based medicines currently being explored. Our PROTAC targeted protein degraders offer potentially significant therapeutic advantages, including low doses, low drug exposures and practical dosing intervals, potentially mitigating toxicity and tolerability risks.

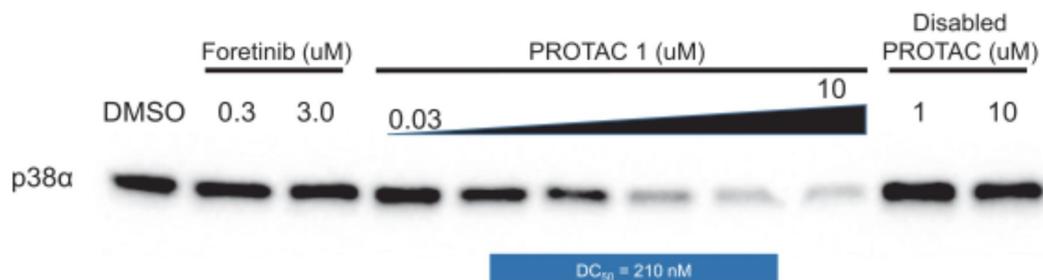
The iterative mechanism of our PROTAC targeted protein degraders potentially leads to more complete and lasting inactivation of downstream signaling in cells. In oncology, this translates into improved inhibition of tumor cell growth and reduces the likelihood of cell compensation through activation of alternative proteins, a common risk associated with small molecule inhibitors. This enables PROTAC targeted protein degraders to operate in a broad therapeutic space between desired degradation-induced pharmacology and unwanted inhibition-induced effects.

Once the pre-existing reservoir of the targeted protein is depleted, our PROTAC targeted protein degraders only need to degrade newly resynthesized protein to maintain their effect. Depending on the resynthesis rate of the protein, this may be achievable with low tissue concentrations of PROTAC targeted protein degrader, which could lead to safety benefits and opportunities for flexible dosing regimens.

#### *Weak Binders Become Potent Degraders*

Using our platform and know-how, we are able to engineer potent PROTAC targeted protein degraders that do not require a high degree of binding strength to their targets. This contrasts with small molecule inhibitors, which require strong binding to a target protein and function by continually occupying the protein's active site. The potency of our PROTAC targeted protein degraders is determined by a number of kinetic factors: formation of the trimer complex, rapid ubiquitination, trafficking of the ubiquitinated target to the proteasome and release of the PROTAC targeted protein degrader to enter another iterative cycle of degradation. As a result, a PROTAC targeted protein degrader with a low level of target protein occupancy can maintain a deep and prolonged suppression of protein levels, leading to the desired pharmacological effect. This provides opportunities to use our PROTAC technology to repurpose small molecules that only weakly bind to their target to create potent degraders as PROTAC targeted protein degraders.

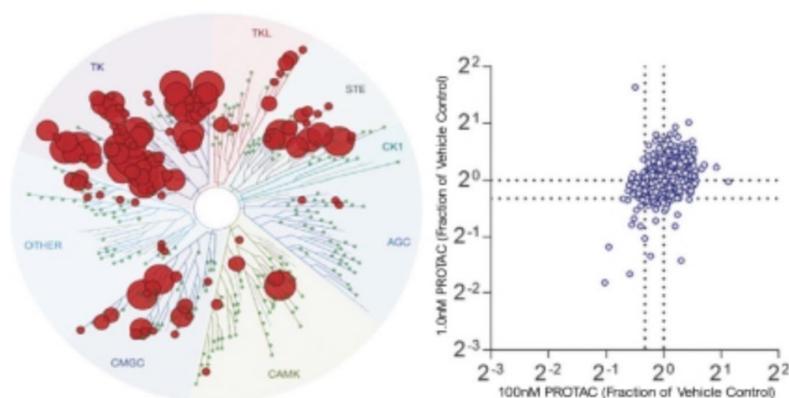
For example, we have published experiments where we built PROTAC targeted protein degraders from the known protein kinase inhibitor foretinib, which is a relatively weak binder to the protein p38 $\alpha$ , a protein implicated in immune disorders and heart disease. We constructed a foretinib-based PROTAC targeted protein degrader we refer to as PROTAC 1, which happened to further weaken the binding affinity to p38 $\alpha$ . Binding affinity is measured by  $K_D$ , or equilibrium dissociation constant. In this case, we observed that PROTAC 1 exhibited a tenfold reduction in binding affinity relative to foretinib, decreasing from 1 micromolar, or  $\mu\text{M}$ , to 11  $\mu\text{M}$ . Despite the significantly weaker binding affinity, PROTAC 1 achieved potent degradation of p38 $\alpha$  with a  $\text{DC}_{50}$ , a concentration that results in half maximal degradation, of 210 nanomolar, or nM, which means that its degradation potency is approximately 50-fold better than its binding strength. The figure below shows a western blot of cells treated with increasing concentrations (left to right) of foretinib, the PROTAC 1, and an inactivated (non-degrading) version of PROTAC 1. The decreasing presence of the p38 $\alpha$  protein is depicted by a lighter shade of the p38 $\alpha$  band in the western blot as the doses of the PROTAC 1 increase. This demonstrates our ability to use a weak binder to create a potent PROTAC targeted protein degrader. Based on our experience, we believe that with additional medicinal chemistry effort, the degradation potency of this weak-binding PROTAC targeted protein degrader could be further increased.



### Selectivity

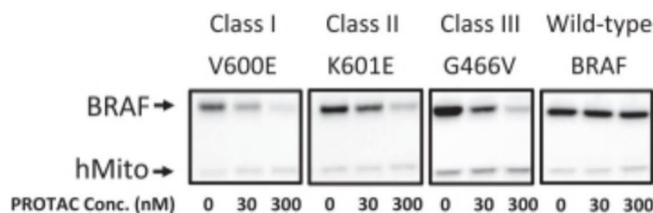
When a ligand is incorporated into a PROTAC targeted protein degrader, the trimer complex initiated by the PROTAC targeted protein degrader often causes the ligand's selectivity to increase, meaning that the degradation profile of a PROTAC targeted protein degrader can be even more selective than the binding profile of the ligand alone. By minimizing the binding of a ligand to off-target proteins and maximizing selectivity for a target protein, our PROTAC targeted protein degraders may reduce the potential for incidental degradation of normal, healthy proteins and unwanted drug effects and toxicity.

We published experiments in which a ligand binding to 133 kinases degraded fewer than ten proteins when incorporated into a PROTAC targeted protein degrader with limited additional modification. The figure below on the left depicts foretinib binding to 133 protein kinases as measured by a competitive binding assay. The figure on the right depicts cells treated with a foretinib-based PROTAC targeted protein degrader degrading only a small subset of cellular proteins (lower left quadrant of the graph) as shown by mass spectrometry analysis.



With further modification, and based on our experience, we believe it is possible to engineer promiscuous binders such as this into more selective protein degraders, and when starting with less promiscuous, yet still unselective, binders, identify very selective PROTAC target protein degraders.

This selectivity allows for engineering of PROTAC targeted protein degraders that degrade only the mutated and unwanted protein, while sparing the normal, or wild-type, protein that may be necessary for healthy function. For example, we have demonstrated degradation of abnormal, but not wild-type, forms of the BRAF protein using a PROTAC targeted protein degrader. Wild-type BRAF helps transmit chemical signals from outside the cell to the cell's nucleus and is part of a pathway that regulates cell proliferation, differentiation, migration and apoptosis. Mutations of BRAF, however, have been associated with a number of different cancers. As shown in the figure below, our PROTAC targeted protein degrader degraded BRAF mutants, as depicted by a lighter shade in the columns labeled 300 nM, representative of each of the three classes of BRAF mutations, while not degrading the wild-type BRAF, as depicted by an unchanging shade in each of the columns shown on the western blot.



hMito is a protein this particular PROTAC targeted protein degrader is not targeted to degrade, and is included as a control to ensure total protein is equivalent in each lane.

### ***Deliverability and Versatility***

Our PROTAC targeted protein degraders have the potential for delivery through multiple routes of administration to reach target proteins, and certain of our PROTAC targeted protein degraders are capable of penetrating the blood brain barrier. In addition, the broad expression of the E3 ligases we target and the potential to turn weak binding ligands into potent degraders allows the application of our PROTAC technology to develop treatments for diseases associated with proteins that cannot be addressed by existing small molecule therapies.

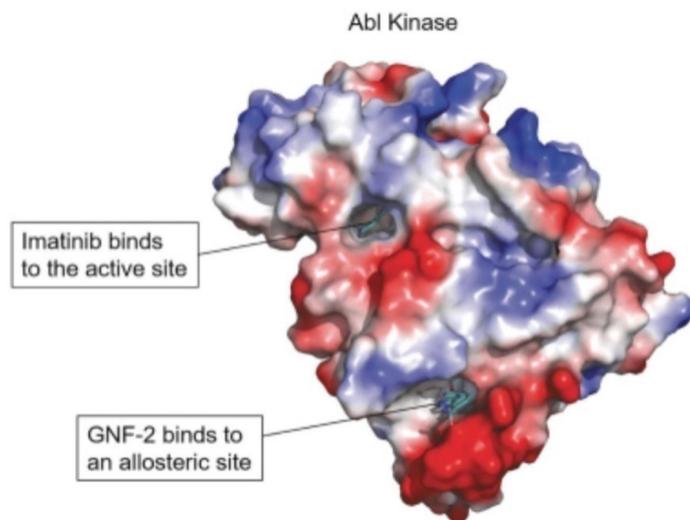
#### *Deliverability*

We have developed PROTAC targeted protein degraders that are capable of being delivered orally, intravenously, subcutaneously and intrathecally, among other routes of administration, as well as PROTAC targeted protein degraders that are able to penetrate the blood brain barrier. The multiple routes of delivery for our PROTAC targeted protein degraders potentially provide many attractive clinical dosing options. For example, oral delivery can offer a differentiating, competitive and commercial advantage over other therapeutic approaches such as gene-based medicines that allows for more convenient treatment. Further, oral administration avoids risks of adverse events associated with intravenous or intramuscular administration, such as the potential for infection and blood clots at the infusion site.

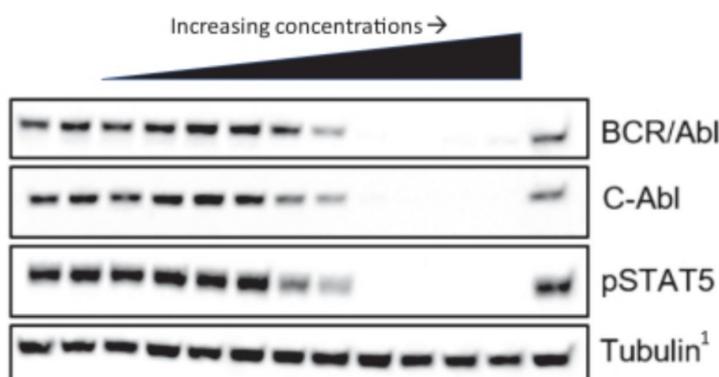
#### *Versatility*

We believe our PROTAC targeted protein degraders may have potential application in a wide range of therapeutic areas because the E3 ligases we currently target are expressed widely across tissue types. Ligands that bind to some proteins may be of only weak affinity. However, we believe that our PROTAC technology will allow the degradation of proteins through such low affinity active binding sites or non-functional binding sites. Our ability to design weak binding PROTAC targeted protein degraders that nonetheless initiate rapid ubiquitination and subsequent degradation of targeted proteins has the potential to expand the number of disease-causing proteins targeted for drug development to include the up to 80% of proteins that cannot be addressed by existing small molecule therapies and are currently considered undruggable. We believe that rendering these targets druggable for the first time represents the true breadth and potential of our PROTAC Discovery Engine.

We conducted an experiment designed to demonstrate that non-functional binding sites, analogous to those that may be present on proteins considered undruggable, can be used to target proteins for degradation by PROTAC targeted protein degraders. The figure below depicts a structural model of the Abl tyrosine kinase. This protein kinase possesses an enzymatic active site that is inhibited by the marketed small molecule, imatinib. The Abl kinase also has a second, non-functional active site, called an allosteric site, in its structure that can bind a different small molecule, named GNF-2, which despite binding allosterically (with a relatively weak  $K_D$  of 500 nM), inhibits only the wild type protein (C-Abl), but not BCR-Abl-a mutated form of Abl implicated in chronic myelogenous leukemia.



When GNF-2 is converted into a PROTAC targeted protein degrader and used to treat cells, both BCR-Abl and C-Abl are effectively degraded. The figure below shows western blots of cells treated by increasing concentrations of our PROTAC targeted protein degrader and shows decreasing presence of each of BCR-Abl and C-Abl protein (depicted by a lighter shade of the BCR/Abl and C-Abl band in the western blot). Downstream signaling, as denoted by reduction of phosphorylated Stat5 (pStat5), is subsequently inhibited.



<sup>1</sup>Tubulin is a protein the GNF-2 PROTAC targeted protein degrader is not targeted to degrade, and is included as a control to ensure total protein is equivalent in each lane.

PROTAC-induced degradation may offer a solution for undruggable proteins because only binders, not functional inhibitors, are needed to facilitate E3 ligase recruitment and initiation of the degradation process. The probability of finding a suitable ligand using binding-site-agnostic screening is increased because the function of the ligand itself is not required. As a result, there is the potential for PROTAC targeted protein degraders to generate therapeutics from poorly selective ligands, weak-affinity ligands, or ligands that may not be intrinsically biologically active.

## Our Programs

### *ARV-110 for the Treatment of Men with Metastatic Castration-Resistant Prostate Cancer*

We are developing ARV-110, an orally bioavailable, AR degrading PROTAC targeted protein degrader, for the treatment of men with metastatic castration-resistant prostate cancer, or mCRPC. We have chosen AR degradation as our initial therapeutic focus due to the well-documented biology of AR signaling as the principal driver of this cancer. ARV-110 has demonstrated activity in preclinical models of AR overexpression and AR mutations, both common mechanisms of resistance to current standard-of-care agents in men with prostate cancer. We believe that the differentiated PROTAC pharmacology of ARV-110, including its iterative activity, has the potential to translate into significantly improved clinical outcomes over current standard-of-care agents.

## **Prostate Cancer**

In the United States, prostate cancer is both the second most prevalent cancer in men and the second leading cause of cancer death in men. Current estimates predict that one in nine men will be diagnosed with prostate cancer in his lifetime. The American Cancer Society estimates that in 2021 there will be over 248,000 new cases of prostate cancer in the United States and approximately 34,000 deaths from the disease. Men with mCRPC have a poor prognosis and a predicted survival rate of fewer than two years from the initial time of progression.

Treatment options for prostate cancer depend on many different factors, including the stage of the cancer. Castration-resistant prostate cancer is defined by disease progression despite androgen deprivation therapy, or ADT, and is often indicated by rising levels of prostate-specific antigen, or PSA. In making treatment evaluations, physicians monitor disease burdens in several ways, including changes in PSA levels. Increased PSA blood levels are considered by many physicians as indicative of cancer progression, and alternative treatment options may be considered. Current standard of care for men with castration-resistant prostate cancer provides that patients should initially receive a combination of ADT and either abiraterone, which works by decreasing androgen levels, or enzalutamide, which works by blocking androgen binding to AR. If the disease progresses despite these second-generation hormonal therapies, chemotherapy is considered the next treatment option. Treatment with chemotherapy is generally postponed for as long as possible due to the potential for severe side effects including neuropathies, nausea, diarrhea, decreased mental capacity and increased risk of infections.

Androgen receptor remains the principal driver of castration-resistant prostate cancer progression during the transition from localized to metastatic disease, with AR gene amplification occurring in 40% to 60% of patients, amplification of a transcription regulatory region upstream of the AR gene occurring in 70% to 87% of patients, and AR point mutations occurring in approximately 15% of patients. Between 15% to 25% of patients do not respond to either abiraterone or enzalutamide and the vast majority of the responsive patients will ultimately become resistant, resulting in limited survival. There remains meaningful unmet medical need in the treatment paradigm of mCRPC, including a significant underserved set of patients who are or become resistant to current therapies. Based on our preclinical data, we believe our PROTAC targeted protein degraders may overcome these known resistance mechanisms and create meaningful clinical benefit for patients.

## **Preclinical Development**

We have conducted a comprehensive preclinical program to study ARV-110 as a potential treatment for men with mCRPC and initiated a Phase 1 clinical trial in March 2019 and the Phase 2 expansion cohort of that clinical trial in October 2020.

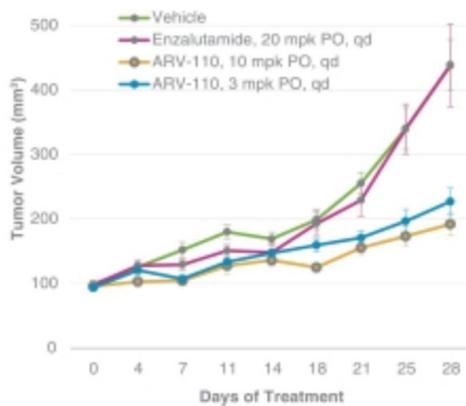
In *in vitro* models, ARV-110 degraded 95% to 98% of AR in multiple cell lines typically used in prostate cancer research.

ARV-110 is also highly selective for AR. A proteomic analysis of VCaP cells treated *in vitro* with ARV-110 at a 10 nM concentration for eight hours demonstrated that only AR was degraded from the nearly 4,000 measured proteins.

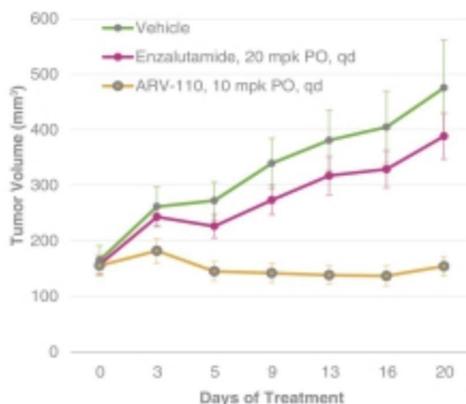
Importantly, in addition to AR degradation and selectivity, we have observed in preclinical studies the ability of ARV-110 to potently inhibit prostate cancer cell growth and reduce PSA levels. In addition to guiding treatment decisions, reduction in PSA is often an indicator of the effectiveness of treatment in clinical trials, although it is not recognized as a surrogate endpoint for purposes of regulatory approval. For example, ARV-110 demonstrated equivalent reduction in PSA to enzalutamide at ten-fold lower concentration levels in an *in vitro* inhibition study of PSA synthesis in Lymph Node Cancer of the Prostate cells, which are androgen-sensitive human prostate adenocarcinoma cells, that have been engineered to overexpress AR.

In *in vivo* mouse models, ARV-110 has inhibited AR-dependent tumor growth, in a statistically significant manner. ARV-110 exhibited superior tumor growth inhibition compared to enzalutamide in both castrated and intact (non-castrated) xenograft models derived from VCaP cell lines.

To assess the ability of ARV-110 to treat enzalutamide-resistant cancers, we conducted *in vivo* studies of ARV-110 in an enzalutamide-resistant VCaP xenograft model. These VCaP tumors acquired resistance to enzalutamide after being continuously propagated in castrated, enzalutamide treated mice for approximately three years. This resistance can be seen in the figure below, as tumors in mice dosed with enzalutamide grew at nearly the same rate as tumors in mice dosed only with the drug vehicle—a control similar to dosing a placebo. Orally delivered ARV-110 significantly inhibited tumor growth, described as tumor growth inhibition, or TGI, in these enzalutamide-resistant VCaP tumors.



We have also conducted preclinical studies of ARV-110 for enzalutamide-insensitive cancers. We conducted an *in vivo* study using a tumor line derived directly from a patient, referred to as a patient derived xenograft, or PDX, model. This model is derived from a tumor from a patient not treated with enzalutamide but that is insensitive to enzalutamide. This insensitivity can be seen in the figure below, as tumors in mice dosed with enzalutamide grew at only a slightly slower rate than tumors in mice dosed only with the drug vehicle. In contrast, orally delivered ARV-110 significantly inhibited tumor growth in these enzalutamide-insensitive tumors, achieving a TGI value of 100%. Further, PSA levels in the plasma of mice following 20 days of ARV-110 dosing significantly decreased in comparison to those dosed with only the drug vehicle or enzalutamide.



We believe the activity of ARV-110 in the above VCaP and PDX models may closely reflect enzalutamide resistance or insensitivity in the clinic and shows the potential for treatment of patients whose tumors have become resistant to, or demonstrate intrinsic resistance to, a current standard-of-care agent.

ARV-110 has also reduced the levels of PSA in plasma comparable to levels achieved with enzalutamide in a different VCaP xenograft mouse model but at a lower dosing level.

We conducted IND-enabling Good Laboratory Practice, or GLP, toxicology studies with ARV-110 in rats and dogs to support advancement of ARV-110 into clinical development. Both study designs called for animals to be treated once daily, orally for 28 days, followed by a 14-day recovery period for high dose animals. We believe both studies provide favorable safety margins of approximately five to ten times higher than the anticipated therapeutic doses.

In the rat study, a no observed adverse effect level, or NOAEL, of 40 milligrams per kilogram, or mpk, the mid-dose, in female animals and 120 mpk, the high dose, in male animals was identified. All findings observed in male high-dose animals were considered reversible by the study director. Atrophy of the prostate and seminal vesicles was noted in male animals at all dose levels and we believe is attributable to the pharmacologic activity of ARV-110.

In the dog study, the NOAEL was 10 mpk per day, the mid-dose. The high dose of 30 mpk per day exceeded the maximum tolerated dose, and dosing in this group was stopped prior to the planned completion to allow for collection of reversibility data. Elevations in liver function enzymes noted in some mid- and high-dose animals were considered reversible by the study director, and non-adverse as they were without microscopic correlates. In addition, at all dose levels, including animals receiving vehicle only, gastrointestinal alteration such as loose and abnormally colored stools were noted. Decreased prostate weights were noted in all male animals and we believe are attributable to the pharmacologic activity of ARV-110.

### **Our Phase 1/2 Clinical Trial**

In March 2019, we initiated dosing in a Phase 1 clinical trial of ARV-110. Our Phase 1 trial is designed as an open label, dose-escalation study of ARV-110 in approximately 28 to 60 men with mCRPC whose disease has progressed on at least two prior systemic therapies, one of which must have been enzalutamide or abiraterone. The Phase 1 trial is designed to primarily investigate the safety and tolerability of ARV-110. Secondary endpoints include characterization of ARV-110's pharmacokinetic profile and preliminary assessment of biochemical and clinical activity based on evaluation of PSA levels, and radiographic measurement of evaluable lesions. The anti-tumor effects of ARV-110 in measurable lesions will be assessed using Response Evaluation Criteria in Solid Tumors, or RECIST, a standardized set of rules for response assessment based on tumor shrinkage which is widely used in oncology clinical trials. We also will evaluate exploratory markers of disease burden, such as circulating tumor cell enumeration, as exploratory endpoints of the trial. The dose escalation portion of the trial is enrolling patients at four study centers in the United States. The protocol provided for a starting dose of 35 mg/day, administered orally. Up to a total of 20 patients (inclusive of patients previously enrolled at a given dose level) may be added to a previously studied dose escalation cohort once that dose has been deemed safe for further development. Eligible patients include those who have received at least two prior approved therapies for castrate-resistant prostate cancer (at least one of which must be abiraterone or enzalutamide).

In October 2019, we shared preliminary data from the first three dose-escalation cohorts (35 mg, 3 patients; 70 mg, 4 patients; and 140 mg, 3 patients). ARV-110 (35 mg, 70 mg, and 140 mg) was well tolerated, with no dose-limiting toxicities and no grade 2, 3, or 4 treatment-related adverse events observed. The data presented showed dose proportionality for ARV-110 and that average plasma exposures of ARV-110 in the third (140 mg) cohort had reached levels associated with tumor growth inhibition in preclinical studies.

In May 2020, we announced updated data from the Phase 1/2 clinical trial for ARV-110. The data showed evidence of in-tumor AR reduction. As of the April 20, 2020 data cut-off, 20 patients were evaluable for prostate-specific antigen, or PSA, response, including 12 patients treated at 140 mg or higher. These 12 patients exclude one patient who received two weeks of therapy prior to discontinuing due to a rosuvastatin-related dose limiting toxicity.

Of the 12 patients treated at 140 mg and above, circulating tumor DNA analysis of five patients showed AR forms (L702H point mutations and AR-V7 splice variants) not degradable by ARV-110 in preclinical studies. In the group of seven remaining patients who had degradable forms of AR (other AR point mutations, AR amplification and wildtype AR), two patients achieved confirmed PSA responses that remained ongoing, as of the cut-off.

One of these patients had a 74% decline from baseline in PSA and remained without progression after 30 weeks, as of the data cut-off. This patient did not have measurable disease at baseline for assessment by RECIST. The second patient had both a deep PSA response (97% decline from baseline) and a confirmed partial RECIST response (80% decrease from baseline in tumor mass) and remained without progression after 18 weeks, as of the data cut-off. Both responses, which were in patients at the 140 mg dose, were achieved by ARV-110 despite prior treatment with enzalutamide, abiraterone, chemotherapy and other therapies. Tumors from both patients have H875Y and T878A point mutations in AR, which are known to drive resistance to current standard of care treatments and have been degraded by ARV-110 in preclinical studies. In addition to these two patients, PSA reductions were observed in other patients but did not meet a 50% reduction in PSA threshold at data cutoff, and four patients remained on ARV-110 without radiographic progression for at least 20 weeks.

A potential drug-drug interaction between ARV-110 and rosuvastatin, or ROS, was identified during the trial. Of the 22 patients enrolled, two had concurrent use of ROS. One patient receiving 280 mg ARV-110 experienced a Grade 4 dose-limiting toxicity of elevated aspartate transaminase/alanine transaminase, or AST/ALT, liver enzymes followed by acute renal failure. The second patient, receiving 70 mg ARV-110, experienced a Grade 3 AST/ALT elevation, which resolved after the removal of ROS, and the patient was retreated with ARV-110. Follow-up exploratory findings indicate that ROS concentrations, but not ARV-110 concentrations, were elevated in both patients who had liver function test increases. Subsequent *in vitro* transport pump studies indicated that ARV-110 inhibited breast cancer resistant pump transporter, of which ROS is a substrate. Following the initial data that supported a potential interaction with ROS, concomitant use of ROS was precluded, and as of the cut-off date no other ARV-110 related Grade 3 or 4 adverse events had been reported. Six other patients had, as of the data cut-off date, received concomitant non-ROS statins without AST/ALT adverse events.

In the first and third quarters of 2020, we amended the protocol for our Phase 1 clinical trial for ARV-110. These amendments included the addition of a Phase 2 expansion cohort.

In December 2020, we announced updated interim data from the dose escalation portion of our clinical trial.

We reported that ARV-110 exposures have risen dose proportionally, and at 420 mg oral daily dosing, exposures in nearly all patients have surpassed a threshold we associated with tumor growth inhibition with ARV-110 in enzalutamide-resistant preclinical models of prostate cancer.

In the dose escalation portion of the trial, 76% of patients had been treated with prior chemotherapy, and 82% previously received both abiraterone and enzalutamide. Patients had a median of five prior lines of therapy. Multiple lines of therapy in nonmetastatic and metastatic castrate resistant prostate cancer are associated with a decreased responsiveness to AR-directed therapies and an increase in tumor heterogeneity, including in genetic mutations, which reduce the tumor's dependence on the AR signaling axis. Analysis of trial patient tumor DNA showed that 84% of patients in the trial had at least one and often several non-AR gene mutations. As such, these patients would not be expected to respond to AR-directed agents such as ARV-110. In addition, we found that rates of certain AR mutations have been found to be higher than we anticipated based on previously published studies of men with mCRPC.

We have identified a molecularly defined, late-line population with a particularly strong response to ARV-110. Two of five patients (40%) with multiple AR mutations, including T878 and/or H875, had PSA reductions equal to or greater than 50%, or PSA50 response, and one patient had a tumor size reduction of 80%.

In addition, two of 15 patients (13%) with wild-type AR also had a PSA50 response, representing activity in a broader patient population. In the full group of patients with exposures above the minimum threshold we predicted to be efficacious by preclinical studies, four of 28 (14%) had PSA reductions greater than 50%. We believe that this PSA50 response rate is substantially higher than would be expected from approved AR-directed therapies in such late line patients. Specifically, PSA50 response rates from standard-of-care AR-directed therapies generally decrease to 8%-15% in mCRPC patients with fewer prior therapies.

The dual signals of ARV-110 activity in a molecularly defined population (T878/H875) and in AR wild-type patients support our two-pronged strategy for ARV-110 development and suggest a robust opportunity to address unmet need in patients with mCRPC.

In October 2020, we initiated the ARDENT Phase 2 expansion portion of the trial comprising patient subgroups at a dose of 420 mg daily and with the possibility of adding a further dose or schedule. T878/H875 patients will be enriched in a subgroup to ensure sufficient patient numbers in an effort to confirm the potential for accelerated regulatory approval for ARV-110 in this population. A separate subgroup will enrich for less-pretreated patients (i.e., no prior chemotherapy and with only one previous second-generation AR-directed therapy, such as enzalutamide or abiraterone), to ensure sufficient numbers of patients whose tumors are expected to be more AR-dependent, less genetically complex, and potentially more responsive to ARV-110.

We expect to provide complete data from the dose escalation portion of the Phase 1/2 trial in 2021 and provide interim data from the ARDENT Phase 2 expansion portion of the Phase 1/2 trial in the second half of 2021, with full data following in 2022. In 2021, we also expect to begin at least one Phase 1b combination trial with a standard-of-care prostate cancer therapy and provide data in 2022.

#### ***ARV-766 for the Treatment of Men with Metastatic Castration-Resistant Prostate Cancer***

We are developing ARV-766 to target and degrade wild-type and mutated AR including at least one additional, clinically relevant AR point mutation, the L702H point mutation, which ARV-110 does not degrade. The L702H point mutation in the ligand-binding domain of AR results in activation of the AR by glucocorticoids and can cause resistance to a standard of care regimen. Recent studies have reported that between approximately 2-9% of patients with mCRPC had an L702H point mutation. We expect to file an IND application for ARV-766 and initiate a Phase 1 dose escalation clinical trial in the first half of 2021, and if ARV-766 progresses as planned, we expect to provide data from the Phase 1 clinical trial and transition to Phase 2 in 2022.

### **Next Generation AR Degraders**

We are developing additional PROTAC targeted protein degraders capable of degrading certain AR splice variants. We expect that results from our Phase 1/2 clinical trials of ARV-110 and ARV-766 will provide further data on the role of androgen receptor splice variant-7, or AR-V7, in prostate cancer. ARV-110 and ARV-766 bind to full-length AR at its ligand-binding domain. AR-V7 is a truncated form of AR that lacks the ligand-binding domain necessary to bind with ARV-110 and ARV-766 and which ARV-110 and ARV-766 therefore do not degrade. AR functions as a dimer, a complex made up of two individual AR proteins. AR-V7 can form a dimer with a full-length AR, and such non-identical protein dimers are called heterodimers. We believe that ARV-110 and ARV-766, by degrading the full-length AR component of the heterodimer, could successfully inactivate AR-V7-directed signaling. Although shown to form a heterodimer preclinically, there is uncertainty as to whether AR-V7 and AR form a heterodimer in patients' tumors. It is also possible that AR-V7 signals through V7-only dimers, which would be unaffected by ARV-110 and ARV-766. Although the presence of AR-V7 has been shown to correlate with a lack of response to enzalutamide and abiraterone, a published study demonstrated that approximately 40% of patients with AR-V7 expressing circulating tumor cells show a PSA response to enzalutamide. Given the evolving potential role of AR-V7 in prostate cancer, as a follow-on to ARV-110 and ARV-766, we are exploring the identification and development of a PROTAC targeted protein degrader that can degrade AR-V7 directly, as well as other AR splice variants.

### **ARV-471 for the Treatment of Patients with Locally Advanced or Metastatic ER Positive / HER2 Negative Breast Cancer**

We are developing ARV-471, an orally bioavailable ER degrading PROTAC targeted protein degrader, as an alternative to, and potentially more potent degrader than, the intramuscular injection fulvestrant and other selective ER degraders currently in development for the treatment of patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. Similar to our AR program, we have chosen ER degradation as a therapeutic focus given the well-documented biology of ER signaling as a principal driver in a high percentage of breast cancers. ARV-471 has demonstrated activity in ER positive breast cancer preclinical models. We are clinically investigating ARV-471 for use as a single agent and in combination with cyclin-dependent kinase (CDK) 4/6 inhibitors such as palbociclib. We believe ARV-471 has the potential to improve clinical outcomes over current standards of care for patients with locally advanced or metastatic ER positive / HER2 negative breast cancer.

### **Breast Cancer**

In the United States, breast cancer is the second most common cancer and the second leading cause of cancer death in women. The American Cancer Society estimates that in 2021 there will be approximately 281,000 women diagnosed with invasive breast cancer in the United States. Metastatic breast cancer accounts for approximately 6% of newly diagnosed cases. Approximately 80% of newly diagnosed breast cancers are ER+, with many patients developing resistance to current treatment options over time.

Treatment options for breast cancer depend on many different factors, including the stage of the cancer and whether the cancer cells contain hormone receptors. Patients with locally advanced or metastatic breast cancer are treated with systemic therapy, including hormone therapy, chemotherapy and targeted therapy, either as single-agents or in combination. Patients with locally advanced or metastatic ER positive / HER2 negative breast cancer are often treated with hormone therapy, such as tamoxifen or an aromatase inhibitor, sometimes in combination with targeted drugs such as CDK 4/6 inhibitors. In patients with aggressive disease or whose disease continues to progress with a hormonal treatment regimen, chemotherapy may be prescribed. Treatment with chemotherapy is generally postponed for as long as possible due to the potential for severe side effects including neuropathies, nausea, diarrhea, decreased mental capacity and increased risk of infections.

A current standard of care for patients with ER positive / HER2 negative locally advanced or metastatic breast cancer is fulvestrant, an ER degrader administered as a monthly intramuscular injection, either as a single-agent or in combination with another targeted therapy. While fulvestrant has validated the importance of ER degradation as a therapeutic intervention, up to 50% of ER can remain when compared to baseline levels after six months of treatment with fulvestrant, providing an opportunity for more potent ER degraders, such as ARV-471, our PROTAC targeted protein degrader.

## Preclinical Development

We have conducted a comprehensive preclinical program to study ARV-471 as a potential treatment for patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. In our preclinical studies, ARV-471 was a superior degrader of ER compared to fulvestrant. ARV-471 has also shown superior tumor growth inhibition when combined with a CDK4/6 inhibitor compared to fulvestrant and the same combination partner.

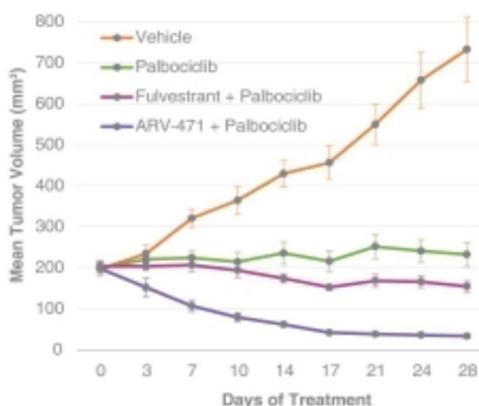
In *in vitro* models, ARV-471 has induced ER degradation in multiple cell lines typically used in breast cancer research.

In *in vivo* experiments ARV-471 has achieved superior tumor growth inhibition and degradation compared to fulvestrant. We have tested ARV-471 for tumor growth inhibitory activity using an industry-standard MCF-7 xenograft mouse model. MCF-7 is a well-characterized estradiol-dependent ER positive / HER2 negative cell line that forms tumors when implanted in the mammary fat pad of female mice. As shown in the figure below, ARV-471 resulted in very high tumor growth inhibition when dosed daily orally at 10 mpk and more than 80% tumor shrinkage when dosed daily orally at 30 mpk for 28 days. At both doses, ARV-471 demonstrated superior activity compared to a clinically relevant dose of fulvestrant, which is 200 mpk twice per week for two weeks and then once per week for two weeks.

After 28 days of dosing in this efficacy study, the MCF-7 tumors were removed from the mice and processed for western blots to observe the level of ER degradation induced by oral dosing of ARV-471. ARV-471 reduced ER by 85%, on average, at 10 mpk as compared to the control tumors and by 89%, on average, at 30 mpk as compared to the control tumors.

We have also conducted preclinical studies to test ARV-471 in a PDX model. This model is derived from a tumor with an ESR1 mutation (Y537S), which is a mutation in the ER that occurs in patients who have been treated with standard-of-care agents such as tamoxifen or an aromatase inhibitor, such as letrozole, and has been cited as a mechanism of resistance to those drugs. These studies included a comparison with fulvestrant. In this 28-day dosing study, oral ARV-471 inhibited tumor growth by 99% at the 10 mpk dosing level and by 106% at the 30 mpk dosing level which was observed to be superior at both dosing levels to a clinically relevant dose of 200 mpk of fulvestrant. Further, ARV-471 was shown to reduce ER by 79% and 88% at the 10 mpk and 30 mpk dosing levels, respectively, compared with 63% at the 200 mpk of fulvestrant dosing level.

We have also conducted studies of ARV-471 in combination with palbociclib, a CDK4/6 inhibitor that is standard of care when used together with fulvestrant. In these studies, we have achieved significant tumor shrinkage with ARV-471 in ER positive / HER2 negative MCF-7 xenograft models. As shown in the figure below, in a 28-day dosing study in MCF-7 xenografts, ARV-471 at 30 mpk daily in combination with palbociclib was superior in shrinking tumors, as compared to either palbociclib as a single agent at 60 mpk daily, or the standard-of-care combination of palbociclib at 60 mpk daily plus fulvestrant at 200 mpk twice per week for two weeks and then once per week for two weeks.



We believe that ARV-471 may also show compelling activity in combination with other targeted agents currently used or in clinical trials for locally advanced or metastatic breast cancer including PI3K and mTOR inhibitors and plan to test these combinations in preclinical models.

We conducted IND-enabling GLP toxicology studies with ARV-471 in rats and dogs to support advancement of ARV-471 into clinical development. The designs for these studies called for animals to be treated once daily, orally for 28 days, followed by a 28-day recovery period at each dose level in the rat study and for the high dose animals only in the dog study.

In the rat study, animals were treated at doses of 0 (vehicle control), 3, 10, 30 and 100 mpk/day. The NOAEL was 100 mpk, the high dose. All findings observed were considered reversible by the study director. Evidence of pharmacologic activity was noted in the reproductive organs of rats at the 3 mpk dose level and higher. In the dog study, animals received 0 (vehicle control), 15, 45 or 90 mpk/day. The NOAEL was 90 mpk, the high dose. All findings observed in high-dose animals were considered reversible by the study director.

### ***Our Phase 1/2 Clinical Trial***

In August 2019, we initiated dosing in a Phase 1 clinical trial for ARV-471. The trial is an open-label dose-escalation study in which we expect to dose approximately 28 to 36 patients with locally advanced or metastatic ER positive / HER2 negative breast cancer who have progressed on at least two prior endocrine therapy regimens and a CDK4/6 inhibitor. Eligible patients may have also received up to three prior regimens of cytotoxic chemotherapy. The protocol provides for a starting dose of 30 mg/day, administered orally.

In the first and fourth quarters of 2020, we amended the protocol for our Phase 1 clinical trial for ARV-471, to include the Phase 2 expansion cohort and a Phase 1b cohort expansion of ARV-471 in combination with Ibrance® (palbociclib), respectively.

The Phase 1/2 trial is designed to primarily investigate the safety and tolerability of ARV-471 and characterize its pharmacokinetic profile. ER degradation by comparing ER levels in pre-treatment and post-treatment tumor biopsies in patients with appropriate lesions will also be evaluated as a secondary endpoint. Other secondary endpoints include the evaluation of anti-tumor response in patients with measurable disease using RECIST.

In October 2019, we shared preliminary data from three patients enrolled in the first dose escalation cohort (30 mg). At that dose ARV-471 was well tolerated, with no dose-limiting toxicities and no treatment-related adverse events observed. The data presented showed that average plasma exposures of ARV-471 in the 30 mg dose cohort reached levels associated with tumor growth inhibition in preclinical studies.

In December 2020, we announced updated interim data from the dose escalation portion of our ongoing Phase 1/2 clinical trial of ARV-471 in patients with locally advanced or metastatic ER+/HER2- breast cancer.

As of the data cut-off date of November 11, 2020, 21 adult patients with locally advanced or metastatic ER+/HER2- breast cancer were dosed with ARV-471 (orally, once-daily) in the Phase 1 clinical trial. 100% of these patients were previously treated with a CDK 4/6 inhibitor, 71% of patients also received prior fulvestrant, and 23% of patients were also pretreated with investigational selective estrogen receptor degraders or SERDs. Overall, patients had a median of five prior therapies.

One patient in the ARV-471 trial had a confirmed partial response, with a 51% reduction in target lesion size as assessed by RECIST. In addition to the confirmed partial response, two additional patients had unconfirmed partial responses and one additional patient demonstrated stable disease with greater than 50% target lesion shrinkage. For a clinical benefit rate, or CBR, evaluation, 12 patients had sufficient follow-up to be included. Five of 12 patients (42%) achieved CBR. CBR is defined to include partial responses, complete responses and stable disease at 6 months. Three of these five patients had previously received fulvestrant, and another was treated with two investigational SERDs.

ARV-471 was well tolerated at all dose levels, as of the data cut-off date. The most common treatment-related Grade 1-2 adverse events were nausea (24%), arthralgia (19%), fatigue (19%), and decreased appetite (14%). None of these led to discontinuation or dose reduction of ARV-471. No patients reported treatment-related Grade 3 or 4 adverse events, and no dose-limiting toxicities have been reported. A maximum tolerated dose has not been reached and dose escalation continues.

The plasma exposures of ARV-471 have been dose proportional up to and including 360 mg orally once daily and have substantially exceeded our predicted thresholds of efficacy based on preclinical studies. The estimated half-life of ARV-471 is 28 hours, supporting a once-daily schedule of administration. Analysis of five paired tumor biopsies at doses up to 120 mg provide compelling proof of mechanism for ARV-471. At those doses, we have observed ER degradation up to 90% (average of 62%).

We believe that the interim data from our ongoing clinical trial compares favorably to previously reported Phase 1 clinical trial results of other SERDs with respect to tolerability, ER degradation and efficacy signals.

We expect to complete the dose escalation portion of the Phase 1/2 clinical trial of ARV-471 in the first half of 2021. In February 2021, we initiated the VERITAC Phase 2 expansion portion of the trial at 200 mg daily with the possibility of adding a second dose level. We anticipate sharing interim data from the VERITAC dose expansion portion in 2022.

We initiated a Phase 1b cohort expansion of ARV-471 in combination with Ibrance® (palbociclib) in December 2020. This trial will evaluate the safety and tolerability of ARV-471 in combination with palbociclib and seek to identify a recommended combination dose.

We expect to begin two additional studies of ARV-471 in the second half of 2021: a combination trial of ARV-471 with another targeted therapy in second and/or third line metastatic breast cancer, and a window of opportunity study in early breast cancer.

The combined data from these studies will inform our global development strategy and path forward toward the goal for ARV-471 to become the leading endocrine therapy in ER+/HER2- breast cancer.

### ***Our Exploratory and Research Programs***

#### ***Neurodegenerative Diseases***

Neurodegenerative diseases are generally progressive in nature and result in the degeneration and often death of neurons in the brain, leading to cognitive decline, functional impairment and eventually death. These diseases affect a rapidly growing patient population and represent one of the largest unmet medical needs of our time. Alzheimer's and Parkinson's diseases encompass the largest patient populations among the neurodegenerative diseases. The Alzheimer's Association estimated that more than 5 million Americans aged 65 and older were living with Alzheimer's dementia in 2020, and the Parkinson's Foundation estimated that nearly one million Americans are living with Parkinson's disease. Alzheimer's disease is marked by the progressive accumulation of aggregated tau protein, while aggregation of alpha-synuclein is thought to cause Parkinson's disease.

Inhibitor-based therapies targeting the proteins thought to be the cause of these neurodegenerative diseases have failed to show clinically meaningful benefit to date. While some existing products provide symptomatic relief to Alzheimer's and Parkinson's patients, they have significant side effect risks and over time gradually lose their effectiveness in treating the symptoms of the disease. Further, there are no approved disease-modifying treatments for Alzheimer's or Parkinson's.

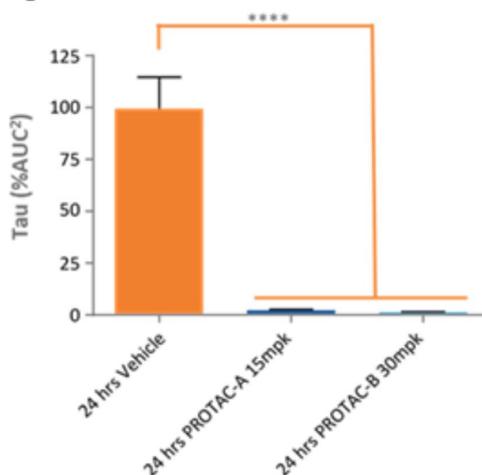
#### ***Developing PROTAC Targeted Protein Degraders that Cross the Blood Brain Barrier***

Engineering products that cross the blood brain barrier is a highly desirable characteristic in developing effective therapeutics for patients with neurodegenerative diseases as compared with therapies delivered directly into the central nervous system, or CNS. Any product candidates for neurodegenerative disease must reach their intended targets in the brain at exposure levels that will provide a therapeutic effect, while having an acceptable safety profile.

Importantly, we have achieved brain penetration in preclinical models following parenteral administration of PROTAC degrader molecules designed to specifically target pathologic oligomers of tau and  $\alpha$ -synuclein, for the treatment of Alzheimer's disease and other tauopathies and Parkinson's disease and other synucleinopathies, respectively. These PROTAC degrader molecules achieved concentrations in the brain sufficient to induce degradation of the aggregated proteins, widespread penetration into different parts of the brain, and brain/plasma ratios of 0.5 to 5.0, which are comparable to approved therapeutics with CNS activity.

## Developing PROTAC Targeted Protein Degraders that Degrade Proteins Associated with Neurodegenerative Diseases

We have conducted preclinical studies to establish the potential of our PROTAC Discovery Engine in the CNS for the treatment of neurodegenerative diseases, including tauopathies, the largest of which is Alzheimer's disease. We have demonstrated that tau PROTAC protein degrader molecules could be dosed peripherally and degrade pathogenic tau in the brain of a mouse tauopathy model. The figure below shows a greater than 95% reduction in pathogenic tau in the cortex of the brain of the Tg2508 mouse model 24 hours following a single parenteral administration of two different tau targeting PROTAC degraders, PROTAC-A at 15 mg per kg and PROTAC-B at 30 mg per kg. We anticipate filing an IND application for our tau program in 2022.



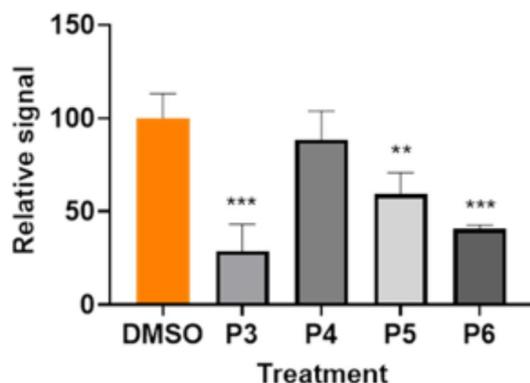
<sup>2</sup> AUC, or area under the curve, for pathogenic tau was measured from the cortex region of the brain by WESTM capillary electrophoresis.

\*\*\*\* Tukey's multiple comparisons test p-value < 0.0001

Alpha-synuclein is an abundant neuronal protein that localizes predominantly to presynaptic terminals within the brain. While the normal function of this protein is not fully understood, the pathologic aggregation of alpha-synuclein is implicated in synucleinopathies; the most common of which is Parkinson's disease.

In preclinical studies, we have demonstrated that alpha-synuclein PROTAC degraders can specifically degrade aggregated forms of the protein. We have conducted *in vitro* experiments in cells expressing the A53T mutant form of alpha-synuclein, a mutation that causes aggregation of alpha-synuclein and early-onset Parkinson's diseases in patients. We treated these cells with alpha-synuclein targeting PROTAC degraders at 1  $\mu$ M for 48 hours. The table below shows that three different PROTAC molecules, P-3, P-5, and P-6, each degraded aggregated forms of alpha-synuclein in a statistically significant manner, as measured by an alpha-synuclein oligomer based enzyme-linked immunosorbent assay.

### Effect of PROTAC Degraders on $\alpha$ -synuclein Oligomer levels



In addition to our tau and alpha-synuclein programs, our neuroscience programs include a program directed to mutant huntingtin (mHTT), a key protein target for Huntington's disease.

#### **Other Oncology, Immuno-Oncology and Undruggable Targets**

We have active exploratory and research programs to evaluate additional established targets in oncology and immuno-oncology, as well as other currently undruggable targets. In line with our strategy, we assess potential exploratory programs on a target-by-target basis to decide whether our PROTAC targeted protein degraders provide a compelling differentiated approach over standard-of-care or other, existing or potential competing mechanisms of action directed against a specific target. In the case of currently undruggable targets, we assess whether the features of our PROTAC targeted protein degraders, including their potential to degrade proteins via sites other than enzymatic active sites and the ability to initiate the degradation process using only weak binders, offer us opportunities to degrade those targets.

Our exploratory and research activity in oncology and immuno-oncology includes programs directed to the B-cell lymphoma 6 protein (BCL6), a transcription factor implicated in B cell lymphomas; Kirsten rat sarcoma (KRAS), an oncogenic cell growth regulator; Myc, an oncogenic transcription factor driving tumor cell proliferation; and hematopoietic progenitor kinase 1 (HPK1), a suppressor of T cell activation. We anticipate filing an IND application for our BCL6 program as well as an additional oncology-associated program in 2022.

#### **Intellectual Property**

Our commercial success depends in part upon our ability to secure and maintain patent and other proprietary protection for our platform protein degradation technologies, including our PROTAC targeted protein degrader programs, product candidates, and know-how related to our business, defend and enforce our intellectual property rights, in particular our patent rights, preserve the confidentiality of our trade secrets, and operate without infringing valid and enforceable intellectual property rights of others.

The patent positions for biopharmaceutical companies like us are generally uncertain and can involve complex legal, scientific and factual issues. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued, and its scope can be reinterpreted and even challenged after issuance. As a result, we cannot guarantee that any of our product candidates will be protected or remain protectable by enforceable patents. We cannot predict whether the patent applications we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Any patents that we hold may be challenged, circumvented or invalidated by third parties.

As of February 1, 2021, our patent estate that we own, co-own and in-license includes 20 issued U.S. patents, 36 foreign granted patents, and 344 pending patent applications.

## **PROTAC Patents and Patent Applications**

Our PROTAC patent portfolio is generally organized into two categories: PROTAC platform patent filings, and PROTAC product candidate or protein target-specific patent filings.

### **PROTAC Platform**

As of February 1, 2021, our PROTAC platform patent estate that we own, co-own, and in-license, and that covers our various E3 ubiquitin ligase constructs, includes two issued U.S. patents, 9 granted foreign patents, 9 pending U.S. patent applications and 80 pending foreign patent applications. This patent estate covers constructs that have ligands for the Von Hippel Lindau, or VHL, E3 ubiquitin ligase, the cereblon, or CRBN, E3 ubiquitin ligase, the inhibitor apoptosis protein, or IAP, E3 ubiquitin ligase, and the human mouse double minute homolog, or MDM2, E3 ubiquitin ligase.

We exclusively license from Yale University a portfolio of patents and patent applications describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds comprised of ligands for the VHL E3 ubiquitin ligase, as well as claims to associated methods of use. Patents have been granted in Australia, Mexico, the United States, and Russia, and patent applications are pending in the United States, Brazil, Canada, China, Europe, Hong Kong, India, Japan and South Korea. If all appropriate maintenance fees are paid, each granted patent will expire in 2033 without taking potential patent term extensions into account. We also co-own with Yale patent applications describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds comprised of ligands for the VHL E3 ligase. A patent has issued in the United States, and patent applications are pending in the United States, Australia, Canada, China, Europe, Hong Kong, India, Japan, South Korea, Mexico and Russia. Our rights to this patent and these patent applications are governed by the Yale License Agreement described below.

We own three patent families with three pending U.S. patent applications describing composition-of-matter claims covering the CRBN E3 ubiquitin ligase ligand generically, the chemical linker group generically, and a small molecule or peptide ligand that binds to a target protein generically. We own granted patents in Australia, Japan, Europe, and Russia. Patent applications are pending in the United States, Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, Korea, Mexico, and Russia. If all appropriate maintenance fees are paid, each granted patent in these families will expire in 2035 without taking potential patent term extensions into account.

We own a patent family describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds comprised of ligands for the IAP E3 ubiquitin ligase as well as claims to associated methods of use. Patent applications in this family are pending in the United States, Australia, Brazil, Canada, Europe, Hong Kong, India, Korea, Mexico and Russia. If granted, and all appropriate maintenance fees are paid, the expiration of these patents would be in 2036 without taking potential patent term extensions into account.

We own a patent family describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds comprised of ligands for the MDM2 E3 ubiquitin ligase as well as claims to associated methods of use. Patent applications in this family are pending in the United States, Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, Korea, Mexico, and Russia. If granted, and all appropriate maintenance fees are paid, the expiration of these patents would be in 2036, without taking potential patent term extensions into account.

### **PROTAC Product Candidates**

Our product or protein-specific patent applications were created to pursue more focused patent exclusivity around PROTAC targeted protein degrader compounds designed to target specific proteins. As of February 1, 2021, our PROTAC product patent portfolio that we own, co-own and in-license includes 15 U.S. issued patents, 26 issued foreign patents, 54 pending U.S. patent applications, and 193 pending foreign patent applications.

We own seven patent families describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds addressing AR and associated methods of treating cancer. The first patent family has two issued U.S. patents, two granted foreign patents, three pending U.S. applications and 22 pending foreign patent applications describing composition-of-matter and method of use claims covering ARV-110. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2037 without taking potential patent term extension into account. The second patent family has four pending applications in the U.S., three granted foreign patents, and 26 foreign applications describing alternative composition-of-matter claims. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2036 without taking potential patent term extension into account. The third patent family has three pending U.S. applications and one pending Patent Cooperation Treaty, or PCT, application

describing claims directed to additional methods of treating cancer using ARV-110. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2040 without taking potential patent term extension into account. The fourth patent family has three pending U.S. applications, one pending PCT application, and one pending foreign application describing composition-of-matter claims directed to ARV-766. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2040 without taking potential patent term extension into account. The fifth patent family has a pending U.S. application describing claims directed to additional methods of treating cancer using ARV-110. Any patent granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2041 without taking potential patent term extension into account. The sixth patent family has a pending U.S. application describing claims directed to methods of manufacture, crystalline and ultrapure forms, and dosage forms of ARV-110. Any patent granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2041 without taking potential patent term extension into account. The seventh patent family has two pending U.S. applications describing claims directed to methods of treating cancer with ARV-110 in patients with specific AR mutations. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2041 without taking potential patent term extension into account.

We own six patent families describing composition-of-matter claims encompassing PROTAC targeted protein degrader compounds addressing ER and associated methods of treating cancer. The first patent family has two issued U.S. patents, two pending U.S. applications, two granted foreign patents, and 20 pending foreign patent applications describing composition-of-matter and method of use claims covering ARV-471. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2037 without taking potential patent term extension into account. The second patent family has two pending U.S. applications and one pending PCT application describing claims directed to methods of treating cancer using ARV-471 as a monotherapy, and also combined with an additional anti-cancer agent. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2040 without taking potential patent term extension into account. The third patent family has a pending U.S. application describing claims directed to crystalline forms of ARV-471. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2041 without taking potential patent term extension into account. The fourth patent family has a pending U.S. application describing claims directed to methods of treating cancer with ARV-471 in patients with specific ER mutations. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2041 without taking potential patent term extension into account. The fifth patent family has one issued U.S. patent, one pending U.S. patent application, and two pending foreign applications describing alternative ER-based PROTAC compounds and methods of use to treat cancer. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2039 without taking potential patent term extension into account. The sixth patent family has one issued U.S. patent, one pending U.S. patent application, and 13 pending foreign applications describing alternative ER-based PROTAC compounds and methods of use to treat cancer. Any patents granted in this family, assuming all appropriate maintenance fees are paid, will expire in 2038 without taking potential patent term extension into account.

We and Yale co-own nine patent families describing composition of matter claims of PROTAC targeted protein degrader compounds addressing certain discovery and other potential protein targets, and associated methods of use. Patent applications for each of these are pending in the United States. In addition, patent applications are pending at the international stage of the PCT for six of the families and with the European Patent Office for one of the families. Our rights to these patent applications are governed by the Yale License Agreement described below.

We also co-own with Genentech two pending U.S. patent applications, and 27 foreign patent applications directed to PROTAC targeted protein degrader compounds addressing a specific protein. Our rights to these patent applications are governed by the Genentech License Agreement described below.

The term of individual patents depends upon the legal term of the patents in the countries in which they are obtained. In most countries in which we file, the patent term is 20 years from the earliest date of filing a non-provisional patent application. In the United States, the term of a patent covering a drug approved by the U.S. Food and Drug Administration, or FDA, may be eligible for a patent term extension under the Hatch-Waxman Act as compensation for the loss of patent term during the FDA regulatory review process. The period of extension may be up to five years beyond the expiration of the patent but cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. Only one patent among those eligible for an extension may be extended. Similar provisions are available in Europe and in certain other jurisdictions to extend the term of a patent that covers an approved drug. It is possible that issued U.S. patents covering ARV-110 and ARV-471 may be entitled to patent term extensions. If our product candidates receive FDA approval, we intend to apply for patent term extensions, if available, to extend the term of patents that cover the approved product candidates. We also intend to seek patent term extensions in any jurisdiction where they are available; however, there is no guarantee that the applicable authorities, including the FDA, will agree with our assessment of whether such extensions should be granted, and if granted, the length of such extensions.

The United States also offers Patent Term Adjustment, or PTA, whereby a particular patent's term is automatically extended beyond the 20-year term if the United States Patent and Trademark Office caused delays during the underlying patent application's examination. However, potentially available PTA will be reduced by any amount of delay caused by the applicant.

#### **Trade Secrets**

We also rely on trade secrets, technical know-how and continuing innovation to develop and maintain our competitive advantage. Our policy requires inventors who are identified on any company-owned patent applications to assign rights to us. We also rely on confidentiality agreements with our employees, consultants and other advisors to protect our proprietary information. Our policy is to require third parties that receive material confidential information to enter into confidentiality agreements with us.

#### **Trademarks**

We own a U.S. service mark registration for PROTAC for pharmaceutical products development of new small molecules aimed at degrading disease-causing cellular proteins for treatment in the field of oncology, immunology, inflammatory diseases, and central nervous system disorders. We also own a U.S. trademark registration for the mark PROTAC for small molecule products aimed at degrading disease-causing cellular proteins for treatment in the fields of oncology, immunology, inflammatory diseases, and central nervous system disorders.

We also own U.S. and Chinese service mark registrations for ARVINAS in word and logo form for pharmaceutical products development of new small molecules aimed at degrading disease-causing cellular proteins for treatment in the fields of oncology, immunology, inflammatory diseases, and central nervous system disorders.

We also own U.S. service mark registrations for our "degrading dots" logo mark in both black and white and color form for pharmaceutical products development of new small molecules aimed at degrading disease-causing cellular proteins for treatment in the fields of oncology, immunology, inflammatory diseases, and central nervous system disorders.

### **Licenses and Strategic Collaborations**

#### ***Yale University License Agreement***

In July 2013, we entered into a license agreement with Yale pursuant to which Yale granted us an exclusive, worldwide license under specified intellectual property rights for the treatment or prevention of any human or animal disease in which a product mediates degradation of one or more target proteins, which we refer to as the Field, subject to certain exceptions. These licensed intellectual property rights arose from the research conducted by Dr. Craig Crews at Yale. During the period in which Professor Crews serves as a member of our board of directors or scientific advisory board or has a similar advisory arrangement, has a consulting arrangement with us, or his laboratory is performing sponsored research for us, and so long as he is an employee or faculty member (including emeritus faculty member) at Yale, Yale will notify us of any inventions in the Field invented in Professor Crews' laboratory and such invention will be included in the licensed intellectual property, subject to the rights of any non-profit sponsor of the research to use such invention solely for non-profit purposes. In addition, the laboratory of Professor Crews is restricted from conducting any sponsored research, collaboration or other similar arrangement in the Field with a for-profit company while Professor Crews is engaged with us, except where such arrangement allows Yale to grant us licenses of any inventions developed in the laboratory of Professor Crews in the Field in the licensed territory.

We are obligated to use commercially reasonable efforts to implement a written plan we agreed to with Yale setting forth a description of any research and development, testing, governmental approval and commercialization activities relating to licensed products and our financing plans. We must update this plan on an annual basis to indicate progress to date on the plan and a schedule of major events required to commercialize licensed products.

Pursuant to the license agreement we paid to Yale an upfront payment of \$149,511. We are responsible for paying Yale an annual license maintenance fee in varying amounts (ranging from the low tens-thousands of dollars to the mid to high tens-thousands of dollars) until the first sale to a third party of any licensed product, which is creditable against our royalty obligations for the given year. As of December 31, 2020, we have paid a total of \$435,000 in license maintenance fees to Yale. We are required to pay Yale, subject to the achievement of specified development and regulatory milestones, payments aggregating up to approximately \$3.0 million for the first licensed product and up to approximately

\$1.5 million for the second licensed product. We are not required to make any milestone payments for any licensed products beyond the first two. While the agreement remains in effect, we are required to pay Yale low single-digit royalties on aggregate worldwide net sales of certain licensed products, which may be subject to reductions. Yale is guaranteed a minimum royalty payment amount (ranging from \$200,000 to \$500,000) for each year after the first sale of a licensed product that results in net sales. The agreement requires that we must also pay Yale a mid-single digit to mid-double digit percentage of certain consideration we receive from a sublicensee for the first licensed product we sublicense. We are also responsible for costs relating to the prosecution and maintenance of the licensed patents. Finally, subject to certain conditions, all payments made by us to Yale (except patent costs) will be tripled during the pendency of any patent challenge made by us against Yale.

We have also agreed to pay for PROTAC targeted protein degrader research support from Yale pursuant to a sponsored research agreement that we entered into with Yale in July 2016 and amended in April 2018. Under the sponsored research agreement, as amended, we agreed to pay Yale an aggregate of \$3.7 million over five years, ending in April 2021, and as of December 31, 2020, we had paid Yale an aggregate of approximately \$3.5 million. The research is performed by and under the supervision and direction of Professor Crews for so long as he is employed by Yale.

The license agreement remains in effect until (a) for certain products, the date on which the last claim of the licensed patents expires; and (b) for certain products, 10 years after the sale of such products. The expiration of the last to expire patent right licensed from Yale, if it issues as a patent and all appropriate maintenance fees are paid, is currently expected to be in 2038. We could also obtain rights to additional patents, including through the issuance of pending patent applications, with later expiration dates, through our rights to any inventions in the Field invented in Professor Crews' laboratory, which could extend the term of the Yale Agreement. Either we or Yale may terminate the agreement for the other party's uncured material breach of certain provisions, we may terminate the agreement for convenience upon six months' prior notice, and Yale may terminate the agreement if we fail to make a payment when due, fail to obtain or maintain adequate insurance coverage or fail to achieve specified financing or regulatory milestone events. The agreement will automatically terminate if we become insolvent.

### **Genentech License Agreement**

In September 2015, we entered into an Option and License Agreement with Genentech, Inc. and F. Hoffmann-La Roche Ltd, collectively referred to as Genentech, focused on PROTAC targeted protein degrader discovery and research for target proteins, or Targets, based on our proprietary platform technology, other than excluded Targets as described below. This collaboration was expanded in November 2017 through an Amended and Restated Option, License and Collaboration Agreement, which we refer to as the Restated Genentech Agreement.

The collaboration is managed by a joint research committee and a joint project team, each of which is comprised of representatives from us and Genentech. Decisions of the joint research committee and joint project team are made by consensus, with each party having one vote. If the joint research committee is unable to agree, and the parties' executives are not able to resolve the dispute, then Genentech has final decision-making authority, subject to specified limitations.

Under the Restated Genentech Agreement, Genentech has the right to designate up to ten Targets for further discovery and research utilizing our PROTAC platform technology. Genentech may designate as a Target any protein to which a PROTAC targeted protein degrader, by design, binds, to achieve its mechanism of action, subject to certain exclusions. Genentech also has the right to remove a Target from the collaboration and substitute a different Target that is not an excluded Target at any time prior to us commencing research on such Target or in certain circumstances following commencement of research by us.

Once a Target becomes subject to the collaboration, we are obligated to use diligent efforts to undertake a research program in accordance with a research plan agreed to by the parties for such Target. We are responsible for funding our activities under the research program for each Target up to the amount set forth in the budget for such Target agreed upon by the parties in the research plan. For costs incurred in excess of the budgeted amount, Genentech has the option of either having us continue the work on the Target and reimbursing us for our costs in doing so or terminating the work on such Target.

The research program for each Target contemplates that the discovery and research work will occur in two stages: Stage 1, in which our objective will be to identify a PROTAC targeted protein degrader that demonstrates *in vitro* protein degradation of the Target; and Stage 2, in which our objective will be to demonstrate certain *in vitro* and *in vivo* research and development activity, but not to complete toxicology studies or other necessary IND-enabling studies. For each Target, at the conclusion of Stage 1, Genentech has the opportunity to continue the research program for such Target or terminate all activities on such Target. At the conclusion of each stage, we are obligated to provide certain deliverables to Genentech, including a data package at the end of Stage 2. Genentech has an option to obtain an exclusive worldwide

license to the applicable PROTAC targeted protein degraders directed against the applicable Target, which we refer to as Licensed PROTACs. Each such option must be exercised within a specified time after we deliver the data package for such Licensed PROTAC to Genentech. Once Genentech exercises an option, it is responsible, at its cost, to use diligent efforts to develop and commercialize the Licensed PROTAC through first commercial sale in the United States, the European Union and Japan.

During the term of the Restated Genentech Agreement, we and our affiliates are not permitted, either directly or indirectly, to conduct any activities in the design, identification or discovery of any small molecule pharmacologically active agent directed against a Target included in the collaboration, including certain PROTAC targeted protein degraders whose intended primary mechanism of action is, by design, through induction of proteasomal degradation of such Target.

Under the terms of the Restated Genentech Agreement, we received \$11.0 million in 2015 and an additional \$34.5 million in 2017 in upfront payments and expansion target payments. We are eligible to receive up to an aggregate of \$27.5 million in additional expansion target payments if Genentech exercises its options for all remaining Targets. We are also eligible to receive payments aggregating up to \$44.0 million per Target subject to the achievement of specified development milestones; payments aggregating up to \$52.5 million per Target (assuming approval of two indications) subject to the achievement of specified regulatory milestones; and payments aggregating up to \$60 million per Licensed PROTAC subject to the achievement of specified sales milestones. These milestone payments are subject to reduction if we do not have a valid patent claim covering the Licensed PROTAC at the time the milestone is achieved. We are also eligible to receive, on net sales of Licensed PROTACs, mid-single digit royalties, which may be subject to reductions.

Unless earlier terminated, the Restated Genentech Agreement will expire upon the expiration of all royalty periods for any Licensed PROTACs. The royalty period for each Licensed PROTAC expires on a country-by-country basis upon either (1) the expiration of the last-to-expire valid patent claim covering such Licensed PROTAC or (2) ten years after the first commercial sale with respect to such Licensed PROTAC, depending on whether the sale of the Licensed PROTAC is covered by an applicable valid claim. The expiration of the last to expire patent right licensed to Genentech, if it issues as a patent and all appropriate maintenance fees are paid, is currently expected to be in 2038. We could also obtain rights to additional patents, including through the issuance of pending patent applications, with later expiration dates, or new Licensed PROTACs could be added to the agreement that are subject to additional royalty terms with later expiration dates, which in either case could extend the term of the Restated Genentech Agreement. Genentech has the right to terminate the Restated Genentech Agreement for convenience in its entirety or with respect to a specific Target on 60 days' prior notice. Either we or Genentech may terminate the agreement, in its entirety or with respect to a specific Target, if the other party is in material breach and such breach is not cured within the specified cure period. In addition, either we or Genentech may terminate the agreement in the event of specified insolvency events involving the other party. If Genentech terminates the agreement for convenience or if we terminate the agreement as a result of Genentech's uncured material breach or Genentech's insolvency, all licenses we granted to Genentech terminate (either in its entirety or with respect to a specific Target, as applicable based on the nature of the termination). If Genentech terminates the agreement as a result of our uncured material breach or our insolvency, all licenses that we granted to Genentech terminate (either in its entirety or with respect to a specific Target, as applicable based on the nature of the termination), except that Genentech has the right to elect to retain its licenses, in which case it would no longer be obligated to use diligent efforts to develop and commercialize the applicable Licensed PROTACs and its payment obligations to us would be reduced.

### ***Pfizer License Agreement***

In December 2017, we entered into a Research Collaboration and License Agreement with Pfizer, Inc., or Pfizer, setting forth our collaboration to identify or optimize PROTAC targeted protein degraders that mediate for degradation of Targets using our proprietary platform technology that are identified in the agreement or subsequently selected by Pfizer, subject to certain exclusions. We refer to this agreement as the Pfizer Collaboration Agreement.

Under the Pfizer Collaboration Agreement, Pfizer has designated a number of initial Targets. For each identified Target, we and Pfizer will conduct a separate research program pursuant to a research plan. Pfizer may make substitutions for any of the initial Target candidates, which substitutions are limited subject to the stage of research for such Target.

We and Pfizer are obligated to use commercially reasonable efforts to complete our respective activities set forth in a research plan, including, in our case, the obligation to provide certain deliverables at the end of each stage. Under the research plan, we are required to provide compound formulation and conduct pharmacokinetic/pharmacodynamic and drug safety research and development activities in support of screening and other activities conducted by Pfizer relating to a Target. Following the provision of the deliverables by us for a stage, we will suspend the conduct of any further activities until Pfizer has exercised its right to proceed. If Pfizer does not exercise such right within the applicable time period, we will cease activities for such Target and such Target will no longer be part of the collaboration. Each party will bear its own costs in the conduct of such activities, except that any additional work that we agree with Pfizer to perform outside of the research plan will be paid for by Pfizer.

Pfizer has the right to exercise an option to obtain an exclusive worldwide license with respect to each Target for a specified period of time after receipt of the applicable deliverables for such Target. If Pfizer does not exercise its option for a Target, such Target is no longer subject to the Pfizer Collaboration Agreement. If Pfizer exercises such option, Pfizer will have an exclusive license to develop and commercialize compounds directed against such Target, subject to certain diligence obligations.

During the term of the Pfizer Collaboration Agreement, we and our affiliates are not permitted, either directly or indirectly, to develop or commercialize any pharmacologically-active agent whose primary mechanism of action is, by design, directed to a Target, or grant any license, covenant not to sue or other right to any third party for the conduct of such activities. There are no restrictions on Pfizer from developing, manufacturing or commercializing products, programs, technologies or processes that are similar to or may compete with any covered by the Pfizer Collaboration Agreement, subject to certain limitations on Pfizer's right to use our confidential information or know-how.

Under the terms of the Pfizer Collaboration Agreement, we received an upfront non-refundable payment and certain additional payments totaling \$28.0 million in 2018 in exchange for use of the Company's technology license and to fund Pfizer-related research as defined within the agreement. We are also eligible to receive up to an additional \$37.5 million in non-refundable option payments if Pfizer exercises its options for all targets under the agreement. Pfizer has exercised options for \$4.9 million as of December 31, 2020. The options are recognized as revenue over the estimated period of performance. We are also entitled to receive up to \$225 million in development milestone payments and up to \$550 million in sales-based milestone payments for all designated targets. In addition, we are eligible to receive, on net sales of PROTAC targeted protein degrader-related products, mid- to high-single digit tiered royalties, which may be subject to reductions. Pfizer paid us \$1.2 million in December 2019 and \$3.0 million in 2020 relating to adding additional targets into the collaboration.

Unless earlier terminated, the Pfizer Collaboration Agreement will expire upon the expiration of all royalty obligations thereunder. The royalty period for each product developed under the Pfizer Collaboration Agreement will expire on a country-by-country basis upon the later of (1) the expiration of the last-to-expire valid patent claim that claims or covers the composition of matter of a compound contained within such product or (2) ten years after the first commercial sale with respect to such product. Pfizer has the right to terminate the Pfizer Collaboration Agreement for convenience in its entirety or with respect to a specific target on 60 days' prior notice. Either we or Pfizer may terminate the Pfizer Collaboration Agreement, in its entirety or with respect to a specific target, if the other party is in material breach and such breach is not cured within the specified cure period. In addition, either we or Pfizer may terminate the Pfizer Collaboration Agreement in the event of specified insolvency events involving the other party. If Pfizer terminates the agreement in its entirety or as a result of our uncured material breach or our insolvency, Pfizer retains its license with respect to Targets for which it has exercised an option (unless Pfizer elects otherwise), subject to reduced payment obligations.

### ***Bayer Collaboration Agreement***

In June 2019, we entered into a Collaboration and License Agreement with Bayer AG, or Bayer, setting forth our collaboration to identify or optimize PROTAC targeted protein degraders, that mediate for degradation of Targets using our proprietary platform technology, which Targets will be selected by Bayer, subject to certain exclusions and limitations. We refer to this agreement as the Bayer Collaboration Agreement. The Bayer Collaboration Agreement became effective in July 2019.

For the identified Targets, we and Bayer will conduct a research program pursuant to separate research plans tailored to each Target selected by Bayer. Bayer may make substitutions for any such initial Target candidates, subject to certain conditions and based on the stage of research for such Target.

We and Bayer are obligated to use commercially reasonable efforts to complete our respective activities set forth in each research plan, including, in our case, the obligation to provide certain deliverables at certain stages of the research plans. The joint steering committee established under the collaboration shall determine whether the research program with respect to a given Target has been completed. In the absence of any such determination by the joint steering committee, and unless otherwise agreed by the parties in writing, for each Target for which research program activities have commenced, if no research funding is allocated to such Target for the 12 month period commencing on July 1, 2019 or any anniversary thereof, and we refer to each as a Research Program Year, the research program with respect to the relevant Target shall be deemed completed as of the end of the last Research Program Year for which funding was allocated to such Target. Bayer shall pay to the Company research funding payments of \$3.0 million dollars per year in each of the first four Research Program Years. If the Company's costs for its research activities under the research plans exceed the research funding provided by Bayer for any Research Program Year before completion of all relevant research program activities in such Research Program Year, and the Company has complied with its reporting obligations to Bayer with respect to research program costs, the Company shall not be obligated to carry out further research program activities for the given Research Program Year unless Bayer has agreed in writing to fund such additional activities.

During the term of the Bayer Collaboration Agreement, we and our affiliates are not permitted, either directly or indirectly, to design, identify, discover or develop any small molecule pharmacologically-active agent whose primary mechanism of action is, by design, directed to the inhibition or degradation of any Target selected or reserved by Bayer, or grant any license, covenant not to sue or other right to any third party in the field of human disease under the licensed intellectual property for the conduct of such activities. There are no restrictions on Bayer from developing, manufacturing or commercializing products, programs, technologies or processes that are similar to or may compete with any covered by the Bayer Collaboration Agreement, subject to certain limitations on Bayer's right to use the Arvinas' confidential information or know-how.

Under the terms of the Bayer Collaboration Agreement, we received an aggregate upfront payment of \$17.5 million in August 2019. We are entitled to receive up to an additional \$12.0 million in research funding payments, subject to increases, as described above. We are also eligible to receive up to \$197.5 million in development milestones and up to \$490.0 million in sales-based milestones for all designated Targets. In addition, we are eligible to receive, on net sales of PROTAC targeted protein degrader-related products, mid-single digit to low-double digit tiered royalties, which may be subject to reductions.

Unless earlier terminated, the Bayer Collaboration Agreement will expire upon the expiration of all royalty obligations thereunder. The royalty period for each product developed under the Bayer Collaboration Agreement will expire on a country-by-country basis upon the later of (1) the expiration of the last-to-expire valid patent claim that covers the manufacture, use or sale of such product or (2) ten years after the first commercial sale with respect to such product. Bayer has the right to terminate the Bayer Collaboration Agreement for convenience in its entirety or with respect to a specific target on 60 days' prior written notice. Either the Company or Bayer may terminate the Bayer Collaboration Agreement, in its entirety or with respect to a specific target, if the other party is in material breach and such breach is not cured within the specified cure period. In addition, either we or Bayer may terminate the Bayer Collaboration Agreement in the event of specified insolvency events involving the other party. If Bayer terminates the agreement in its entirety as a result of our uncured material breach or the Company's insolvency, Bayer may elect in writing to retain its license with respect to any Targets previously identified and delivered to Bayer, subject to reduced payment obligations.

### ***Bayer Joint Venture***

In June 2019, we, Bayer and Bayer CropScience LP, or BCS, also committed to the formation of a joint venture, conditioned on terms set forth in a commitment agreement, or Commitment Agreement, among us, BCS and a newly formed Delaware limited liability company, or Oerth. In July 2019, following the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, we consummated the formation of the joint venture in which we and BCS each received an ownership interest in Oerth initially representing 50% of the ownership interests. Oerth was formed for the purpose of researching, developing and commercializing PROTAC targeted protein degraders, or PROTAC Products, for applications in the field of agriculture. A 15% ownership interest of Oerth was reserved for the future grant of incentive units to service providers of Oerth.

In exchange for their ownership interests in Oerth, we made an in-kind intellectual property contribution to Oerth and BCS made an in-kind intellectual property contribution to Oerth. In addition, BCS made a \$56.0 million total cash commitment to Oerth, or the Total Cash Commitment, \$16.0 million of which BCS contributed to Oerth in connection with the JV closing.

Our and BCS's ownership interest in Oerth, and the accompanying rights and obligations as members of Oerth, are governed by an amended and restated limited liability company agreement, or LLC Agreement, by and among us, BCS and Oerth. Oerth is generally governed by a board of managers, or the JV Board, which is comprised of four voting members, two of which have been designated by us and two of which have been designated by BCS. JV Board decisions will generally be made by majority vote of the managers, with each manager having one vote. Certain matters will require the consent of both BCS and the Company or both of their designated managers on the JV Board.

We, Oerth and BCS also entered into an option agreement, or the Option Agreement, pursuant to which the parties will agree to certain procedures for, and preferential rights relating to, the possible transfer to BCS of PROTAC Product candidates researched, developed and commercialized by Oerth under the joint venture. BCS will have a right of first negotiation, and last matching rights under certain circumstances, to enter into a license with Oerth for the exclusive right to research, develop, manufacture, use and commercialize the applicable PROTAC Product candidate in the field of agriculture for which it was developed. In addition, Oerth is allowed to receive and consider unsolicited third-party offers or seek third-party offers for the exclusive license to the applicable PROTAC Product candidate. The Option Agreement sets forth the procedures the JV Board will follow when considering and voting on any offers as well as the considerations on how to value any offer.

We and BCS also entered into separate service agreements, or the Services Agreements. We and BCS will provide services to Oerth as agreed from time to time by us and BCS, as applicable, and set forth in statements of work to be delivered under the applicable Services Agreement.

We and BCS each also entered into respective intellectual property contribution agreements, each, an IP Contribution Agreement, with Oerth. Pursuant to the IP Contribution Agreement by and between us and Oerth, or Company IP Contribution Agreement, in addition to certain non-exclusive licenses, we granted to Oerth an exclusive, worldwide, fully paid-up, royalty-free license, including certain rights to sublicense, to use certain of our PROTAC technology to research, develop, manufacture, use and commercialize and sell PROTAC Products in the field of agriculture.

Pursuant to the IP Contribution Agreement by and between BCS and Oerth, or the BCS IP Contribution Agreement, in addition to certain non-exclusive licenses, BCS and certain of its affiliates granted to Oerth an exclusive, worldwide, fully paid-up, royalty-free license, including certain rights to sublicense, to use certain of BCS' or its affiliates' intellectual property that covers ubiquitin ligases or moieties that bind ubiquitin ligase complexes, and linkers that attach ubiquitin ligase binding moieties to moieties that bind to a target, to research, develop, manufacture, use and commercialize and sell PROTAC Products in the field of agriculture.

The Company IP Contribution Agreement and the BCS IP Contribution Agreement also contain a non-exclusive, worldwide, fully paid-up, royalty-free license grant from Oerth to each of us and BCS, respectively, under various forms of intellectual property developed by Oerth to research, develop, manufacture, use and commercialize products outside of the field of agriculture, in each case excluding intellectual property licensed by the other contributing party to Oerth.

During the term of the joint venture and, in certain limited cases as described below, for one year following the end of the term of the joint venture, neither we, Bayer nor any of our respective affiliates may research, develop, manufacture, use or commercialize in the field of agriculture any PROTAC Products whose primary mechanism of action by design is the binding to and degradation of any Target, subject to certain exclusions for early stage research activities and minority investments. In addition, in the event either BCS or a third party licenses a PROTAC Product candidate from Oerth pursuant to the Option Agreement, the non-licensing party or parties to the Commitment Agreement will be prohibited from developing, commercializing or otherwise exploiting any product utilizing PROTAC technology to target the same Target as that of the licensed product candidate in the field of agriculture.

The term of the joint venture will end upon the termination of the Commitment Agreement. We and BCS can terminate the Commitment Agreement upon mutual written consent. Either we or BCS may terminate the Commitment Agreement in the event of specified uncured breaches by the other party or in the event the other party becomes subject to specified bankruptcy, winding up or similar circumstances. Either party may also terminate upon a change of control of the other party, as defined in the Commitment Agreement. Either party may also terminate the Commitment Agreement in the event that Oerth runs out of funds.

Upon a termination by either party for specified "bad actor" breaches of the other party, the defaulting party will remain subject to the exclusivity provisions described above for a period of one year following such termination.

In the event of a termination of the Commitment Agreement, all rights licensed to Oerth pursuant to the Company IP Contribution Agreement will terminate, except for any rights licensed to BCS or third parties pursuant to license agreements entered into by Oerth prior to termination or, in certain termination events, to BCS to continue the research, development and commercialization of PROTAC Products that have reached field candidate status. Similarly, all rights licensed to Oerth pursuant to the BCS IP Contribution Agreement will terminate, except for any rights licensed to third parties pursuant to license agreements entered into by Oerth prior to termination.

All intellectual property owned by Oerth will, as of the date of termination, be assigned to be owned jointly and undividedly by the Company and BCS (with the Company's interest to be exclusively licensed to BCS to continue the research, development and commercialization of PROTAC Products that have reached field candidate status in certain specified termination events) unless the Company or BCS terminates the Commitment Agreement for a specified bad actor breach of the other party, in which case the intellectual property owned by Oerth will thereafter be owned solely and exclusively by the non-breaching party.

## Competition

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on intellectual property and proprietary products. While we believe that our technology, expertise, scientific knowledge and intellectual property estate provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, governmental agencies and public and private research institutions that conduct research, seek patent protection, and establish collaborative arrangements for research, development, manufacturing, and commercialization. Not only must we compete with other companies that are focused on protein degradation, but any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future. Moreover, our industry is characterized by the existence of large numbers of patents and frequent allegations of patent infringement.

Our platform and product focus is the discovery and development of protein degradation therapies using our small molecule PROTAC targeted protein degraders. Other companies researching chimeric small molecules for protein degradation include C4 Therapeutics, Inc., Cullgen Inc., Kymera Therapeutics, Inc. and Nurix Therapeutics, Inc. Further, several large pharmaceutical companies have disclosed preclinical or clinical investments in this field, including AbbVie, Amgen, AstraZeneca plc, Boehringer Ingelheim, Bristol Myers Squibb Company, GlaxoSmithKline plc, Genentech, Novartis International AG and Sanofi SA. In addition to competition from other protein degradation therapies, any products that we develop may also face competition from other types of therapies, such as small molecule, antibody, or gene therapies.

Our lead product candidates target oncologic indications. The most common methods of treating patients in oncologic indications are surgery, radiation and drug therapy, including chemotherapy, hormone therapy and targeted drug therapy. There are a variety of available drug therapies marketed for cancer, including prostate cancer and breast cancer. In many cases, these drugs are administered in combination to enhance efficacy. Some of the currently approved drug therapies are branded and subject to patent protection, and others are available on a generic basis. Many of these approved drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. In general, although there has been considerable progress over the past few decades in the treatment of cancer and the currently marketed therapies provide benefits to many patients, these therapies all are limited to some extent in their efficacy and frequency of adverse events, and none of them are successful in treating all patients. As a result, the level of morbidity and mortality from cancer remains high.

In addition to currently marketed drugs, there are also several product candidates in late stage clinical development for the treatment of oncologic indications, including for mCRPC and metastatic ER positive / HER2 negative breast cancer. These products in development include, in the case of metastatic ER positive / HER2 negative breast cancer, selective estrogen receptor degraders and may provide efficacy, safety, convenience and other benefits that are not provided by currently marketed therapies. As a result, they may provide significant competition for any of our product candidates for which we obtain market approval.

If any of our product candidates are approved for the indications for which we expect to conduct clinical trials, they will compete with the foregoing therapies and the currently marketed drugs and potentially any drugs in development. It is also possible that we will face competition from other biologic or pharmaceutical approaches as well as from other types of therapies.

Many of our current or potential competitors, either alone or with their collaboration partners, have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third-party payors seeking to encourage the use of generic products. There are generic products currently on the market for certain of the indications that we are pursuing, and additional products are expected to become available on a generic basis over the coming years. If our product candidates are approved, we expect that they will be priced at a significant premium over competitive generic products.

The key competitive factors affecting the success of all our programs, if approved, are likely to be their efficacy, safety, convenience, price, level of generic competition and availability of reimbursement.

### **Commercialization Plans**

We have not yet established our own commercial organization or distribution capabilities because our product candidates are still in preclinical and clinical development. Other than our discovery collaboration agreements, we have retained commercialization rights for all of our development programs. If any of our product candidates receive marketing approval, we will need to develop a plan to commercialize them in the United States and other key markets. We currently expect that we would build our own focused, specialized sales and marketing organization to support the commercialization in the United States of product candidates for which we receive marketing approval and that can be commercialized with such capabilities. We expect to utilize a variety of types of collaboration, co-promotion, distribution and other marketing arrangements with one or more third parties to commercialize our product candidates in markets outside the United States or for situations in which a larger sales and marketing organization is required.

As product candidates advance through our pipeline, our commercial plans may change. In particular, some of our research programs target potentially larger indications. Data, the size of the development programs, the size of the target market, the size of a commercial infrastructure and manufacturing needs may all influence our strategies in the United States, Europe and the rest of the world.

### **Manufacturing and Supply**

We do not own or operate, and currently have no plans to establish, any manufacturing facilities. We rely on and expect to continue to rely on third-party contract manufacturing organizations, or CMOs, for both drug substance and finished drug product as well as for the synthesis of compounds in our pre-clinical research and development activities. We have engaged third-party manufacturers to supply the drug substances and building blocks for those substances for ARV-110 and ARV-471. We have also engaged third-party manufacturers to develop and manufacture finished drug product for ARV-110 and ARV-471 that we are using and plan to use in our Phase 1/2 clinical trials. We currently obtain our supplies from these manufacturers on a purchase order basis and do not have long-term supply arrangements in place. Should any of these manufacturers become unavailable to us for any reason, we believe that there are a number of potential replacements, although we may incur some delay in identifying and qualifying such replacements.

All of our drug candidates are organic compounds of low molecular weight, generally called small molecules, but which are larger than traditional small molecule therapeutics. We have selected these compounds not only on the basis of their potential efficacy and safety, but also for their ease of synthesis and reasonable cost of goods. In particular, our lead product candidates are manufactured using reliable and reproducible synthetic processes from readily available starting materials. The chemistry is amenable to scale up and does not require unusual equipment in the manufacturing process. We expect to continue to develop drug candidates that can be produced cost-effectively at contract manufacturing facilities.

### **Government Regulation and Product Approvals**

Government authorities in the United States, at the federal, state and local level, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, pricing, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, sales, reimbursement, post-approval monitoring and reporting, and import and export of biopharmaceutical products. The processes for obtaining marketing approvals in the United States and in foreign countries and jurisdictions, along with compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

#### ***Approval and Regulation of Drugs in the United States***

In the United States, drug products are regulated under the Federal Food, Drug, and Cosmetic Act, or FDCA, and applicable implementing regulations and guidance. The failure of an applicant to comply with the applicable regulatory requirements at any time during the product development process, including nonclinical testing, clinical testing, the approval process or post-approval process, may result in delays to the conduct of a study, regulatory review and approval and/or administrative or judicial sanctions.

An applicant seeking approval to market and distribute a new drug in the United States generally must satisfactorily complete each of the following steps before the product candidate will be approved by the FDA:

- preclinical testing including laboratory tests, animal studies and formulation studies, which must be performed in accordance with the FDA's good laboratory practice, or GLP, regulations and standards;
- completion of the manufacture, under current Good Manufacturing Practices, or cGMP, conditions, of the drug substance and drug product that the sponsor intends to use in human clinical trials along with required analytical and stability testing;
- submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may begin;
- approval by an independent institutional review board, or IRB, representing each clinical site before each clinical trial may be initiated;
- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the product candidate for each proposed indication, in accordance with good clinical practices, or GCP;
- preparation and submission to the FDA of a new drug application, or NDA, for a drug product which includes not only the results of the clinical trials, but also, detailed information on the chemistry, manufacture and quality controls for the product candidate and proposed labeling for one or more proposed indication(s);
- review of the product candidate by an FDA advisory committee, where appropriate or if applicable;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities, including those of third parties, at which the product candidate or components thereof are manufactured to assess compliance with cGMP requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- satisfactory completion of any FDA audits of the clinical trial sites to assure compliance with GCP and the integrity of clinical data in support of the NDA;
- payment of user fees and securing FDA approval of the NDA to allow marketing of the new drug product; and
- compliance with any post-approval requirements, including the potential requirement to implement a Risk Evaluation and Mitigation Strategies, or REMS, and the potential requirement to conduct any post-approval studies required by the FDA.

### ***Preclinical Studies***

Before an applicant begins testing a product candidate with potential therapeutic value in humans, the product candidate enters the preclinical testing stage, including *in vitro* and animal studies to assess the safety and activity of the drug for initial testing in humans and to establish rationale for therapeutic use. Preclinical tests include laboratory evaluations of product chemistry, formulation and stability, as well as other studies to evaluate, among other things, the toxicity of the product candidate. The conduct of the preclinical tests and formulation of the compounds for testing must comply with federal regulations and requirements, including GLP regulations and standards. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, and long-term toxicity studies, may continue after the IND is submitted.

### ***The IND and IRB Processes***

An IND is an exemption from the FDCA that allows an unapproved product candidate to be shipped in interstate commerce for use in an investigational clinical trial and a request for FDA authorization to administer such investigational product to humans. Such authorization must be secured prior to interstate shipment and administration of any product candidate that is not the subject of an approved NDA. In support of a request for an IND, applicants must submit a protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, the results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, must be submitted to the FDA as part of an IND. The FDA requires a 30-day waiting period after the filing of each IND before clinical trials may begin. This waiting period is designed to allow the FDA to review the IND to determine whether human research subjects will be exposed to unreasonable health risks. At any time during this 30-day period, or thereafter, the FDA may raise concerns or questions about the conduct of the trials as outlined in the IND and impose a clinical hold or partial clinical hold. In this case, the IND sponsor and the FDA must resolve any outstanding concerns before clinical trials can begin or recommence.

Following commencement of a clinical trial under an IND, the FDA may also place a clinical hold or partial clinical hold on that trial. Clinical holds are imposed by the FDA whenever there is concern for patient safety and may be a result of new data, findings, or developments in clinical, nonclinical, and/or chemistry, manufacturing, and controls, or CMC. A clinical hold is an order issued by the FDA to the sponsor to delay a proposed clinical investigation or to suspend an ongoing investigation. A partial clinical hold is a delay or suspension of only part of the clinical work requested under the IND. For example, a specific protocol or part of a protocol is not allowed to proceed, while other protocols may do so. No more than 30 days after imposition of a clinical hold or partial clinical hold, the FDA will provide the sponsor a written explanation of the basis for the hold. Following issuance of a clinical hold or partial clinical hold, an investigation may only resume after the FDA has notified the sponsor that the investigation may proceed. The FDA will base that determination on information provided by the sponsor correcting the deficiencies previously cited or otherwise satisfying the FDA that the investigation can proceed.

A sponsor may choose, but is not required, to conduct a foreign clinical study under an IND. When a foreign clinical study is conducted under an IND, all FDA IND requirements must be met unless waived. When a foreign clinical study is not conducted under an IND, the sponsor must ensure that the study complies with certain regulatory requirements of the FDA in order to use the study as support for an IND or application for marketing approval. Specifically, such studies must be conducted in accordance with GCP including review and approval by an independent ethics committee, or IEC, and informed consent from subjects. The GCP requirements encompass both ethical and data integrity standards for clinical studies. The FDA's regulations are intended to help ensure the protection of human subjects enrolled in non-IND foreign clinical studies, as well as the quality and integrity of the resulting data. They further help ensure that non-IND foreign studies are conducted in a manner comparable to that required for IND studies.

In addition to the foregoing IND requirements, an IRB representing each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution, and the IRB must conduct continuing review and reapprove the study at least annually. The IRB must review and approve, among other things, the study protocol and informed consent information to be provided to study subjects. An IRB must operate in compliance with FDA regulations. An IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product candidate has been associated with unexpected serious harm to patients.

Additionally, some trials are overseen by an independent group of qualified experts organized by the trial sponsor, known as a data safety monitoring board or committee, or DSMB. This group provides authorization as to whether or not a trial may move forward at designated check points based on certain available data from the study to which only the DSMB may access. Suspension or termination of development during any phase of clinical trials can occur if it is determined that the participants or patients are being exposed to an unacceptable health risk. Other reasons for suspension or termination may be made by us based on evolving business objectives and/or competitive climate.

Information about clinical trials must be submitted within specific timeframes to the National Institutes of Health, or NIH, for public dissemination on its ClinicalTrials.gov website.

#### ***Expanded Access to an Investigational Drug for Treatment Use***

Expanded access, sometimes called "compassionate use," is the use of investigational new drug products outside of clinical trials to treat patients with serious or immediately life-threatening diseases or conditions when there are no comparable or satisfactory alternative treatment options. The rules and regulations related to expanded access are intended to improve access to investigational drugs for patients who may benefit from investigational therapies. FDA regulations allow access to investigational drugs under an IND by the company or the treating physician for treatment purposes on a case-by-case basis for: individual patients (single-patient IND applications for treatment in emergency settings and non-emergency settings); intermediate-size patient populations; and larger populations for use of the drug under a treatment protocol or Treatment IND Application.

When considering an IND application for expanded access to an investigational product with the purpose of treating a patient or a group of patients, the sponsor and treating physicians or investigators will determine suitability when all of the following criteria apply: patient(s) have a serious or immediately life-threatening disease or condition, and there is no comparable or satisfactory alternative therapy to diagnose, monitor, or treat the disease or condition; the potential patient benefit justifies the potential risks of the treatment and the potential risks are not unreasonable in the context or condition to be treated; and the expanded use of the investigational drug for the requested treatment will not interfere initiation, conduct, or completion of clinical investigations that could support marketing approval of the product or otherwise compromise the potential development of the product.

There is no obligation for a sponsor to make its drug products available for expanded access; however, as required by the 21<sup>st</sup> Century Cures Act, or Cures Act, passed in 2016, if a sponsor has a policy regarding how it responds to expanded access requests, it must make that policy available. This provision requires drug and biologic companies to make publicly available their policies for expanded access for individual patient access to products intended for serious diseases. Sponsors are required to make such policies publicly available upon the earlier of initiation of a Phase 2 or Phase 3 study; or 15 days after the drug or biologic receives designation as a breakthrough therapy, fast track product, or regenerative medicine advanced therapy. We received fast track designation for ARV-110 for mCRPC in May 2019.

In addition, on May 30, 2018, the Right to Try Act, was signed into law. The law, among other things, provides a federal framework for certain patients to access certain investigational new drug products that have completed a Phase 1 clinical trial and that are undergoing investigation for FDA approval. Under certain circumstances, eligible patients can seek treatment without enrolling in clinical trials and without needing FDA approval under the FDA expanded access program. There is no obligation for a drug manufacturer to make its drug products available to eligible patients under the Right to Try Act.

### ***Human Clinical Trials in Support of an NDA***

Clinical trials involve the administration of the investigational product candidate to human subjects under the supervision of a qualified investigator in accordance with GCP requirements which include, among other things, the requirement that all research subjects provide their informed consent in writing before their participation in any clinical trial. Clinical trials are conducted under written clinical trial protocols detailing, among other things, the objectives of the study, inclusion and exclusion criteria, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated.

Human clinical trials are typically conducted in three sequential phases, but the phases may overlap or be combined. Additional studies may also be required after approval.

*Phase 1* clinical trials are initially conducted in a limited population to test the product candidate for safety, including adverse effects, dose tolerance, absorption, metabolism, distribution, excretion and pharmacodynamics in healthy humans or in patients. During Phase 1 clinical trials, information about the investigational drug product's pharmacokinetics and pharmacological effects may be obtained to permit the design of well-controlled and scientifically valid Phase 2 clinical trials.

*Phase 2* clinical trials are generally conducted in a limited patient population to identify possible adverse effects and safety risks, evaluate the efficacy of the product candidate for specific targeted indications and determine dose tolerance and optimal dosage. Multiple Phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger and more costly Phase 3 clinical trials. Phase 2 clinical trials are well controlled, closely monitored and conducted in a limited patient population.

*Phase 3* clinical trials proceed if the Phase 2 clinical trials demonstrate that a dose range of the product candidate is potentially effective and has an acceptable safety profile. Phase 3 clinical trials are undertaken within an expanded patient population to further evaluate dosage, provide substantial evidence of clinical efficacy and further test for safety in an expanded and diverse patient population at multiple, geographically dispersed clinical trial sites. A well-controlled, statistically robust Phase 3 clinical trial may be designed to deliver the data that regulatory authorities will use to decide whether or not to approve, and, if approved, how to appropriately label a drug: such Phase 3 studies are referred to as "pivotal."

In some cases, the FDA may approve an NDA for a product candidate but require the sponsor to conduct additional clinical trials to further assess the product candidate's safety and effectiveness after approval. Such post-approval trials are typically referred to as Phase 4 clinical trials. These studies are used to gain additional experience from the treatment of a larger number of patients in the intended treatment group and to further document a clinical benefit in the case of drugs approved under accelerated approval regulations. Failure to exhibit due diligence with regard to conducting Phase 4 clinical trials could result in withdrawal of approval for products.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. In addition, IND safety reports must be submitted to the FDA for any of the following: serious and unexpected suspected adverse reactions; findings from other studies or animal or *in vitro* testing that suggest a significant risk to humans exposed to the product; and any clinically important increase in the case of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. The FDA will typically inspect one or more clinical sites to assure compliance with GCPs and the integrity of the clinical data submitted.

Concurrent with clinical trials, companies often complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, must develop methods for testing the identity, strength, quality, purity, and potency of the final drug. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

### ***Pediatric Studies***

Under the Pediatric Research Equity Act of 2003, or PREA, an NDA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. Sponsors must also submit pediatric study plans prior to the assessment data. Those plans must contain an outline of the proposed pediatric study or studies the applicant plans to conduct, including study objectives and design, any deferral or waiver requests and other information required by regulation. The applicant, the FDA, and the FDA's internal review committee must then review the information submitted, consult with each other and agree upon a final plan. The FDA or the applicant may request an amendment to the plan at any time.

For drugs intended to treat a serious or life-threatening disease or condition, the FDA must, upon the request of an applicant, meet to discuss preparation of the initial pediatric study plan or to discuss deferral or waiver of pediatric assessments. In addition, the FDA will meet early in the development process to discuss pediatric study plans with sponsors and the FDA must meet with sponsors by no later than the end-of-phase 1 meeting for serious or life-threatening diseases and by no later than ninety (90) days after the FDA's receipt of the study plan.

The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Additional requirements and procedures relating to deferral requests and requests for extension of deferrals are contained in the Food and Drug Administration Safety and Innovation Act, or FDASIA. The FDA maintains a list of diseases that are exempt from PREA requirements due to low prevalence of disease in the pediatric population. Congress amended the FDA Reauthorization Act of 2017, or FDARA. Previously, drugs that had been granted orphan drug designation were exempt from the requirements of the PREA. Under the amended section 505B, beginning on August 18, 2020, the submission of a pediatric assessment, waiver or deferral will be required for certain molecularly targeted cancer indications with the submission of an application or supplement to an application.

The FDA Reauthorization Act of 2017 established new requirements to govern certain molecularly targeted cancer indications. Any company that submits an NDA three years after the date of enactment of that statute must submit pediatric assessments with the NDA if the drug is intended for the treatment of an adult cancer and is directed at a molecular target that FDA determines to be substantially relevant to the growth or progression of a pediatric cancer. The investigation must be designed to yield clinically meaningful pediatric study data regarding the dosing, safety and preliminary efficacy to inform pediatric labeling for the product.

### ***Review and Approval of an NDA***

In order to obtain approval to market a drug product in the United States, a marketing application must be submitted to the FDA that provides sufficient data establishing the safety and efficacy of the proposed drug product for its intended indication. The application includes all relevant data available from pertinent preclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's chemistry, manufacturing, controls and proposed labeling, among other things. Data can come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the drug product to the satisfaction of the FDA.

The NDA is a vehicle through which applicants formally propose that the FDA approve a new product for marketing and sale in the United States for one or more indications. Every new drug product candidate must be the subject of an approved NDA before it may be commercialized in the United States. Under federal law, the submission of most NDAs is subject to an application user fee, which for federal fiscal year 2021 is \$2,875,842 for an application requiring clinical data. The sponsor of an approved NDA is also subject to an annual prescription drug product program fee, which for fiscal year 2021 is \$336,432. Certain exceptions and waivers are available for some of these fees, such as an exception from the application fee for products with orphan designation, an exception from the program fee when the program does not engage in manufacturing the drug during a particular fiscal year and a waiver for certain small businesses.

Following submission of an NDA, the FDA conducts a preliminary review of the application generally within 60 calendar days of its receipt and strives to inform the sponsor by the 74<sup>th</sup> day after the FDA's receipt of the submission whether the application is sufficiently complete to permit substantive review. The FDA may request additional information rather than accept the application for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA has agreed to specified performance goals in the review process of NDAs. Under that agreement, 90% of applications seeking approval of New Molecular Entities, or NMEs, are meant to be reviewed within ten months from the date on which the FDA accepts the application for filing, and 90% of applications for NMEs that have been designated for "priority review" are meant to be reviewed within six months of the filing date. For applications seeking approval of products that are not NMEs, the ten-month and six-month review periods run from the date that the FDA receives the application. The review process and the Prescription Drug User Fee Act, or PDUFA, goal date may be extended by the FDA for three additional months to consider new information or clarification provided by the applicant to address an outstanding deficiency identified by the FDA following the original submission.

Before approving an application, the FDA typically will inspect the facility or facilities where the product is or will be manufactured. These pre-approval inspections may cover all facilities associated with an NDA submission, including component manufacturing, finished product manufacturing and control testing laboratories. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. Under the FDA Reauthorization Act of 2017, the FDA must implement a protocol to expedite review of responses to inspection reports pertaining to certain applications, including applications for products in shortage or those for which approval is dependent on remediation of conditions identified in the inspection report.

In addition, as a condition of approval, the FDA may require an applicant to develop a REMS. REMS use risk minimization strategies beyond the professional labeling to ensure that the benefits of the product outweigh the potential risks. To determine whether a REMS is needed, the FDA will consider the size of the population likely to use the product, seriousness of the disease, expected benefit of the product, expected duration of treatment, seriousness of known or potential adverse events and whether the product is a new molecular entity.

The FDA may refer an application for a novel product to an advisory committee or explain why such referral was not made. Typically, an advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

### ***Fast Track, Breakthrough Therapy and Priority Review Designations***

The FDA is authorized to designate certain products for expedited review if they are intended to address an unmet medical need in the treatment of a serious or life-threatening disease or condition. These programs are referred to as Fast Track designation, Breakthrough Therapy Designation, Priority Review Designation and regenerative advanced therapy designation

Specifically, the FDA may designate a product for Fast Track review if it is intended, whether alone or in combination with one or more other products, for the treatment of a serious or life-threatening disease or condition, and it demonstrates the potential to address unmet medical needs for such a disease or condition. For Fast Track products, sponsors may have greater interactions with the FDA and the FDA may initiate review of sections of a Fast Track product's application before the application is complete. This rolling review may be available if the FDA determines, after preliminary evaluation of clinical data submitted by the sponsor, that a Fast Track product may be effective. The sponsor must also provide, and the FDA must approve, a schedule for the submission of the remaining information and the sponsor must pay applicable user fees. However, the FDA's time period goal for reviewing a Fast Track application does not begin until the last section of the application is submitted. In addition, the Fast Track designation may be withdrawn by the FDA if the FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Second, a product may be designated as a Breakthrough Therapy if it is intended, either alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The FDA may take certain actions with respect to Breakthrough Therapies, including holding meetings with the sponsor throughout the development process; providing timely advice to the product sponsor regarding development and approval; involving more senior staff in the review process; assigning a cross-disciplinary project lead for the review team; and taking other steps to design the clinical trials in an efficient manner.

Third, the FDA may designate a product for priority review if it is a product that treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness. The FDA determines, on a case-by-case basis, whether the proposed product represents a significant improvement when compared with other available therapies. Significant improvement may be illustrated by evidence of increased effectiveness in the treatment of a condition, elimination or substantial reduction of a treatment-limiting product reaction, documented enhancement of patient compliance that may lead to improvement in serious outcomes, and evidence of safety and effectiveness in a new subpopulation. A priority designation is intended to direct overall attention and resources to the evaluation of such applications, and to shorten the FDA's goal for taking action on a marketing application from ten months to six months.

### ***Accelerated Approval Pathway***

The FDA may grant accelerated approval to a product for a serious or life-threatening condition that provides meaningful therapeutic advantage to patients over existing treatments based upon a determination that the product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit. The FDA may also grant accelerated approval for such a condition when the product has an effect on an intermediate clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality, or IMM, and that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments. Products granted accelerated approval must meet the same statutory standards for safety and effectiveness as those granted traditional approval.

For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. Surrogate endpoints can often be measured more easily or more rapidly than clinical endpoints. An intermediate clinical endpoint is a measurement of a therapeutic effect that is considered reasonably likely to predict the clinical benefit of a drug, such as an effect on IMM. The FDA has limited experience with accelerated approvals based on intermediate clinical endpoints, but has indicated that such endpoints generally may support accelerated approval where the therapeutic effect measured by the endpoint is not itself a clinical benefit and basis for traditional approval, if there is a basis for concluding that the therapeutic effect is reasonably likely to predict the ultimate clinical benefit of a product.

The accelerated approval pathway is most often used in settings in which the course of a disease is long and an extended period of time is required to measure the intended clinical benefit of a product, even if the effect on the surrogate or intermediate clinical endpoint occurs rapidly. Thus, accelerated approval has been used extensively in the development and approval of products for treatment of a variety of cancers in which the goal of therapy is generally to improve survival or decrease morbidity and the duration of the typical disease course requires lengthy and sometimes large trials to demonstrate a clinical or survival benefit. Thus, the benefit of accelerated approval derives from the potential to receive approval based on surrogate endpoints sooner than possible for trials with clinical or survival endpoints, rather than deriving from any explicit shortening of the FDA approval timeline, as is the case with priority review.

The accelerated approval pathway is usually contingent on a sponsor's agreement to conduct, in a diligent manner, additional post-approval confirmatory studies to verify and describe the product's clinical benefit. As a result, a product candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of Phase 4 or post-approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or confirm a clinical benefit during post-marketing studies, would allow the FDA to initiate expedited proceedings to withdraw approval of the product. All promotional materials for product candidates approved under accelerated regulations are subject to prior review by the FDA.

### ***The FDA's Decision on an NDA***

On the basis of the FDA's evaluation of the application and accompanying information, including the results of the inspection of the manufacturing facilities, the FDA may issue an approval letter or a complete response letter, or CRL. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A CRL generally outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

If the FDA approves a new product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, or require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess the drug's safety after approval. The agency may also require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms, including REMS, to help ensure that the benefits of the product outweigh the potential risks. REMS can include medication guides, communication plans for health care professionals, and elements to assure safe use, or ETASU. ETASU can include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring and the use of patent registries. The FDA may prevent or limit further marketing of a product based on the results of post-market studies or surveillance programs. The FDA may require a REMS before approval or post-approval if it becomes aware of a serious risk associated with use of the product. The requirement for a REMS can materially affect the potential market and profitability of a product. After approval, many types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and FDA review and approval.

### ***Post-Approval Regulation***

If regulatory approval for marketing of a product or new indication for an existing product is obtained, the sponsor will be required to comply with all regular post-approval regulatory requirements as well as any post-approval requirements that the FDA may have imposed as part of the approval process. The sponsor will be required to report, among other things, certain adverse reactions and manufacturing problems to the FDA, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labeling requirements. Manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP regulations, which impose certain procedural and documentation requirements upon manufacturers. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. Accordingly, the sponsor and its third-party manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMP regulations and other regulatory requirements.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending applications or supplements to approved applications, or withdrawal of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates the marketing, labeling, advertising and promotion of prescription drug products placed on the market. This regulation includes, among other things, standards and regulations for direct-to-consumer advertising, communications regarding unapproved uses, industry-sponsored scientific and educational activities, and promotional activities involving the Internet and social media. Promotional claims about a drug's safety or effectiveness are prohibited before the drug is approved. After approval, a drug product generally may not be promoted for uses that are not approved by the FDA, as reflected in the product's prescribing information. In the United States, health care professionals are generally permitted to prescribe drugs for such uses not described in the drug's labeling, known as off-label uses, because the FDA does not regulate the practice of medicine. However, FDA regulations impose rigorous restrictions on manufacturers' communications, prohibiting the promotion of off-label uses. It may be permissible, under very specific, narrow conditions, for a manufacturer to engage in nonpromotional, non-misleading communication regarding off-label information, such as distributing scientific or medical journal information.

If a company is found to have promoted off-label uses, it may become subject to adverse public relations and administrative and judicial enforcement by the FDA, the Department of Justice, or the Office of the Inspector General of the Department of Health and Human Services, as well as state authorities. This could subject a company to a range of penalties that could have a significant commercial impact, including civil and criminal fines and agreements that materially restrict the manner in which a company promotes or distributes drug products. The federal government has levied large civil and criminal fines against companies for alleged improper promotion, and has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

### ***Abbreviated New Drug Applications for Generic Drugs***

In 1984, with passage of the Hatch-Waxman Amendments to the FDCA, Congress established an abbreviated regulatory scheme authorizing the FDA to approve generic drugs that are shown to contain the same active ingredients as, and to be bioequivalent to, drugs previously approved by the FDA pursuant to NDAs. To obtain approval of a generic drug, an applicant must submit an abbreviated new drug application, or ANDA, to the agency. An ANDA is a comprehensive submission that contains, among other things, data and information pertaining to the active pharmaceutical ingredient, bioequivalence, drug product formulation, specifications and stability of the generic drug, as well as analytical methods, manufacturing process validation data and quality control procedures. ANDAs are “abbreviated” because they generally do not include preclinical and clinical data to demonstrate safety and effectiveness. Instead, in support of such applications, a generic manufacturer may rely on the preclinical and clinical testing previously conducted for a drug product previously approved under an NDA, known as the reference-listed drug, or RLD.

Specifically, in order for an ANDA to be approved, the FDA must find that the generic version is identical to the RLD with respect to the active ingredients, the route of administration, the dosage form, the strength of the drug and the conditions of use of the drug. At the same time, the FDA must also determine that the generic drug is “bioequivalent” to the innovator drug. Under the statute, a generic drug is bioequivalent to a RLD if “the rate and extent of absorption of the drug do not show a significant difference from the rate and extent of absorption of the listed drug.” Upon approval of an ANDA, the FDA indicates whether the generic product is “therapeutically equivalent” to the RLD in its publication “Approved Drug Products with Therapeutic Equivalence Evaluations,” also referred to as the “Orange Book.” Physicians and pharmacists consider a therapeutic equivalent generic drug to be fully substitutable for the RLD. In addition, by operation of certain state laws and numerous health insurance programs, the FDA’s designation of therapeutic equivalence often results in substitution of the generic drug without the knowledge or consent of either the prescribing physician or patient.

Under the Hatch-Waxman Amendments, the FDA may not approve an ANDA until any applicable period of non-patent exclusivity for the RLD has expired. The FDCA provides a period of five years of non-patent data exclusivity for a new drug containing a new chemical entity. For the purposes of this provision, a new chemical entity, or NCE, is a drug that contains no active moiety that has previously been approved by the FDA in any other NDA. An active moiety is the molecule or ion responsible for the physiological or pharmacological action of the drug substance. In cases where such NCE exclusivity has been granted, an ANDA may not be filed with the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification, in which case the applicant may submit its application four years following the original product approval.

The FDCA also provides for a period of three years of exclusivity if the NDA includes reports of one or more new clinical investigations, other than bioavailability or bioequivalence studies, that were conducted by or for the applicant and are essential to the approval of the application. This three-year exclusivity period often protects changes to a previously approved drug product, such as a new dosage form, route of administration, combination or indication. Three-year exclusivity would be available for a drug product that contains a previously approved active moiety, provided the statutory requirement for a new clinical investigation is satisfied. Unlike five-year NCE exclusivity, an award of three-year exclusivity does not block the FDA from accepting ANDAs seeking approval for generic versions of the drug as of the date of approval of the original drug product. The FDA typically makes decisions about awards of data exclusivity shortly before a product is approved.

The FDA must establish a priority review track for certain generic drugs, requiring the FDA to review a drug application within eight (8) months for a drug that has three (3) or fewer approved drugs listed in the Orange Book and is no longer protected by any patent or regulatory exclusivities, or is on the FDA’s drug shortage list. The FDA is also authorized to expedite review of “competitor generic therapies” or drugs with inadequate generic competition, including holding meetings with or providing advice to the drug sponsor prior to submission of the application.

### ***Hatch-Waxman Patent Certification and the 30-Month Stay***

Upon approval of an NDA or a supplement thereto, NDA sponsors are required to list with the FDA each patent with claims that cover the applicant's product or an approved method of using the product. Each of the patents listed by the NDA sponsor is published in the Orange Book. When an ANDA applicant files its application with the FDA, the applicant is required to certify to the FDA concerning any patents listed for the reference product in the Orange Book, except for patents covering methods of use for which the ANDA applicant is not seeking approval. To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would.

Specifically, the applicant must certify with respect to each patent that:

- the required patent information has not been filed;
- the listed patent has expired;
- the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or
- the listed patent is invalid, unenforceable or will not be infringed by the new product.

A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicates that it is not seeking approval of a patented method of use, the application will not be approved until all the listed patents claiming the referenced product have expired (other than method of use patents involving indications for which the applicant is not seeking approval).

If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would. As a result, approval of a Section 505(b)(2) NDA can be stalled until all the listed patents claiming the referenced product have expired, until any non-patent exclusivity, such as exclusivity for obtaining approval of a new chemical entity, listed in the Orange Book for the referenced product has expired, and, in the case of a Paragraph IV certification and subsequent patent infringement suit, until the earlier of 30 months, settlement of the lawsuit or a decision in the infringement case that is favorable to the Section 505(b)(2) applicant.

### ***Pediatric Exclusivity***

Pediatric exclusivity is another type of non-patent marketing exclusivity in the United States and, if granted, provides for the attachment of an additional six months of marketing protection to the term of any existing regulatory exclusivity, including the non-patent and orphan exclusivity. This six-month exclusivity may be granted if an NDA sponsor submits pediatric data that fairly respond to a written request from the FDA for such data. The data do not need to show the product to be effective in the pediatric population studied; rather, if the clinical trial is deemed to fairly respond to the FDA's request, the additional protection is granted. If reports of requested pediatric studies are submitted to and accepted by the FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or patent protection cover the product are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the FDA cannot approve another application.

## ***Orphan Drug Designation and Exclusivity***

Under the Orphan Drug Act, the FDA may designate a drug product as an “orphan drug” if it is intended to treat a rare disease or condition, generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a product available in the United States for treatment of the disease or condition will be recovered from sales of the product. A company must seek orphan drug designation before submitting an NDA for the candidate product. If the request is granted, the FDA will disclose the identity of the therapeutic agent and its potential use. Orphan drug designation does not shorten the PDUFA goal dates for the regulatory review and approval process, although it does convey certain advantages such as tax benefits and exemption from the PDUFA application fee.

If a product with orphan designation receives the first FDA approval for the disease or condition for which it has such designation or for a select indication or use within the rare disease or condition for which it was designated, the product generally will receive orphan drug exclusivity. Orphan drug exclusivity means that the FDA may not approve another sponsor’s marketing application for the same drug for the same condition for seven years, except in certain limited circumstances. Orphan exclusivity does not block the approval of a different product for the same rare disease or condition, nor does it block the approval of the same product for different conditions. If a drug designated as an orphan drug ultimately receives marketing approval for an indication broader than what was designated in its orphan drug application, it may not be entitled to exclusivity.

Orphan drug exclusivity will not bar approval of another product under certain circumstances, including if a subsequent product with the same drug for the same condition is shown to be clinically superior to the approved product on the basis of greater efficacy or safety, or providing a major contribution to patient care, or if the company with orphan drug exclusivity is not able to meet market demand.

## ***Patent Term Restoration and Extension***

A patent claiming a new drug product, its method of use or its method of manufacture may be eligible for a limited patent term extension under the Hatch-Waxman Act, which permits a patent restoration of up to five years for patent term lost during product development and the FDA regulatory review. The restoration period granted on a patent covering a product is typically one-half the time between the effective date of a clinical investigation involving human beings is begun and the submission date of an application, plus the time between the submission date of an application and the ultimate approval date. Patent term restoration cannot be used to extend the remaining term of a patent past a total of 14 years from the product’s approval date. Only one patent applicable to an approved product is eligible for the extension, and the application for the extension must be submitted prior to the expiration of the patent in question. A patent that covers multiple products for which approval is sought can only be extended in connection with one of the approvals. The United States Patent and Trademark Office reviews and approves the application for any patent term extension or restoration in consultation with the FDA.

## ***Health Care Law and Regulation***

Health care providers and third-party payors play a primary role in the recommendation and prescription of drug products that are granted marketing approval. Arrangements with providers, consultants, third-party payors and customers are subject to broadly applicable state and federal fraud and abuse laws and regulations (including anti-kickback and false claims laws), patient privacy laws and regulations, and other health care laws and regulations that may constrain business and/or financial arrangements. Restrictions under applicable federal and state health care laws and regulations, include the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, paying, or receiving remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchasing, ordering, leasing, arranging for, or recommending the purchasing, ordering, or leasing of, any good or service for which payment may be made, in whole or in part, under a federal health care program such as Medicare and Medicaid;
- the federal civil and criminal false claims laws, including the civil False Claims Act, and Civil Monetary Penalties Law, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, false or fraudulent claims for payment or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim or to avoid, decrease or conceal an obligation to pay money to the federal government;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any health care benefit program or making false statements relating to health care matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and the regulations promulgated thereunder, including 45 C.F.R. Parts 160 and 164, imposing rules regarding privacy, security, and data breach notifications;
- the Foreign Corrupt Practices Act, or FCPA, which prohibits companies and their intermediaries from making, or offering or promising to make improper payments to non-U.S. officials for the purpose of obtaining or retaining business or otherwise seeking favorable treatment;
- the federal physician transparency requirements known as the Physician Payments Sunshine Act, under the Patient Protection and Affordable Care Act, as amended by the Health Care Education Reconciliation Act, or the Affordable Care Act, or the ACA, which requires manufacturers of drugs, medical devices, biological and medical supplies covered by Medicare, Medicaid, or State Children's Health Insurance Program to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the United States Department of Health and Human Services, information related to payments and other transfers of value made by that entity to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to health care items or services that are reimbursed by non-government third-party payors, including private insurers.

Further, some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring manufacturers to report information related to payments to physicians and other health care providers or marketing expenditures. Additionally, some state and local laws require the registration of pharmaceutical sales representatives in the jurisdiction. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

### ***Pharmaceutical Insurance Coverage and Health Care Reform***

In the United States and markets in other countries, patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payors to reimburse all or part of the associated health care costs. Significant uncertainty exists as to the coverage and reimbursement status of products approved by the FDA and other government authorities. Thus, even if a product candidate is approved, sales of the product will depend, in part, on the extent to which third-party payors, including government health programs in the United States such as Medicare and Medicaid, commercial health insurers and managed care organizations, provide coverage and establish adequate reimbursement levels for the product. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors are increasingly challenging the prices charged, examining the medical necessity and reviewing the cost-effectiveness of medical products and services and imposing controls to manage costs. Third-party payors may limit coverage to specific products on an approved list, also known as a formulary, which might not include all of the approved products for a particular indication.

In order to secure coverage and reimbursement for any product that might be approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, in addition to the costs required to obtain FDA or other comparable marketing approvals. Nonetheless, product candidates may not be considered medically necessary or cost effective. A decision by a third-party payor not to cover a product could reduce physician utilization once the product is approved and have a material adverse effect on sales, results of operations and financial condition. Additionally, a payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage and reimbursement for the product, and the level of coverage and reimbursement can differ significantly from payor to payor.

The containment of health care costs also has become a priority of federal, state and foreign governments and the prices of products have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit a company's revenue generated from the sale of any approved products. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which a company or its collaborators receive marketing approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

There have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, limiting coverage and reimbursement for drugs and biologics and other medical products, government control and other changes to the health care system in the United States.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the ACA. In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions of Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2030 under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Since enactment of the ACA, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the Tax Cuts and Jobs Act of 2017, which was signed by President Trump on December 22, 2017, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, on December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseparable feature of the ACA, and therefore because the mandate was repealed as part of the Tax Cuts and Jobs Act of 2017, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the Court of Appeals for the Fifth Circuit court affirmed the lower court's ruling that the individual mandate portion of the ACA is unconstitutional and it remanded the case to the district court for reconsideration of the severability question and additional analysis of the provisions of the ACA. Thereafter, the U.S. Supreme Court agreed to hear this case. Oral argument in the case took place on November 10, 2020. On February 10, 2021, the Biden Administration withdrew DOJ's support for this lawsuit. A ruling by the Court is expected sometime this year. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

The costs of prescription pharmaceuticals have also been the subject of considerable discussion in the United States. To date, there have been several recent U.S. congressional inquiries, as well as proposed and enacted state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for drug products. To those ends, President Trump issued five executive orders intended to lower the costs of prescription drug products but it is unclear whether, and to what extent, these orders and related proposed rules will remain in place under the Biden Administration. Further, on September 24, 2020, the Trump Administration finalized a rulemaking allowing states or certain other non-federal government entities to submit importation program proposals to the FDA for review and approval. Applicants are required to demonstrate that their importation plans pose no additional risk to public health and safety and will result in significant cost savings for consumers. The FDA has issued draft guidance that would allow manufacturers to import their own FDA-approved drugs that are authorized for sale in other countries (multi-market approved products).

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional health care authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

## ***Review and Approval of Medicinal Products in the European Union***

In order to market any product outside of the United States, a company must also comply with numerous and varying regulatory requirements of other countries and jurisdictions regarding quality, safety and efficacy and governing, among other things, clinical trials, marketing authorization, commercial sales and distribution of products. Whether or not it obtains FDA approval for a product, an applicant will need to obtain the necessary approvals by the comparable non-U.S. regulatory authorities before it can commence clinical trials or marketing of the product in those countries or jurisdictions. The approval process ultimately varies between countries and jurisdictions and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries and jurisdictions might differ from and be longer than that required to obtain FDA approval. Regulatory approval in one country or jurisdiction does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country or jurisdiction may negatively impact the regulatory process in others. Specifically, however, the process governing approval of medicinal products in the European Union, or EU, generally follows the same lines as in the United States. It entails satisfactory completion of preclinical studies and adequate and well-controlled clinical trials to establish the safety and efficacy of the product for each proposed indication. It also requires the submission to the relevant competent authorities of a marketing authorization application, or MAA, and granting of a marketing authorization by these authorities before the product can be marketed and sold in the EU.

### ***Clinical Trial Approval***

The Clinical Trials Directive 2001/20/EC, the Directive 2005/28/EC on GCP and the related national implementing provisions of the individual member states of the European Union, or EU Member States, govern the system for the approval of clinical trials in the EU. Under this system, an applicant must obtain prior approval from the competent national authority of the EU Member States in which the clinical trial is to be conducted. Furthermore, the applicant may only start a clinical trial at a specific study site after the competent ethics committee has issued a favorable opinion. The clinical trial application must be accompanied by, among other documents, an investigational medicinal product dossier (the Common Technical Document) with supporting information prescribed by Directive 2001/20/EC, Directive 2005/28/EC, where relevant the implementing national provisions of the individual EU Member States and further detailed in applicable guidance documents.

In April 2014, the EU adopted a new Clinical Trials Regulation (EU) No 536/2014, which is set to replace the current Clinical Trials Directive 2001/20/EC. The new Clinical Trials Regulation will become directly applicable to and binding in all 28 EU Member States without the need for any national implementing legislation. It will overhaul the current system of approvals for clinical trials in the EU. Specifically, the new legislation aims at simplifying and streamlining the approval of clinical trials in the EU. Under the new coordinated procedure for the approval of clinical trials, the sponsor of a clinical trial will be required to submit a single application for approval of a clinical trial to a reporting EU Member State (RMS) through an EU Portal. The submission procedure will be the same irrespective of whether the clinical trial is to be conducted in a single EU Member State or in more than one EU Member State.

The Regulation was published on June 16, 2014 but has not yet become effective. As of January 1, 2020, the website of the European Commission reported that the implementation of the Clinical Trials Regulation was dependent on the development of a fully functional clinical trials portal and database, which would be confirmed by an independent audit, and that the new legislation would come into effect six months after the European Commission publishes a notice of this confirmation. The website indicated that the audit was expected to commence in December 2020. In late 2020, the EMA indicated that it plans to focus on the findings of a system audit; improving the usability, quality and stability of the clinical trial information system; and knowledge transfer to prepare users and their organizations for the new clinical trial system. The EMA has indicated that the system will go live in December 2021.

As in the United States, similar requirements for posting clinical trial information are present in other countries; for the members of the European Union, the website EudraCT can be found at: <https://eudract.ema.europa.eu/>.

### ***PRIME Designation in the EU***

In March 2016, the European Medicines Agency, or EMA, launched an initiative to facilitate development of product candidates in indications, often rare, for which few or no therapies currently exist. The PRiority MEdicines, or PRIME, scheme is intended to encourage drug development in areas of unmet medical need and provides accelerated assessment of products representing substantial innovation reviewed under the centralized procedure. Products from small- and medium-sized enterprises, or SMEs, may qualify for earlier entry into the PRIME scheme than larger companies. Many benefits accrue to sponsors of product candidates with PRIME designation, including but not limited to, early and proactive regulatory dialogue with the EMA, frequent discussions on clinical trial designs and other development program elements, and accelerated marketing authorization application assessment once a dossier has been submitted. Importantly, a dedicated Agency contact and rapporteur from the Committee for Human Medicinal Products, or CHMP, or Committee for Advanced Therapies, or CAT, are appointed early in PRIME scheme facilitating increased understanding of the product at EMA's Committee level. A kick-off meeting initiates these relationships and includes a team of multidisciplinary experts at the EMA to provide guidance on the overall development and regulatory strategies.

## **Pediatric Studies**

Prior to obtaining a marketing authorization in the European Union, applicants must demonstrate compliance with all measures included in an EMA-approved Paediatric Investigation Plan, or PIP, covering all subsets of the pediatric population, unless the EMA has granted a product-specific waiver, a class waiver, or a deferral for one or more of the measures included in the PIP. The respective requirements for all marketing authorization procedures are laid down in Regulation (EC) No 1901/2006, the so-called Paediatric Regulation. This requirement also applies when a company wants to add a new indication, pharmaceutical form or route of administration for a medicine that is already authorized. The Paediatric Committee of the EMA, or PDCO, may grant deferrals for some medicines, allowing a company to delay development of the medicine for children until there is enough information to demonstrate its effectiveness and safety in adults. The PDCO may also grant waivers when development of a medicine for children is not needed or is not appropriate, such as for diseases that only affect the elderly population. Before an MAA can be filed, or an existing marketing authorization can be amended, the EMA determines that companies actually comply with the agreed studies and measures listed in each relevant PIP.

## **Marketing Authorization**

To obtain a marketing authorization for a product under EU regulatory systems, an applicant must submit an MAA either under a centralized procedure administered by the EMA, or one of the procedures administered by competent authorities in the EU Member States (decentralized procedure or mutual recognition procedure). A marketing authorization may be granted only to an applicant established in the EU. Regulation (EC) No 1901/2006 provides that prior to obtaining a marketing authorization in the EU, applicants have to demonstrate compliance with all measures included in an EMA-approved PIP covering all subsets of the pediatric population, unless the EMA has granted (1) a product-specific waiver, (2) a class waiver or (3) a deferral for one or more of the measures included in the PIP.

The centralized procedure provides for the grant of a single marketing authorization by the European Commission that is valid across the European Economic Area (i.e. the EU as well as Iceland, Liechtenstein and Norway). Pursuant to Regulation (EC) No 726/2004, the centralized procedure is compulsory for specific products, including for medicines produced by certain biotechnological processes, products designated as orphan medicinal products, advanced therapy medicinal products and products with a new active substance indicated for the treatment of certain diseases, including products for the treatment of cancer. For products with a new active substance indicated for the treatment of other diseases and products that are highly innovative or for which a centralized process is in the interest of patients, the centralized procedure may be optional. The centralized procedure may at the request of the applicant also be used in certain other cases.

Under the centralized procedure, the CHMP is responsible for conducting the initial assessment of a product and for several post-authorization and maintenance activities, such as the assessment of modifications or extensions to an existing marketing authorization. Under the centralized procedure in the EU, the maximum timeframe for the evaluation of an MAA is 210 days, excluding clock stops, when additional information or written or oral explanation is to be provided by the applicant in response to questions of the CHMP. Accelerated evaluation might be granted by the CHMP in exceptional cases, when a medicinal product is of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation. If the CHMP accepts such request, the time limit of 210 days will be reduced to 150 days but it is possible that the CHMP can revert to the standard time limit for the centralized procedure if it considers that it is no longer appropriate to conduct an accelerated assessment. At the end of this period, the CHMP provides a scientific opinion on whether or not a marketing authorization should be granted in relation to a medicinal product. Within 15 calendar days of receipt of a final opinion from the CHMP, the European Commission must prepare a draft decision concerning an application for marketing authorization. This draft decision must take the opinion and any relevant provisions of EU law into account. Before arriving at a final decision on an application for centralized authorization of a medicinal product the European Commission must consult the Standing Committee on Medicinal Products for Human Use. The Standing Committee is composed of representatives of the EU Member States and chaired by a non-voting European Commission representative. The European Parliament also has a related "droit de regard." The European Parliament's role is to ensure that the European Commission has not exceeded its powers in deciding to grant or refuse to grant a marketing authorization.

The European Commission may grant a so-called "marketing authorization under exceptional circumstances." Such authorization is intended for products for which the applicant can demonstrate that it is unable to provide comprehensive data on the efficacy and safety under normal conditions of use, because the indications for which the product in question is intended are encountered so rarely that the applicant cannot reasonably be expected to provide comprehensive evidence, or in the present state of scientific knowledge, comprehensive information cannot be provided, or it would be contrary to generally accepted principles of medical ethics to collect such information. Consequently, marketing authorization under exceptional circumstances may be granted subject to certain specific obligations, which may include the following:

- the applicant must complete an identified program of studies within a time period specified by the competent authority, the results of which form the basis of a reassessment of the benefit/risk profile;

- the medicinal product in question may be supplied on medical prescription only and may in certain cases be administered only under strict medical supervision, possibly in a hospital and in the case of a radiopharmaceutical, by an authorized person; and
- the package leaflet and any medical information must draw the attention of the medical practitioner to the fact that the particulars available concerning the medicinal product in question are as yet inadequate in certain specified respects.

A marketing authorization under exceptional circumstances is subject to annual review to reassess the risk-benefit balance in an annual reassessment procedure. Continuation of the authorization is linked to the annual reassessment and a negative assessment could potentially result in the marketing authorization being suspended or revoked. The renewal of a marketing authorization of a medicinal product under exceptional circumstances, however, follows the same rules as a "normal" marketing authorization. Thus, a marketing authorization under exceptional circumstances is granted for an initial five years, after which the authorization will become valid indefinitely, unless the EMA decides that safety grounds merit one additional five-year renewal.

The European Commission may also grant a so-called "conditional marketing authorization" prior to obtaining the comprehensive clinical data required for an application for a full marketing authorization. Such conditional marketing authorizations may be granted for product candidates (including medicines designated as orphan medicinal products), if (i) the risk-benefit balance of the product candidate is positive, (ii) it is likely that the applicant will be in a position to provide the required comprehensive clinical trial data, (iii) the product fulfills an unmet medical need and (iv) the benefit to public health of the immediate availability on the market of the medicinal product concerned outweighs the risk inherent in the fact that additional data are still required. A conditional marketing authorization may contain specific obligations to be fulfilled by the marketing authorization holder, including obligations with respect to the completion of ongoing or new studies, and with respect to the collection of pharmacovigilance data. Conditional marketing authorizations are valid for one year, and may be renewed annually, if the risk-benefit balance remains positive, and after an assessment of the need for additional or modified conditions and/or specific obligations. The timelines for the centralized procedure described above also apply with respect to the review by the CHMP of applications for a conditional marketing authorization.

The EU medicines rules expressly permit the EU Member States to adopt national legislation prohibiting or restricting the sale, supply or use of any medicinal product containing, consisting of or derived from a specific type of human or animal cell, such as embryonic stem cells. While the products we have in development do not make use of embryonic stem cells, it is possible that the national laws in certain EU Member States may prohibit or restrict us from commercializing our products, even if they have been granted an EU marketing authorization.

Unlike the centralized authorization procedure, the decentralized marketing authorization procedure requires a separate application to, and leads to separate approval by, the competent authorities of each EU Member State in which the product is to be marketed. This application is identical to the application that would be submitted to the EMA for authorization through the centralized procedure. The reference EU Member State prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. The resulting assessment report is submitted to the concerned EU Member States who, within 90 days of receipt, must decide whether to approve the assessment report and related materials. If a concerned EU Member State cannot approve the assessment report and related materials due to concerns relating to a potential serious risk to public health, disputed elements may be referred to the European Commission, whose decision is binding on all EU Member States.

The mutual recognition procedure similarly is based on the acceptance by the competent authorities of the EU Member States of the marketing authorization of a medicinal product by the competent authorities of other EU Member States. The holder of a national marketing authorization may submit an application to the competent authority of an EU Member State requesting that this authority recognize the marketing authorization delivered by the competent authority of another EU Member State.

### ***Regulatory Data Protection in the EU***

In the EU, innovative medicinal products approved on the basis of a complete independent data package qualify for eight years of data exclusivity upon marketing authorization and an additional two years of market exclusivity pursuant to Directive 2001/83/EC. Regulation (EC) No 726/2004 repeats this entitlement for medicinal products authorized in accordance the centralized authorization procedure. Data exclusivity prevents applicants for authorization of generics of these innovative products from referencing the innovator's data to assess a generic (abridged) application for a period of eight years. During an additional two-year period of market exclusivity, a generic marketing authorization application can be submitted and authorized, and the innovator's data may be referenced, but no generic medicinal product can be placed on the EU market until the expiration of the market exclusivity. The overall ten-year period will be extended to a maximum of 11 years if, during the first eight years of those ten years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications which, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. Even if a compound is considered to be a new chemical entity so that the innovator gains the prescribed period of data exclusivity, another company nevertheless could also market another version of the product if such company obtained marketing authorization based on an MAA with a complete independent data package of pharmaceutical tests, preclinical tests and clinical trials.

### ***Periods of Authorization and Renewals***

A marketing authorization has an initial validity for five years in principle. The marketing authorization may be renewed after five years on the basis of a re-evaluation of the risk-benefit balance by the EMA or by the competent authority of the EU Member State. To this end, the marketing authorization holder must provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, including all variations introduced since the marketing authorization was granted, at least six months before the marketing authorization ceases to be valid. The European Commission or the competent authorities of the EU Member States may decide, on justified grounds relating to pharmacovigilance, to proceed with one further five-year period of marketing authorization. Once subsequently definitively renewed, the marketing authorization shall be valid for an unlimited period. Any authorization which is not followed by the actual placing of the medicinal product on the EU market (in case of centralized procedure) or on the market of the authorizing EU Member State within three years after authorization ceases to be valid (the so-called sunset clause).

### ***Pediatric Exclusivity***

If an applicant obtains a marketing authorization in all EU Member States, or a marketing authorization granted in the centralized procedure by the European Commission, and the study results for the pediatric population are included in the product information, even when negative, the medicine is then eligible for an additional six-month period of qualifying patent protection through extension of the term of the Supplementary Protection Certificate, or SPC.

### ***Orphan Drug Designation and Exclusivity***

Regulation (EC) No. 141/2000, as implemented by Regulation (EC) No. 847/2000 provides that a drug can be designated as an orphan drug by the European Commission if its sponsor can establish: that the product is intended for the diagnosis, prevention or treatment of (1) a life-threatening or chronically debilitating condition affecting not more than five in ten thousand persons in the EU when the application is made, or (2) a life-threatening, seriously debilitating or serious and chronic condition in the EU and that without incentives it is unlikely that the marketing of the drug in the EU would generate sufficient return to justify the necessary investment. For either of these conditions, the applicant must demonstrate that there exists no satisfactory method of diagnosis, prevention or treatment of the condition in question that has been authorized in the EU or, if such method exists, the drug will be of significant benefit to those affected by that condition.

Once authorized, orphan medicinal products are entitled to 10 years of market exclusivity in all EU Member States and in addition a range of other benefits during the development and regulatory review process including scientific assistance for study protocols, authorization through the centralized marketing authorization procedure covering all member countries and a reduction or elimination of registration and marketing authorization fees. However, marketing authorization may be granted to a similar medicinal product with the same orphan indication during the 10-year period with the consent of the marketing authorization holder for the original orphan medicinal product or if the manufacturer of the original orphan medicinal product is unable to supply sufficient quantities. Marketing authorization may also be granted to a similar medicinal product with the same orphan indication if this product is safer, more effective or otherwise clinically superior to the original orphan medicinal product. The period of market exclusivity may, in addition, be reduced to six years if it can be demonstrated on the basis of available evidence that the original orphan medicinal product is sufficiently profitable not to justify maintenance of market exclusivity.

## **Patent Term Extensions in the European Union and Other Jurisdictions**

The European Union also provides for patent term extension through Supplementary Protection Certificates, or SPCs. The rules and requirements for obtaining a SPC are similar to those in the United States. An SPC may extend the term of a patent for up to five years after its originally scheduled expiration date and can provide up to a maximum of fifteen years of marketing exclusivity for a drug. These periods can be extended for six additional months if pediatric exclusivity is obtained, which is described in detail below. Although SPCs are available throughout the European Union, sponsors must apply on a country-by-country basis. Similar patent term extension rights exist in certain other foreign jurisdictions outside the European Union.

### **Regulatory Requirements after a Marketing Authorization has been Obtained**

In case an authorization for a medicinal product in the EU is obtained, the holder of the marketing authorization is required to comply with a range of requirements applicable to the manufacturing, marketing, promotion and sale of medicinal products. These include:

- Compliance with the EU's stringent pharmacovigilance or safety reporting rules must be ensured. These rules can impose post-authorization studies and additional monitoring obligations.
- The manufacturing of authorized medicinal products, for which a separate manufacturer's license is mandatory, must also be conducted in strict compliance with the applicable EU laws, regulations and guidance, including Directive 2001/83/EC, Directive 2003/94/EC, Regulation (EC) No 726/2004 and the European Commission Guidelines for Good Manufacturing Practice. These requirements include compliance with EU cGMP standards when manufacturing medicinal products and active pharmaceutical ingredients, including the manufacture of active pharmaceutical ingredients outside of the EU with the intention to import the active pharmaceutical ingredients into the EU.
- The marketing and promotion of authorized drugs, including industry-sponsored continuing medical education and advertising directed toward the prescribers of drugs and/or the general public, are strictly regulated in the EU notably under Directive 2001/83EC, as amended, and are also subject to EU Member State laws. Direct-to-consumer advertising of prescription medicines is prohibited across the EU.

### **Brexit and the Regulatory Framework in the United Kingdom**

On June 23, 2016, the electorate in the United Kingdom voted in favor of leaving the EU, commonly referred to as Brexit. Following protracted negotiations, the United Kingdom left the EU on January 31, 2020. Under the withdrawal agreement, there is a transitional period until December 31, 2020 (extendable by up to two years). On December 24, 2020, the United Kingdom and the European Union entered into a Trade and Cooperation Agreement. The agreement sets out certain procedures for approval and recognition of medical products in each jurisdiction. Since the regulatory framework for pharmaceutical products in the United Kingdom covering quality, safety, and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial sales, and distribution of pharmaceutical products is derived from EU directives and regulations, Brexit could materially impact the future regulatory regime that applies to products and the approval of product candidates in the United Kingdom, as the United Kingdom legislation now has the potential to diverge from EU legislation. It remains to be seen how Brexit will impact regulatory requirements for product candidates and products in the United Kingdom in the long-term. The Medicines and Healthcare Products Regulatory Agency has recently published detailed guidance for industry and organizations to follow from January 1, 2021 now the transition period is over, which will be updated as the United Kingdom's regulatory position on medicinal products evolves over time.

Furthermore, while the Data Protection Act of 2018 in the United Kingdom that "implements" and complements the European Union's General Data Protection Regulation, or GDPR, has achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the European Economic Area, or EEA, to the United Kingdom will remain lawful under GDPR. The Trade and Cooperation Agreement provides for a transitional period during which the United Kingdom will be treated like an European Union member state in relation to processing and transfers of personal data for four months from January 1, 2021. This may be extended by two further months. After such period, the United Kingdom will be a "third country" under the GDPR unless the European Commission adopts an adequacy decision in respect of transfers of personal data to the United Kingdom. The United Kingdom has already determined that it considers all of the EU 27 and EEA member states to be adequate for the purposes of data protection, ensuring that data flows from the United Kingdom to the EU/EEA remain unaffected.

### **General Data Protection Regulation**

The collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the EU, including personal health data, is subject to the GDPR which became effective on May 25, 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR also imposes strict rules on the transfer of personal data to countries outside the EU, including the U.S., and permits data protection authorities to impose large penalties for violations of the GDPR, including potential fines of up to €20 million or 4% of annual global revenues, whichever is greater. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. Compliance with the GDPR will be a rigorous and time-intensive process that may increase the cost of doing business or require companies to change their business practices to ensure full compliance.

### **Pricing Decisions for Approved Products**

In the EU, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular product candidate to currently available therapies or so-called health technology assessments, in order to obtain reimbursement or pricing approval. For example, EU Member States have the option to restrict the range of products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. EU Member States may approve a specific price for a product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the product on the market. Other EU Member States allow companies to fix their own prices for products, but monitor and control prescription volumes and issue guidance to physicians to limit prescriptions. Recently, many countries in the EU have increased the amount of discounts required on pharmaceuticals and these efforts could continue as countries attempt to manage health care expenditures, especially in light of the severe fiscal and debt crises experienced by many countries in the EU. The downward pressure on health care costs in general, particularly prescription products, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various EU Member States, and parallel trade, i.e., arbitrage between low-priced and high-priced EU Member States, can further reduce prices. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any products, if approved in those countries.

### **Employees and Human Capital**

As of December 31, 2020, we had 179 full-time employees, including 118 employees with advanced degrees. Of these full-time employees, 143 employees are engaged in research and development activities and 36 are engaged in general and administrative activities. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

We recognize that attracting, motivating and retaining talented employees is vital to our success. We value the health and wellness of our employees. It is our goal to deliver innovative programs that provide choice, quality and value. We aim to create an equitable, inclusive and empowering environment in which our employees can grow and advance their careers, with the overall goal of developing, expanding and retaining our workforce to support our current pipeline and future business goals. Our success also depends on our ability to attract, engage and retain a diverse group of employees. Our efforts to recruit and retain a diverse and passionate workforce include providing competitive compensation and benefits packages.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees. The principal purposes of our equity incentive plans are to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards. We offer a comprehensive benefits program that provides resources to help employees manage their health, finances and life outside of work.

## Available Information

Our website address is [www.arvinas.com](http://www.arvinas.com). Through our website, we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act of 1934, as amended, or the Exchange Act. We make these reports available through our website as soon as reasonably practicable after we electronically file such reports with, or furnish such reports to, the Securities and Exchange Commission, or the SEC. We also make available, free of charge on our website, the reports filed with the SEC by our executive officers, directors and 10% stockholders pursuant to Section 16 under the Exchange Act as soon as reasonably practicable after copies of those filings are provided to us by those persons. In addition, we regularly use our website to post information regarding our business, product development programs and governance, and we encourage investors to use our website, particularly the information in the section entitled "Investors + Media," as a source of information about us.

The information on our website is not incorporated by reference into this Annual Report on Form 10-K and should not be considered to be a part of this Annual Report on Form 10-K. Our website address is included in this Annual Report on Form 10-K as an inactive technical reference only.

The SEC also maintains a website containing reports, proxy materials and information statements, among other information, at <http://www.sec.gov>.

## Item 1A. Risk Factors.

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K, before deciding to invest in our common stock. If any of the following risks actually occur, our business, prospects, operating results and financial condition could suffer materially. In such event, the trading price of our common stock could decline and you might lose all or part of your investment.*

### Risks Related to Our Financial Position and Need For Additional Capital

***We have incurred significant losses since our inception. We expect to incur losses over at least the next several years and may never achieve or maintain profitability.***

Our net loss was \$119.3 million for the year ended December 31, 2020, \$70.3 million for the year ended December 31, 2019 and \$41.5 million for the year ended December 31, 2018. As of December 31, 2020, we had an accumulated deficit of \$491.9 million. To date, we have not generated any revenue from product sales and have financed our operations primarily through sales of our equity interests, proceeds from our collaborations, grant funding and debt financing. We are still in the early stages of development of our product candidates, and we have not completed development of any product candidates. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially if and as we:

- continue a Phase 1/2 clinical trial of our product candidate ARV-110, and initiate one or more Phase 1b cohort expansions of ARV-110 in combination with standard of care agents, in men with metastatic castration-resistant prostate cancer, or mCRPC;
- continue a Phase 1/2 clinical trial of our product candidate ARV-471 and a Phase 1b cohort expansion of ARV-471 in combination with palbociclib, and initiate an additional Phase 1b cohort expansion in combination with a standard of care agent, each in patients with locally advanced or metastatic ER positive / HER2 negative breast cancer and initiate a window of opportunity study in early breast cancer;
- initiate a planned Phase 1 clinical trial of our product candidate ARV-766 in the first half of 2021;
- apply our PROTAC Discovery Engine to advance additional product candidates into preclinical and clinical development;
- expand the capabilities of our PROTAC Discovery Engine;
- seek marketing approvals for any product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure and scale up external manufacturing capabilities to commercialize any products for which we may obtain marketing approval;
- expand, maintain and protect our intellectual property portfolio;

- hire additional development, including clinical and regulatory, and scientific personnel; and
- add operational, financial and management information systems and personnel to support our research, product development and future commercialization efforts and support our operations as a public company.

Our expenses could increase beyond our expectations if we are required by the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or other regulatory authorities to perform trials in addition to those that we currently expect, or if there are any delays in establishing appropriate manufacturing arrangements for or in completing our clinical trials or the development of any of our product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses we will incur or when, if ever, we will be able to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could also cause our stockholders to lose all or part of their investment.

***We have never generated revenue from product sales and may never be profitable.***

We initiated clinical development of our first two product candidates in 2019 and plan to initiate development of a third product candidate in the first half of 2021 and we expect that it will be many years, if ever, before we have a product candidate ready for commercialization. We may never succeed in these activities and, even if we do, may never generate revenues that are significant enough to achieve profitability. To become and remain profitable, we must succeed in developing, obtaining marketing approval for and commercializing products that generate significant revenue. This will require us to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of our product candidates, discovering additional product candidates, establishing arrangements with third parties for the manufacture of clinical supplies of our product candidates, obtaining marketing approval for our product candidates and manufacturing, marketing and selling any products for which we may obtain marketing approval.

If one or more of the product candidates that we develop is approved for commercial sale, we anticipate incurring significant costs associated with commercializing any approved product candidate. Even if we are able to generate revenues from the sale of any approved products, we may not become profitable and may need to obtain additional funding to continue operations.

***We will need substantial additional funding. If we are unable to raise capital when needed, we may be required to delay, limit, reduce or terminate our research or product development programs or future commercialization efforts.***

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we continue our ongoing clinical trials of ARV-110 and ARV-471, initiate our planned clinical trial of ARV-766, advance our other oncology and neurodegenerative programs and continue research and development and initiate additional clinical trials of and potentially seek marketing approval for our lead programs and our other product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. We expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be required to delay, limit, reduce or terminate our research, product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

We had cash, cash equivalents and marketable securities of approximately \$688.5 million as of December 31, 2020. We believe that our cash, cash equivalents and marketable securities as of December 31, 2020 will enable us to fund our planned operating expenses and capital expenditure requirements into 2024. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the progress, costs and results of our ongoing clinical trials for ARV-110 and for ARV-471 and any future clinical development of ARV-110 and ARV-471;
- the initiation, progress, costs and results of our planned clinical trial for ARV-766 and any future clinical development of ARV-766;

- the scope, progress, costs and results of preclinical and clinical development for our other product candidates and development programs;
- the number of, and development requirements for, other product candidates that we pursue, including our other oncology and neurodegenerative research programs;
- the success of our collaborations with Pfizer, Inc., or Pfizer, Genentech, Inc. and F. Hoffman-LaRoche Ltd., collectively referred to as Genentech, and Bayer AG, or Bayer;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and
- our ability to establish additional collaboration arrangements with other biotechnology or pharmaceutical companies on favorable terms, if at all, for the development or commercialization of our product candidates.

Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives. Adequate additional funds may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

***Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. Although we may receive potential future payments under our collaborations with Pfizer, Genentech and Bayer, we do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights as common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends.

We have in the past entered into financing arrangements with the State of Connecticut and related entities. These include \$4.5 million in partially forgivable loans from the State of Connecticut and a loan agreement with Connecticut Innovations, Incorporated, or CII, the strategic venture capital arm and a component unit of the State of Connecticut, in an aggregate principal amount of \$750,000. We also granted CII a warrant to purchase 110,116 of our Series A convertible preferred units, which it exercised in July 2018. Covenants in these financing arrangements impose certain limitations and obligations on us, including restrictions on our ability to incur additional debt, to enter into certain business combinations, and from moving our principal offices out of Connecticut. If we were to move our principal offices out of Connecticut or certain employment conditions are not met, we would be obligated to repay the full amount of our previously forgiven loans to the State of Connecticut, currently \$2.5 million, and prepay a portion of our unforgiven loans to the State of Connecticut, currently \$2.0 million, plus liquidated damages of 7.50%. Additionally, CII would be entitled to obligate us to purchase all of our outstanding securities owned by CII for a specified guaranteed return pursuant to a put agreement with CII.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

***Our limited operating history may make it difficult for our stockholders to evaluate the success of our business to date and to assess our future viability.***

We commenced operations in 2013, and our operations to date have been limited to organizing and staffing our company, business planning, raising capital, conducting discovery and research activities, filing patent applications, identifying potential product candidates, undertaking preclinical studies, establishing arrangements with third parties for the manufacture of initial quantities of our product candidates and conducting early-stage clinical trials. In March 2019, we initiated our first Phase 1 clinical trial for a product candidate, ARV-110, and in August 2019, we initiated our Phase 1 clinical trial of our product candidate ARV-471. All of our other product candidates are still in preclinical development. We have not yet demonstrated our ability to successfully complete any clinical trials, obtain marketing approvals, manufacture a commercial scale product, or arrange for a third party to do so on our behalf, or conduct sales, marketing and distribution activities necessary for successful product commercialization. Consequently, any predictions stockholders make about our future success or viability may not be as accurate as they could be if we had a longer operating history.

In addition, as a young business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. We will need to transition at some point from a company with a research and development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, stockholders should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

***The ongoing COVID-19 pandemic has and may continue to affect our ability to initiate and complete current or future preclinical studies or clinical trials, disrupt regulatory activities or have other adverse effects on our business and operations. In addition, this pandemic may continue to adversely impact economies worldwide, which could result in adverse effects on our business and operations.***

The ongoing COVID-19 pandemic has caused many governments to implement measures to slow the spread of the outbreak through quarantines, travel restrictions, heightened border scrutiny, and other measures. The outbreak and government measures taken in response have also had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. The future progression of the outbreak and its effects on our business and operations are uncertain.

We and our contract manufacturing organizations, or CMOs, and contract research organizations, or CROs, may face disruptions that may affect our ability to initiate and complete preclinical studies or clinical trials including disruptions at our facilities or disruptions in procuring items that are essential for our research and development activities, including, for example, raw materials used in the manufacturing of our product candidates, laboratory supplies for our preclinical studies and clinical trials, or animals that are used for preclinical testing, in each case, for which there may be shortages because of ongoing efforts to address the outbreak. For example, our New Haven-based laboratories were closed for part of March through May 2020 which limited the biology work we could conduct for our early-stage research programs and increased our reliance on CROs. We and our CROs and CMOs may face disruptions related to our ongoing clinical trials or future clinical trials arising from delays in IND-enabling studies, manufacturing disruptions, and the ability to obtain necessary institutional review board or other necessary site approvals, as well as other delays at clinical trial sites, including delays related to site staffing. For example, in the first quarter of 2020, production of certain building blocks for the drug substance used in the manufacture of ARV-471 were delayed at one of our China-based manufacturers. The response to the COVID-19 pandemic may redirect resources with respect to regulatory and intellectual property matters in a way that would adversely impact our ability to progress regulatory approvals and protect our intellectual property. In addition, we may face impediments to regulatory meetings and approvals due to measures intended to limit in-person interactions.

The pandemic has already caused significant disruptions in the financial markets, and may continue to cause such disruptions, which could impact our ability to raise additional funds through public offerings and may also impact the volatility of our stock price and trading in our stock. Moreover, it is possible the pandemic will significantly impact economies worldwide, which could result in adverse effects on our business and operations. We cannot be certain what the overall impact of the COVID-19 pandemic will be on our business and it has the potential to adversely affect our business, financial condition, results of operations and prospects.

***Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial condition.***

Recent changes in tax law may adversely affect our business or financial condition. On December 22, 2017, the U.S. government enacted the Tax Cuts and Jobs Act of 2017, commonly referred to as the TCJA, that significantly revised the U.S. Internal Revenue Code of 1986, as amended, or the Code. The TCJA contains, among other things, significant changes to corporate taxation, including a reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, the limitation of the tax deduction for net interest expense to 30% of adjusted earnings (except for certain small businesses), the limitation of the deduction for net operating losses arising in taxable years beginning after December 31, 2017 to 80% of current year taxable income and elimination of net operating loss carrybacks for losses arising in taxable years ending after December 31, 2017 (though any such net operating losses may be carried forward indefinitely), the imposition of a one-time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, the elimination of U.S. tax on foreign earnings (subject to certain important exceptions), the allowance of immediate deductions for certain new investments instead of deductions for depreciation expense over time, and the modification or repeal of many business deductions and credits.

As part of Congress's response to the COVID-19 pandemic, the Families First Coronavirus Response Act, or FFCR Act, was enacted on March 18, 2020, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was enacted on March 27, 2020 and COVID relief provisions were included in the Consolidated Appropriations Act, 2021, or CAA, which was enacted on December 27, 2020. All contain numerous tax provisions. In particular, the CARES Act retroactively and temporarily (for taxable years beginning before January 1, 2021) suspends application of the 80%-of-income limitation on the use of net operating losses, which was enacted as part of the TCJA. It also provides that net operating losses arising in any taxable year beginning after December 31, 2017, and before January 1, 2021 are generally eligible to be carried back up to five years. The CARES Act also temporarily (for taxable years beginning in 2019 or 2020) relaxes the limitation of the tax deductibility for net interest expense by increasing the limitation from 30% to 50% of adjusted taxable income.

Regulatory guidance under the TCJA, the FFCR Act, the CARES Act and the CAA is and continues to be forthcoming, and such guidance could ultimately increase or lessen the impact of these laws on our business and financial condition. It is also possible that Congress will enact additional legislation in connection with the COVID-19 pandemic, some of which could have an impact on our company. In addition, it is uncertain if and to what extent various states will conform to the TCJA, the FFCR Act, the CARES Act or the CAA.

***We might not be able to utilize a significant portion of our net operating loss carryforwards and research and development tax credit carryforwards.***

As of December 31, 2020, we had federal net operating loss carryforwards of \$205.1 million and federal research and development tax credit carryforwards of \$10.1 million. To the extent they expire unused, these net operating loss and tax credit carryforwards will not be available to offset our future income tax liabilities.

In addition, under Section 382 of the Code, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership by certain stockholders over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We believe our federal net operating losses are subject to an annual limitation as a result of changes in the Company's ownership, as defined by Code Section 382, in November 2019. Notwithstanding the limitations, we expect the federal net operating losses to be fully available under Section 382 within the next two years, subject to any other limitations under the Code. In addition, we may experience ownership changes in the future as a result of subsequent changes in our stock ownership, some of which may be outside of our control. If we determine that an ownership change has occurred and our ability to use our historical net operating loss and tax credit carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

There is also a risk that due to regulatory changes, such as suspensions on the use of net operating losses, or other unforeseen reasons, our existing net operating losses could expire or otherwise become unavailable to offset future income tax liabilities. As described above in "Changes in tax laws or in their implementation or interpretation may adversely affect our business and financial condition," the TCJA, as amended by the CARES Act, includes changes to U.S. federal tax rates and the rules governing net operating loss carryforwards that may significantly impact our ability to utilize our net operating losses to offset taxable income in the future. In addition, state net operating losses generated in one state cannot be used to offset income generated in another state. For these reasons, even if we attain profitability, we may be unable to use a material portion of our net operating losses and other tax attributes.

***Our approach to the discovery and development of product candidates based on our PROTAC technology platform is unproven, which makes it difficult to predict the time, cost of development and likelihood of successfully developing any products.***

Our PROTAC technology platform is a relatively new technology. Our future success depends on the successful development of this novel therapeutic approach. Prior to the initiation of our Phase 1 clinical trial for ARV-110, no product candidates that use a chimeric small molecule approach to protein degradation, such as our PROTAC targeted protein degraders, had been tested in humans. No product candidates of this type have been approved in the United States or Europe, and the data underlying the feasibility of developing chimeric small molecule-based therapeutic products is both preliminary and limited. We have not yet succeeded and may not succeed in demonstrating the efficacy and safety of any of our product candidates in clinical trials or in obtaining marketing approval thereafter. We have not yet completed a clinical trial of any product candidate and we have not yet completed assessment of the safety of any product candidate in humans. As such, there may be adverse effects from treatment with any of our current or future product candidates that we cannot predict at this time.

As a result of these factors, it is more difficult for us to predict the time and cost of product candidate development, and we cannot predict whether the application of our PROTAC Discovery Engine, or any similar or competitive protein degradation platforms, will result in the development, and marketing approval of any products. Any development problems we experience in the future related to our PROTAC Discovery Engine or any of our research programs may cause significant delays or unanticipated costs or may prevent the development of a commercially viable product. Any of these factors may prevent us from completing our preclinical studies or any clinical trials that we may initiate or commercializing any product candidates we may develop on a timely or profitable basis, if at all.

***We are early in our development efforts. If we are unable to commercialize our product candidates or experience significant delays in doing so, our business will be materially harmed.***

We are early in our development efforts. In March 2019, we initiated our first Phase 1 clinical trial for a product candidate ARV-110, and in August 2019, we initiated our Phase 1 clinical trial of our product candidate ARV-471. We plan to file an IND in support of ARV-766 and initiate a clinical trial in the first half of 2021. All of our other product candidates are still in preclinical development. Our ability to generate revenue from product sales, which we do not expect will occur for many years, if ever, will depend heavily on the successful development and eventual commercialization of one or more of our product candidates. The success of our product candidates will depend on several factors, including the following:

- successful completion of preclinical studies;
- successful initiation of clinical trials;
- successful patient enrollment in and completion of clinical trials;
- receipt and related terms of marketing approvals from applicable regulatory authorities;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- making arrangements with third-party manufacturers, or establishing manufacturing capabilities, for both clinical and commercial supplies of our product candidates;
- establishing sales, marketing and distribution capabilities and launching commercial sales of our products, if and when approved, whether alone or in collaboration with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- obtaining and maintaining third-party coverage and adequate reimbursement;
- maintaining a continued acceptable safety profile of the products following approval; and
- effectively competing with other therapies.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or an inability to successfully commercialize our product candidates, which would materially harm our business.

***Drug development involves a lengthy and expensive process, with an uncertain outcome. We may incur unexpected costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.***

We initiated Phase 1 clinical development of our product candidates ARV-110 and ARV-471 in 2019 and expect to initiate a clinical trial for ARV-766 in the first half of 2021. All of our other product candidates are in preclinical development. The risk of failure for our product candidates is high. We are unable to predict when or if any of our product candidates will prove effective or safe in humans or will receive marketing approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Before we can commence clinical trials for a product candidate, we must complete extensive preclinical testing and studies that support our planned Investigational New Drug Applications, or INDs, in the United States or similar applications in other jurisdictions. We cannot be certain of the timely completion or outcome of our preclinical testing and studies and cannot predict if the FDA or similar regulatory authorities outside the United States will accept our proposed clinical programs or if the outcome of our preclinical testing and studies will ultimately support the further development of our programs.

Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to the outcome. A failure of one or more clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates, including:

- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or fail to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we may have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding that the participants are being exposed to unacceptable health risks;
- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical trials for various reasons, including noncompliance with regulatory requirements;
- our product candidates may have undesirable side effects or other unexpected characteristics, causing us or our investigators, regulators or institutional review boards to suspend or terminate the trials;
- unforeseen global instability, including political instability or instability from an outbreak of pandemic or contagious disease, such as the COVID-19 pandemic, in or around the countries in which we conduct our clinical trials, could delay the commencement or timing of completion of our clinical trials;
- the cost of clinical trials of our product candidates may be greater than we anticipate; and
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings;
- be subject to additional post-marketing testing requirements; or
- have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in preclinical studies or clinical trials or in obtaining marketing approvals. We do not know whether any of our preclinical studies or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant preclinical study or clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

Further, cancer therapies are sometimes characterized as first-line, second-line, or third-line, and the FDA often approves new therapies initially only for third-line use. When cancer is detected early enough, first-line therapy, usually hormone therapy, surgery, radiation therapy or a combination of these, is sometimes adequate to cure the cancer or prolong life without a cure. Second- and third-line therapies are administered to patients when prior therapy is not effective. Our current clinical trials for ARV-110 and ARV-471 are with patients who have received prior treatments. Subsequently, for those products that prove to be sufficiently beneficial, if any, we would expect to seek approval potentially as a first-line therapy, but any product candidates we develop, even if approved, may not be approved for first-line therapy, and, prior to any such approvals, we may have to conduct additional clinical trials.

***If serious adverse events, undesirable side effects, or unexpected characteristics are identified during the development of any product candidates we may develop, we may need to abandon or limit our further clinical development of those product candidates.***

Other than our ongoing early clinical trials of ARV-110 and ARV-471, we have not evaluated any product candidates in human clinical trials. It is impossible to predict when or if any product candidates we may develop will prove safe in humans. There can be no assurance that our PROTAC technology will not cause undesirable side effects.

A potential risk in any protein degradation product is that healthy proteins or proteins not targeted for degradation will be degraded or that the degradation of the targeted protein in itself could cause adverse events, undesirable side effects, or unexpected characteristics. It is possible that healthy proteins or proteins not targeted for degradation could be degraded using our PROTAC technology in any of our ongoing, planned or future clinical studies. There is also the potential risk of delayed adverse events following treatment using our PROTAC technology.

If any product candidates we develop are associated with serious adverse events, or undesirable side effects, or have characteristics that are unexpected, we may need to abandon their development or limit development to certain uses or subpopulations in which the adverse events, undesirable side effects or other characteristics are less prevalent, less severe, or more acceptable from a risk-benefit perspective, any of which would have a material adverse effect on our business, financial condition, results of operations, and prospects. Many product candidates that initially showed promise in early-stage testing for treating cancer or other diseases have later been found to cause side effects that prevented further clinical development of the product candidates or limited their competitiveness in the market.

***The results of early-stage clinical trials and preclinical studies may not be predictive of future results. Initial success in clinical trials may not be indicative of results obtained when these trials are completed or in later stage trials.***

The results of preclinical studies may not be predictive of the results of clinical trials, and the results of early-stage clinical trials may not be predictive of the results of the later-stage clinical trials. In addition, initial success in clinical trials may not be indicative of results obtained when such trials are completed. In particular, the small number of patients in our ongoing early clinical trials may make the results of these trials less predictive of the outcome of later clinical trials. For example, even if successful, the results of the dose-escalation portion of our Phase 1/2 clinical trial of ARV-110 and our Phase 1/2 clinical trial of ARV-471 may not be predictive of the results of further clinical trials of these product candidates or any of our other product candidates. Moreover, preclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval of their products. Our current or future clinical trials may not ultimately be successful or support further clinical development of any of our product candidates. There is a high failure rate for product candidates proceeding through clinical trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical development even after achieving encouraging results in earlier studies. Any such setbacks in our clinical development could materially harm our business and results of operations.

***Interim top-line and preliminary 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 publish interim top-line or preliminary data from our clinical trials. Interim data from clinical trials 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. For example, the initial safety, tolerability, pharmacokinetic and efficacy data that we have disclosed in connection with our ongoing Phase 1/2 clinical trials of ARV-110 and ARV-471 may not be indicative of the full results of those trials obtained upon completion. Preliminary or top-line 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, interim and preliminary data should be viewed with caution until the final data are available. Adverse differences between preliminary or interim data and final data could significantly harm our reputation and business prospects.

***If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary marketing approvals could be delayed or prevented.***

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the FDA or similar regulatory authorities outside of the United States. In particular, we are conducting a Phase 1/2 clinical trial of ARV-110 for men with mCRPC and a Phase 1/2 clinical trial of ARV-471 for patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. We cannot predict how difficult it will be to enroll patients for trials in these indications. Therefore, our ability to identify and enroll eligible patients for ARV-110 and ARV-471 clinical trials may be limited or may result in slower enrollment than we anticipate. In addition, some of our competitors have ongoing clinical trials for product candidates that treat the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates. Patient enrollment is affected by other factors including:

- the severity of the disease under investigation;
- the eligibility criteria for the trial in question;
- the perceived risks and benefits of the product candidates under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the availability of competing therapies;
- the patient referral practices of physicians;
- the burden on patients due to inconvenient procedures;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

In April 2020, we announced that, as a result of the COVID-19 pandemic, two trial sites for our ongoing Phase 1/2 clinical trial of ARV-110 had publicly announced pauses in patient enrollment for clinical trials, including our trials. In addition, one trial site for our ongoing Phase 1/2 clinical trial of ARV-471 had a pause in patient enrollment for clinical trials, including our trial. While the pauses at each of the trial sites have already been lifted, we may nonetheless face difficulties recruiting or retaining patients in our ongoing and planned clinical trials if patients are affected by the virus or are fearful of traveling to, or are unable to travel to, our clinical trial sites because of the outbreak. For example, we experienced a short delay in the enrollment for one cohort of our ARV-471 trial as a result of screening slowdowns attributable to COVID-19.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays and could require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of our company to decline and limit our ability to obtain additional financing.

***We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we focus on research programs and product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable products. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate.

***We are developing and may continue to develop our product candidates in combination with other drugs. If the FDA or similar regulatory authorities outside of the United States do not approve these other drugs, or revoke their approval of such drugs, or if safety, efficacy, manufacturing or supply issues arise with the drugs we choose to evaluate in combination with our product candidates, we may be unable to obtain approval of or market our products.***

We are currently conducting a clinical trial of ARV-471, and intend to conduct other clinical trials for each of ARV-110 and ARV-471 and potentially other product candidates, in combination with other therapies. For example, in the fourth quarter of 2020, we initiated a Phase 1b cohort expansion with ARV-471 for the treatment of patients with locally advanced or metastatic ER positive / HER2 negative breast cancer for use in combination with palbociclib, a CDK 4/6 inhibitor that is currently approved for the treatment of patients with breast cancer. We did not develop or obtain marketing approval for, nor do we manufacture or sell, any of the currently approved drugs that we are or may study in combination with ARV-110 or ARV-471. If the FDA or similar regulatory authorities outside of the United States revoke their approval of the drug or drugs in combination with which we determine to develop ARV-471, we will not be able to market ARV-110 or ARV-471 in combination with such revoked drugs.

If safety or efficacy issues arise with any of these drugs, we could experience significant regulatory delays, and the FDA or similar regulatory authorities outside of the United States may require us to redesign or terminate the applicable clinical trials. If the drugs we use are replaced as the standard of care for the indications we choose for ARV-110 or ARV-471, the FDA or similar regulatory authorities outside of the United States may require us to conduct additional clinical trials. In addition, if manufacturing or other issues result in a shortage of supply of the drugs with which we determine to combine with ARV-110 or ARV-471, we may not be able to complete clinical development of ARV-110 or ARV-471 on our current timeline or at all.

Even if ARV-110 or ARV-471 were to receive marketing approval or be commercialized for use in combination with other existing drugs, we would continue to be subject to the risks that the FDA or similar regulatory authorities outside of the United States could revoke approval of the drug used in combination with ARV-110 or ARV-471 or that safety, efficacy, manufacturing or supply issues could arise with these existing drugs. Combination therapies are commonly used for the treatment of cancer, and we would be subject to similar risks if we develop any of our other product candidates for use in combination with other drugs or for indications other than cancer. This could result in our own products being removed from the market or being less successful commercially.

***We may not be successful in our efforts to identify or discover additional potential product candidates.***

A key element of our strategy is to apply our PROTAC Discovery Engine to address a broad array of targets and new therapeutic areas. The therapeutic discovery activities that we are conducting may not be successful in identifying product candidates that are useful in treating cancer or other diseases. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for a number of reasons, including:

- potential product candidates may, on further study, be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be drugs that will receive marketing approval or achieve market acceptance; or
- potential product candidates may not be effective in treating their targeted diseases.

Research programs to identify new product candidates require substantial technical, financial and human resources. We may choose to focus our efforts and resources on a potential product candidate that ultimately proves to be unsuccessful. If we are unable to identify suitable product candidates for preclinical and clinical development, we will not be able to obtain revenues from sale of products in future periods, which likely would result in significant harm to our financial position and adversely impact our stock price.

***We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.***

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. We face and will continue to face competition from third parties that use protein degradation, antibody therapy, inhibitory nucleic acid, gene editing or gene therapy development platforms and from companies focused on more traditional therapeutic modalities, such as small molecule inhibitors. The competition is likely to come from multiple sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, government agencies and public and private research institutions.

We are aware of several biotechnology companies focused on developing chimeric small molecules for protein degradation including C4 Therapeutics, Inc., Cullgen Inc., Kymera Therapeutics, Inc. and Nurix Therapeutics, Inc. Further, several large pharmaceutical companies have disclosed preclinical investments in this field, including AbbVie, Amgen Inc., AstraZeneca plc, Boehringer Ingelheim, Bristol Myers Squibb Company, GlaxoSmithKline plc, Genentech, Novartis International AG and Sanofi SA. In June 2020, Bristol-Myers Squibb Company announced that it had commenced a Phase 1 clinical trial for an androgen receptor targeting protein degrader.

Many of our current or potential competitors, either alone or with their collaboration partners, have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. In addition, our ability to compete may be affected in many cases by insurers or other third-party payors seeking to encourage the use of generic products. There are generic products currently on the market for certain of the indications that we are pursuing, and additional products are expected to become available on a generic basis over the coming years. If our product candidates are approved, we expect that they will be priced at a significant premium over competitive generic products.

## Risks Related to Dependence on Third Parties

***We expect to depend on collaborations with third parties for the research, development, and commercialization of certain of the product candidates we may develop. If any such collaborations are not successful, we may not be able to capitalize on the market potential of those product candidates.***

We anticipate seeking third-party collaborators for the research, development, and commercialization of some of our PROTAC programs. For example, in September 2015 we entered into a collaboration with Genentech, which we amended and restated in November 2017, in December 2017 we entered into a collaboration with Pfizer, and in July 2019 we entered into a collaboration with Bayer. Our likely collaborators for any other collaboration arrangements include large and mid-size pharmaceutical companies and biotechnology companies. Any such arrangements with third parties will likely limit our control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of any product candidates we may seek to develop with them. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements. We cannot predict the success of any collaboration that we enter into.

Collaborations involving our research programs or any product candidates we may develop, including our collaborations with Pfizer, Genentech and Bayer, pose the following risks to us:

- Collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations. For example, our collaboration with Genentech is managed by a joint research committee and joint project team, which is composed of representatives from us and Genentech, with Genentech having final decision-making authority. Similarly, our collaborations with Pfizer and Bayer are managed by joint research committees composed of an equal number of representatives from us and our collaborative partner, with our collaborative partner having final decision-making authority.
- Collaborators may not pursue development and commercialization of any product candidates we may develop or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborator's strategic focus or available funding or external factors such as an acquisition or business combination that diverts resources or creates competing priorities.
- Genentech, Pfizer and Bayer have broad rights to select any target for protein degradation development on an exclusive basis, even as to us, so long as not excluded by us under the terms of each collaboration and may select targets we are considering but have not taken sufficient action to exclude under the collaboration.
- Collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials, or require a new formulation of a product candidate for clinical testing.
- Collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours.
- Collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products.
- Collaborators may not properly obtain, maintain, enforce, or defend our intellectual property or proprietary rights or may use our proprietary information in such a way that could jeopardize or invalidate our proprietary information or expose us to potential litigation. For example, Pfizer, Genentech and Bayer have the first right to enforce or defend certain intellectual property rights under the applicable collaboration arrangement with respect to particular licensed programs, and although we may have the right to assume the enforcement and defense of such intellectual property rights if the collaborator does not, our ability to do so may be compromised by their actions.
- Disputes may arise between the collaborators and us that result in the delay or termination of the research, development, or commercialization of our products or product candidates or that result in costly litigation or arbitration that diverts management attention and resources.
- We may lose certain valuable rights under circumstances identified in our collaborations, including if we undergo a change of control.

- Collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates. For example, each of Genentech, Pfizer and Bayer can terminate its agreement with us in its entirety or with respect to a specific target for convenience upon 60 days' notice or in connection with a material breach of the agreement by us that remains uncured for a specified period of time.
- Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If a present or future collaborator of ours were to be involved in a business combination, the continued pursuit and emphasis on our product development or commercialization program under such collaboration could be delayed, diminished, or terminated.

If our collaborations do not result in the successful development and commercialization of products, or if one of our collaborators terminates its agreement with us, we may not receive any future research funding or milestone or royalty payments under the collaboration. If we do not receive the funding we expect under these agreements, our development of product candidates could be delayed, and we may need additional resources to develop product candidates. In addition, if one of our collaborators terminates its agreement with us, we may find it more difficult to find a suitable replacement collaborator or attract new collaborators, and our development programs may be delayed or the perception of us in the business and financial communities could be adversely affected. All of the risks relating to product development, marketing approval, and commercialization described in this Annual Report on Form 10-K apply to the activities of our collaborators.

We may in the future decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of any product candidates we may develop. These relationships, or those like them, may require us to incur non-recurring and other charges, increase our near- and long-term expenditures, issue securities that dilute our existing stockholders, or disrupt our management and business. In addition, we could face significant competition in seeking appropriate collaborators, and the negotiation process is time-consuming and complex. Our ability to reach a definitive collaboration agreement will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration, and the proposed collaborator's evaluation of several factors. If we license rights to any product candidates we or our collaborators may develop, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture.

***We may seek to establish additional collaborations. If we are not able to establish collaborations on commercially reasonable terms, we may have to alter our development and commercialization plans.***

To realize the full potential of our PROTAC Discovery Engine and accelerate the development of additional PROTAC programs, we plan to continue to selectively pursue collaborations with leading biopharmaceutical companies with particular experience, including development and commercial expertise and capabilities. We face significant competition in attracting appropriate collaborators to advance the development of any product candidates for which we may seek a collaboration. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or other regulatory authorities, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, the terms of any existing collaboration agreements, and industry and market conditions generally. The collaborator may also have the opportunity to collaborate on other product candidates or technologies for similar indications and will have to evaluate whether such a collaboration could be more attractive than one with us.

Collaborations are complex and time-consuming to negotiate, document and execute. In addition, consolidation among large pharmaceutical companies has reduced the number of potential future collaborators. Our existing collaboration agreements limit our ability to enter into future agreements on certain terms with potential collaborators. For example, we have granted exclusive rights to Genentech, Pfizer and Bayer for the discovery, development and commercialization of PROTAC targeted protein degraders directed to certain protein targets, and during the terms of those agreements, we will be restricted from granting rights to other parties to use our PROTAC technology for those targets. Any collaboration we enter into may limit our ability to enter into future agreements on particular terms or covering similar target indications with other potential collaborators.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms or at all. If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate revenue from product sales, which could have an adverse effect on our business, prospects, financial condition and results of operations.

***We rely and expect to continue to rely on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.***

We rely and expect to continue to rely on third-party CROs to conduct our Phase 1/2 clinical trial for ARV-110, our Phase 1/2 clinical trial for ARV-471, our planned Phase 1 clinical trial for ARV-766 and any other clinical trials and currently do not plan to independently conduct any clinical trials of ARV-110 and ARV-471 or of our other product candidates. Agreements with these third parties might terminate for a variety of reasons, including a failure to perform by the third parties. If we need to enter into alternative arrangements, that would delay our product development activities.

Our reliance on these third parties for research and development activities reduces our control over these activities but does not relieve us of our responsibilities. For example, we will remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols in the applicable IND. Moreover, the FDA requires compliance with standards, commonly referred to as good clinical practices, or GCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected.

Furthermore, these third parties may have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

***We rely on third-party contract manufacturing organizations for the manufacture of both drug substance and finished drug product for our product candidates for preclinical testing and clinical trials and expect to continue to do so for commercialization. This reliance on third parties may increase the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.***

We do not own or operate, and currently have no plans to establish, any manufacturing facilities. We rely on and expect to continue to rely on third-party CMOs for both drug substance and finished drug product as well as the building blocks used to manufacture drug substance. This reliance on third parties may increase the risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts.

We may be unable to establish agreements with third-party manufacturers or to do so on acceptable terms. Even if we are able to establish agreements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- reliance on the third party for regulatory, compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

We have only limited technology transfer agreements in place with respect to our product candidates, and these arrangements do not extend to commercial supply. We acquire many key materials on a purchase order basis. As a result, we do not have long term committed arrangements with respect to our product candidates and other materials. If we receive marketing approval for any of our product candidates, we will need to establish an agreement for commercial manufacture with a third party.

Third-party manufacturers may not be able to comply with current good manufacturing practices, or cGMP, regulations or similar regulatory requirements outside of the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products.

Our product candidates and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. As a result, we may not obtain access to these facilities on a priority basis or at all. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

Any performance failure on the part of our existing or future manufacturers could delay clinical development or marketing approval. Some of our manufacturers are based outside of the United States, including the manufacturers of the building blocks for our drug substances which are based in China and India. As a result of the COVID-19 pandemic, there has been an increased risk of supply interruption with our manufacturers and, in the first quarter of 2020, the production of certain building blocks for the drug substance used in the manufacture of ARV-471 was delayed at one of our China-based manufacturers. While this production delay did not delay the overall clinical development of our product candidates, other delays in the manufacture of building blocks, drug substance or drug products for our product candidates could arise, which could have a material adverse effect on our clinical development.

If our current contract manufacturers cannot perform as agreed, we may be required to replace such manufacturers. Although we believe that there are several potential alternative manufacturers who could manufacture our product candidates, we may incur added costs and delays in identifying and qualifying any such replacement manufacturer or be unable to reach agreement with any alternative manufacturer.

Our current and anticipated future dependence upon others for the manufacture of our product candidates or products may adversely affect our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis.

#### **Risks Related to the Commercialization of Our Product Candidates**

***Even if any of our product candidates receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success.***

If any of our product candidates receives marketing approval, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current cancer treatments, such as chemotherapy and radiation therapy, are well established in the medical community, and doctors may continue to rely on these treatments. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant revenue from product sales and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and potential advantages compared to alternative treatments;
- the prevalence and severity of any side effects, in particular compared to alternative treatments;
- our ability to offer our products for sale at competitive prices;
- the convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing, sales and distribution support;
- the availability of third-party coverage and adequate reimbursement;

- the timing of any marketing approval in relation to other product approvals;
- support from patient advocacy groups; and
- any restrictions on the use of our products together with other medications.

***If we are unable to establish sales and marketing capabilities, we may not be successful in commercializing our product candidates if and when they are approved.***

We do not have a sales or marketing infrastructure and have no experience in the sale, marketing or distribution of biopharmaceutical products. To achieve commercial success for any product for which we obtain marketing approval, we will need to establish sales, marketing and distribution capabilities, either ourselves or through collaboration or other arrangements with third parties.

We currently expect that we would build our own focused, specialized sales and marketing organization to support the commercialization in the United States of product candidates for which we receive marketing approval and that can be commercialized with such capabilities. There are risks involved with establishing our own sales and marketing capabilities. For example, recruiting and training a sales force is expensive and time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. These efforts may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our products on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or persuade adequate numbers of physicians to prescribe any future products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish our own sales and marketing capabilities and enter into arrangements with third parties to perform these services, our revenue from product sales and our profitability, if any, are likely to be lower than if we were to market and sell any products that we develop ourselves. In addition, we may not be successful in entering into arrangements with third parties to market and sell our product candidates or may be unable to do so on terms that are acceptable to us. We likely will have little control over such third parties, and any of these third parties may fail to devote the necessary resources and attention to sell and market our products effectively. If we do not establish sales and marketing capabilities successfully, either on our own or in collaboration with third parties, we will not be successful in commercializing our product candidates.

***Even if we are able to commercialize any product candidates, the products may become subject to unfavorable pricing regulations, third-party reimbursement practices or healthcare reform initiatives, which would harm our business.***

The regulations that govern marketing approvals, pricing, coverage and reimbursement for new drug products vary widely from country to country. Current and future legislation may significantly change the approval requirements in ways that could involve additional costs and cause delays in obtaining approvals. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidate to other available therapies. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product candidate in a particular country, but then be subject to price regulations that delay our commercial launch of the product, possibly for lengthy time periods, and negatively impact the revenues, if any, we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

Our ability to commercialize any product candidates successfully also will depend in part on the extent to which coverage and adequate reimbursement for these products and related treatments will be available from government healthcare programs, private health insurers and other organizations. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Increasingly, government authorities and third-party payors are requiring that drug companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Coverage and reimbursement may not be available for any product that we commercialize and, even if these are available, the level of reimbursement may not be satisfactory. Reimbursement may affect the demand for, or the price of, any product candidate for which we obtain marketing approval. Obtaining and maintaining adequate reimbursement for our products may be difficult. We may be required to conduct expensive pharmacoeconomic studies to justify coverage and reimbursement or the level of reimbursement relative to other therapies. If coverage and adequate reimbursement are not available or reimbursement is available only to limited levels, we may not be able to successfully commercialize any product candidate for which we obtain marketing approval.

There may be significant delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or similar regulatory authorities outside of the United States. Moreover, eligibility for coverage and reimbursement does not imply that a drug will be paid for in all cases or at a rate that covers our costs, including research, development, intellectual property, manufacture, sale and distribution expenses. Interim reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and adequate reimbursement rates from both government-funded and private payors for any approved products that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

***Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.***

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products that we may develop;
- termination of clinical trials;
- withdrawal of marketing approval, recall, restriction on the approval or a “black box” warning or contraindication for an approved drug;
- withdrawal of clinical trial participants;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- injury to our reputation and significant negative media attention;
- reduced resources of our management to pursue our business strategy; and
- the inability to commercialize any products that we may develop.

We currently hold \$10.0 million in product liability insurance coverage in the aggregate, with a per incident limit of \$10.0 million, which may not be adequate to cover all liabilities that we may incur. We will need to increase product liability insurance coverage as we expand our clinical trials and if we commence commercialization of our product candidates. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

## Risks Related to Our Intellectual Property

***If we are unable to obtain and maintain patent protection for our technology and products or if the scope of the patent protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be impaired, and we may not be able to compete effectively in our market.***

Our commercial success depends in part on our ability to obtain and maintain patent and other proprietary protection in the United States and other countries with respect to our proprietary technology and products. We seek to protect our proprietary position by filing patent applications in the United States and abroad related to our novel technologies and product candidates. Any disclosure to or misappropriation by third parties of our confidential proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. Moreover, the patent applications we own, co-own or license may fail to result in issued patents in the United States or in other foreign countries.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we do not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from third parties. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our owned, co-owned or licensed patents or pending patent applications, or that we were the first inventors to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Moreover, we may be subject to a third-party preissuance submission of prior art to the United States Patent and Trademark Office, or the USPTO, or in addition to interference proceedings, may become involved in opposition, derivation, reexamination, *inter partes* review, post-grant review or other post-grant proceedings challenging our or our licensors' patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

Our owned, co-owned and licensed patent estate consists principally of patent applications, many of which are at an early stage of prosecution. Even if our owned, co-owned and licensed patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned, co-owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our owned, co-owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned, co-owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

***Changes in patent laws or patent jurisprudence could diminish the value of our patents in general, thereby impairing our ability to protect our product candidates.***

Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These changes include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first-inventor-to-file provisions, became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition. Furthermore, for applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third party or instituted by the USPTO to determine who was the first to invent any of the subject matter covered by the patent claims of our applications.

Additionally, the U.S. Supreme Court has ruled on several patent cases in recent years limiting where a patentee may file a patent infringement suit, narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations, and there are other open questions under patent law that courts have yet to decisively address. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained.

Depending on decisions by Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways and could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. In addition, the European patent system is relatively stringent in the type of amendments that are allowed during prosecution, but, the complexity and uncertainty of European patent laws has also increased in recent years. Complying with these laws and regulations could limit our ability to obtain new patents in the future that may be important for our business.

***We may become involved in lawsuits to protect or enforce our patents, the patents of our licensors, or other intellectual property, which could be expensive, time-consuming and unsuccessful.***

Competitors may infringe our issued patents, the patents of our licensors, or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive, time-consuming and unpredictable. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, a court may decide that a patent of ours or our licensors is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated, held unenforceable or interpreted narrowly. Even if we successfully assert our patents, a court may not award remedies that sufficiently compensate us for our losses.

***We may need to license intellectual property from third parties, and such licenses may not be available or may not be available on commercially reasonable terms.***

A third party may hold intellectual property, including patent rights, that are important or necessary to the development of our products. It may be necessary for us to use the patented or proprietary technology of a third party to commercialize our own technology or products, in which case we would be required to obtain a license from such third party. A license to such intellectual property may not be available or may not be available on commercially reasonable terms, which could have a material adverse effect on our business and financial condition.

The licensing and acquisition of third-party intellectual property rights is a competitive practice, and companies that may be more established, or have greater resources than we do, may also be pursuing strategies to license or acquire third-party intellectual property rights that we may consider necessary or attractive in order to commercialize our product candidates. More established companies may have a competitive advantage over us due to their larger size and cash resources or greater clinical development and commercialization capabilities. We may not be able to successfully complete such negotiations and ultimately acquire the rights to the intellectual property surrounding the additional product candidates that we may seek to acquire.

***Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.***

Our commercial success depends upon our ability, and the ability of our collaborators, to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries, as well as administrative proceedings for challenging patents, including interference, reexamination, and *inter partes* review proceedings before the USPTO and oppositions and other comparable proceedings in foreign jurisdictions.

We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including interference, derivation, reexamination or *inter partes* review proceedings before the USPTO. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others. There may be third-party patents of which we are currently unaware with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our drug candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may infringe. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents.

If we are found by a court of competent jurisdiction to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and marketing our products and technology. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

***If we fail to comply with our obligations in our current and future intellectual property licenses and funding arrangements with third parties, we could lose rights that are important to our business.***

We are party to a license agreement with Yale that provides us with the foundational intellectual property rights for our PROTAC targeted protein degradation technology. This license agreement imposes diligence, development and commercialization timelines and milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations, including achieving specified milestone events, Yale may have the right to terminate this license, in which event we might not be able to develop, manufacture or market any product that is covered by the intellectual property we in-license from Yale and may face other penalties. Such an occurrence would materially adversely affect our business prospects. For a variety of purposes, we will likely enter into additional licensing and funding arrangements with third parties that may also impose similar obligations on us.

Termination of any of our current or future in-licenses would reduce or eliminate our rights under these agreements and may result in our having to negotiate new or reinstated agreements with less favorable terms or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology. Any of the foregoing could prevent us from commercializing our other product candidates, which could have a material adverse effect on our operating results and overall financial condition.

In addition to the above risks, intellectual property rights that we license in the future may include sublicenses under intellectual property owned by third parties, in some cases through multiple tiers. The actions of our licensors may therefore affect our rights to use our sublicensed intellectual property, even if we are in compliance with all of the obligations under our license agreements. Should our licensors or any of the upstream licensors fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are sublicensed to us, or should such agreements be terminated or amended, our ability to develop and commercialize our product candidates may be materially harmed.

Further, we do not have the right to control the prosecution, maintenance and enforcement of all of our licensed and sublicensed intellectual property, and even when we do have such rights, we may require the cooperation of our licensors and upstream licensors, which may not be forthcoming. For example, under the Yale license, any patent applications and issued patents under the agreement remain the property of Yale, and Yale has the right to choose patent counsel. Our business could be adversely affected if we or our licensors are unable to prosecute, maintain and enforce our licensed and sublicensed intellectual property effectively.

***We may be subject to claims by third parties asserting that our employees, consultants, contractors or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.***

We employ individuals who were previously employed at universities as well as other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We have received confidential and proprietary information from collaborators, prospective licensees and other third parties. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these employees or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We may also be subject to claims that former employers or other third parties have an ownership interest in our patents. Litigation may be necessary to defend against these claims. We may not be successful in defending these claims, and if we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Even if we are successful, litigation could result in substantial cost and reputational loss and be a distraction to our management and other employees.

In addition, while it is our policy to require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own. Such assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

***Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.***

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent offices, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees on any issued patent are due to be paid to the USPTO and patent offices in foreign countries in several stages over the lifetime of the patent. The USPTO and patent offices in foreign countries require compliance with a number of procedural, documentary, fee payment and other requirements during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of a patent or patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.***

In addition to seeking patents for some of our technology and product candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside of the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they communicate it, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed.

***If we are not able to obtain patent term extensions in the United States under the Hatch-Waxman Act and in foreign countries under similar legislation, thereby potentially extending the term of our marketing exclusivity for our product candidates, our business may be impaired.***

Depending upon the timing, duration and specifics of FDA marketing approval of our product candidates, one of the U.S. patents covering each of such product candidates or the use thereof may be eligible for a patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, or Hatch-Waxman Act. The period of extension may be up to five years beyond the expiration date of a patent but cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. The Hatch-Waxman Act allows a maximum of one patent to be extended per FDA-approved product. Similar patent term extension also may be available in certain foreign countries upon regulatory approval of our product candidates. Nevertheless, we may not be granted patent term extension either in the United States or in any foreign country because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the term of extension, as well as the scope of patent protection during any such extension, afforded by the governmental authority could be less than we request.

If we are unable to obtain patent term extension or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product may be shortened and our competitors may obtain approval of competing products following our patent expiration sooner, and our revenue could be reduced, possibly materially.

***We only have limited geographical protection with respect to certain patents and we may not be able to protect our intellectual property rights throughout the world.***

Filing, prosecuting and defending patents covering our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In-licensing patents covering our product candidates in all countries throughout the world may similarly be prohibitively expensive, if such opportunities are available at all. And in-licensing or filing, prosecuting and defending patents even in only those jurisdictions in which we develop or commercialize our product candidates may be prohibitively expensive or impractical. Competitors may use our and our licensors' technologies in jurisdictions where we have not obtained patent protection or licensed patents to develop their own products and, further, may export otherwise infringing products to territories where we and our licensors have patent protection, but enforcement is not as strong as that in the United States or the European Union. These products may compete with our product candidates, and our or our licensors' patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

In addition, we may decide to abandon national and regional patent applications while they are still pending. The grant proceeding of each national or regional patent is an independent proceeding which may lead to situations in which applications may be rejected by the relevant patent office, while substantively similar applications are granted by others. For example, relative to other countries, China has a heightened detailed description requirement for patentability. Furthermore, generic drug manufacturers or other competitors may challenge the scope, validity or enforceability of our or our licensors' patents, requiring us or our licensors to engage in complex, lengthy and costly litigation or other proceedings. Generic drug manufacturers may develop, seek approval for and launch generic versions of our products. It is also quite common that depending on the country, the scope of patent protection may vary for the same product candidate or technology.

The laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws or regulations in the United States and the European Union, and many companies have encountered significant difficulties in protecting and defending proprietary rights in such jurisdictions. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets or other forms of intellectual property, which could make it difficult for us to prevent competitors in some jurisdictions from marketing competing products in violation of our proprietary rights generally.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, are likely to result in substantial costs and divert our efforts and attention from other aspects of our business, and additionally could put our or our licensors' patents at risk of being invalidated or interpreted narrowly, could increase the risk of our or our licensors' patent applications not issuing, or could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, while damages or other remedies may be awarded to the adverse party, which may be commercially significant. If we prevail, damages or other remedies awarded to us, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize our product candidates in all of our expected significant foreign markets. If we or our licensors encounter difficulties in protecting, or are otherwise precluded from effectively protecting, the intellectual property rights important for our business in such jurisdictions, the value of these rights may be diminished and we may face additional competition in those jurisdictions.

In some jurisdictions, compulsory licensing laws compel patent owners to grant licenses to third parties. In addition, some countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties under patents relevant to our business, or if we or our licensors are prevented from enforcing patent rights against third parties, our competitive position may be substantially impaired in such jurisdictions.

#### **Risks Related to Regulatory Approval and Marketing of Our Product Candidates and Other Legal Compliance Matters**

***The regulatory approval process of the FDA is lengthy, time-consuming and inherently unpredictable, and if we are ultimately unable to obtain marketing approval for our product candidates, our business will be substantially harmed.***

The time required to obtain approval by the FDA is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained marketing approval for any product candidate and it is possible that none of our existing product candidates, or any product candidates we may seek to develop in the future will ever obtain marketing approval.

Our product candidates could fail to receive marketing approval for many reasons, including the following:

- the FDA may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA that a product candidate is safe and effective for its proposed indication;

- results of clinical trials may not meet the level of statistical significance required by the FDA for approval;
- we may be unable to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- the FDA may disagree with our interpretation of data from preclinical studies or clinical trials;
- data collected from clinical trials of our product candidates may not be sufficient to support the submission of a New Drug Application, or NDA, to the FDA or other submission or to obtain marketing approval in the United States;
- the FDA may find deficiencies with or fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA may significantly change in a manner rendering our clinical data insufficient for approval.

This lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval to market any of our product candidates, which would significantly harm our business, results of operations and prospects. The FDA has substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for any of our product candidates. Even if we believe the data collected from clinical trials of our product candidates are promising, such data may not be sufficient to support approval by the FDA.

In addition, even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

***Even if we complete the necessary preclinical studies and clinical trials, the marketing approval process is expensive, time-consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our product candidates. If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.***

Our product candidates and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, export and import are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by the EMA and similar regulatory authorities outside of the United States. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have not submitted an application for or received marketing approval for any of our product candidates in the United States or in any other jurisdiction.

As a company, we do not have experience in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third-party clinical research organizations or other third-party consultants or vendors to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. New cancer drugs frequently are indicated only for patient populations that have not responded to an existing therapy or have relapsed.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive, may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

In addition, disruptions at the FDA and other agencies may also prolong the time necessary for new drugs to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical employees and stop critical activities. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. The Trump Administration also took several executive actions that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities.

If we experience delays in obtaining approval or if we fail to obtain approval of our product candidates, the commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired.

***Failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed abroad and may limit our ability to generate revenue from product sales.***

In order to market and sell our products in the European Union and many other jurisdictions, we, and any collaborators, must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The marketing approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. We, and any collaborators, may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA.

In many countries outside the United States, a product candidate must also be approved for reimbursement before it can be sold in that country. In some cases, the price that we intend to charge for our products, if approved, is also subject to approval. Obtaining non-U.S. regulatory approvals and compliance with non-U.S. regulatory requirements could result in significant delays, difficulties and costs for us and any collaborators and could delay or prevent the introduction of our product candidates in certain countries. In addition, if we or any collaborators fail to obtain the non-U.S. approvals required to market our product candidates outside the United States or if we or any collaborators fail to comply with applicable non-U.S. regulatory requirements, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed and our business, financial condition, results of operations and prospects may be adversely affected.

Additionally, we could face heightened risks with respect to seeking marketing approval in the United Kingdom as a result of the recent withdrawal of the United Kingdom from the European Union, commonly referred to as Brexit. Pursuant to the formal withdrawal arrangements agreed between the United Kingdom and the European Union, the United Kingdom withdrew from the European Union, effective December 31, 2020. On December 24, 2020, the United Kingdom and European Union entered into a Trade and Cooperation Agreement. The agreement sets out certain procedures for approval and recognition of medical products in each jurisdiction. Since the regulatory framework for pharmaceutical products in the United Kingdom covering quality, safety, and efficacy of pharmaceutical products, clinical trials, marketing authorization, commercial sales, and distribution of pharmaceutical products is derived from EU directives and regulations, Brexit could materially impact the future regulatory regime that applies to products and the approval of product candidates in the United Kingdom. Any delay in obtaining, or an inability to obtain, any marketing approvals, as a result of the Trade and Cooperation Agreement would prevent us from commercializing any product candidates in the United Kingdom and/or the European Union and restrict our ability to generate revenue and achieve and sustain profitability. If any of these outcomes occur, we may be forced to restrict or delay efforts to seek regulatory approval in the United Kingdom and/or European Union for any product candidates, which could significantly and materially harm our business.

We expect that we will be subject to additional risks in commercializing any of our product candidates that receive marketing approval outside the United States, including tariffs, trade barriers and regulatory requirements; economic weakness, including inflation, or political instability in particular foreign economies and markets; compliance with tax, employment, immigration and labor laws for employees living or traveling abroad; foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country; and workforce uncertainty in countries where labor unrest is more common than in the United States..

***Even if we, or any collaborators, obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our products may limit how we, or they, manufacture and market our products, which could materially impair our ability to generate revenue.***

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation. We, and any collaborators, must therefore comply with requirements concerning advertising and promotion for any of our product candidates for which we or they obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, we, and any collaborators will not be able to promote any products we develop for indications or uses for which they are not approved.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our third-party manufacturers, any collaborators and their third-party manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs.

Accordingly, assuming we, or any collaborators, receive marketing approval for one or more of our product candidates, we, and any collaborators, and our respective third-party manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control.

If we, and any collaborators, are not able to comply with post-approval regulatory requirements, we, and any collaborators, could have the marketing approvals for our products withdrawn by regulatory authorities and our, or any collaborators', ability to market any future products could be limited, which could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

***Any product candidate for which we, or any collaborators, obtain marketing approval could be subject to post-marketing restrictions or withdrawal from the market and we, or any collaborators, may be subject to substantial penalties if we, or they, fail to comply with regulatory requirements or if we, or they, experience unanticipated problems with our products when and if any of them are approved.***

Any product candidate for which we, or any collaborators, obtain marketing approval, as well as the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA, EMA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, cGMP requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the requirement to implement a risk evaluation and mitigation strategy. New cancer drugs frequently are indicated only for patient populations that have not responded to an existing therapy or have relapsed. If any of our product candidates receives marketing approval, the accompanying label may limit the approved use of our drug in this way, which could limit sales of the product.

The FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product, including the adoption and implementation of risk evaluation and mitigation strategies. The FDA and other agencies, including the Department of Justice, or the DOJ, closely regulate and monitor the post-approval marketing and promotion of drugs to ensure they are marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA and DOJ impose stringent restrictions on manufacturers' communications regarding off-label use, and if we do not market our products for their approved indications, we may be subject to enforcement action for off-label marketing. Violations of the Federal Food, Drug, and Cosmetic Act and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations and enforcement actions alleging violations of federal and state healthcare fraud and abuse laws, as well as state consumer protection laws.

In addition, later discovery of previously unknown side effects or other problems with our products or their manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions and warnings on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of our products;
- product seizure;
- injunctions or the imposition of civil or criminal penalties; or
- litigation involving patients using our products.

Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs applicable to drug manufacturers or quality assurance standards applicable to medical device manufacturers, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, any contract manufacturers we may engage in the future, our collaborators and their contract manufacturers will also be subject to other regulatory requirements, including submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements regarding the distribution of samples to clinicians, recordkeeping, and costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product such as the requirement to implement a risk evaluation and mitigation strategy.

***Our relationships with health care providers, physicians and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other health care laws and regulations, which could expose us to civil, criminal and administrative sanctions, contractual damages, reputational harm and diminished future profits and earnings.***

Health care providers, physicians and third-party payors will play a primary role in the recommendation and prescription of any drugs for which we obtain marketing approval. Our future arrangements with third-party payors, health care providers and physicians may expose us to broadly applicable state and federal fraud and abuse and other health care laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute any drugs for which we obtain marketing approval. These include the following:

- *Anti-Kickback Statute*, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, paying, or receiving remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchasing, ordering, leasing, arranging for, or recommending the purchasing, ordering, or leasing of, any good or service for which payment may be made, in whole or in part, under a federal health care program such as Medicare or Medicaid;

- *False Claims Act* - the federal civil and criminal false claims laws, including the civil False Claims Act, and Civil Monetary Penalties Law, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, false or fraudulent claims for payment or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim or to avoid, decrease or conceal an obligation to pay money to the federal government, or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government;
- *HIPAA* - the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit, among other things, executing a scheme to defraud any health care benefit program or making false statements relating to health care matters, and apply regardless of the payor (e.g., public or private);
- *HIPAA and HITECH* - HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations, which impose obligations on HIPAA covered entities and their business associates, including mandatory contractual terms and required implementation of administrative, physical and technical safeguards to maintain the privacy and security of individually identifiable health information;
- *Transparency Requirements* - the federal physician transparency requirements known as the Physician Payments Sunshine Act, under the Patient Protection and Affordable Care Act, as amended by the Health Care Education Reconciliation Act, or the ACA, which requires manufacturers of drugs, medical devices, biological and medical supplies covered by Medicare, Medicaid, or State Children's Health Insurance Program to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the United States Department of Health and Human Services, information related to payments and other transfers of value made by that entity to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- *Analogous State, Local and Foreign Laws* - analogous state, local and foreign fraud and abuse laws and regulations, such as state anti-kickback and false claims laws, which may be broader than similar federal laws, can apply to claims involving health care items or services regardless of payor, and are enforced by many different federal and state agencies as well as through private actions.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and require drug manufacturers to report information related to payments and other transfers of value to physicians and other health care providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties will comply with applicable health care laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other health care laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and/or administrative penalties, damages, fines, individual imprisonment, disgorgement, exclusion from government funded health care programs, such as Medicare and Medicaid, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws and the curtailment or restructuring of our operations. If any of the physicians or other health care providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded health care programs.

The provision of benefits or advantages to physicians to induce or encourage the prescription, recommendation, endorsement, purchase, supply, order or use of medicinal products is also prohibited in the European Union. The provision of benefits or advantages to physicians is governed by the national anti-bribery laws of European Union Member States, such as the U.K. Bribery Act 2010, or the Bribery Act. Infringement of these laws could result in substantial fines and imprisonment.

Payments made to physicians in certain European Union Member States must be publicly disclosed. Moreover, agreements with physicians often must be the subject of prior notification and approval by the physician's employer, his or her competent professional organization and/or the regulatory authorities of the individual European Union Member States. These requirements are provided in the national laws, industry codes or professional codes of conduct, applicable in the European Union Member States. Failure to comply with these requirements could result in reputational risk, public reprimands, administrative penalties, fines or imprisonment.

***Compliance with global privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and process data globally, and the failure to comply with such requirements could subject us to significant fines and penalties, which may have a material adverse effect on our business, financial condition or results of operations.***

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Globally, virtually every jurisdiction in which we operate has established its own data security and privacy frameworks with which we must comply. For example, the collection, use, disclosure, transfer, or other processing of personal data regarding individuals in the European Union, including personal health data, is subject to the EU General Data Protection Regulation, or the GDPR, which took effect across all member states of the European Economic Area, or EEA, in May 2018. The GDPR is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including requirements relating to processing health and other sensitive data, obtaining consent of the individuals to whom the personal data relates, providing information to individuals regarding data processing activities, implementing safeguards to protect the security and confidentiality of personal data, providing notification of data breaches, and taking certain measures when engaging third-party processors. The GDPR increases our obligations with respect to clinical trials conducted in the EEA by expanding the definition of personal data to include coded data and requiring changes to informed consent practices and more detailed notices for clinical trial subjects and investigators. In addition, the GDPR also imposes strict rules on the transfer of personal data to countries outside the European Union, including the United States and, as a result, increases the scrutiny that clinical trial sites located in the EEA should apply to transfers of personal data from such sites to countries that are considered to lack an adequate level of data protection, such as the United States. The GDPR also permits data protection authorities to require destruction of improperly gathered or used personal information and/or impose substantial fines for violations of the GDPR, which can be up to four percent of global revenues or 20 million Euros, whichever is greater, and it also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies, and obtain compensation for damages resulting from violations of the GDPR. In addition, the GDPR provides that EU member states may make their own further laws and regulations limiting the processing of personal data, including genetic, biometric or health data.

Similar actions are either in place or under way in the United States. There are a broad variety of data protection laws that are applicable to our activities, and a wide range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns based on general consumer protection laws. The Federal Trade Commission and state Attorneys General all are aggressive in reviewing privacy and data security protections for consumers. New laws also are being considered at both the state and federal levels. For example, the California Consumer Privacy Act, or CCPA, which went into effect on January 1, 2020, is creating similar risks and obligations as those created by the GDPR, though CCPA does exempt certain information collected as part of a clinical trial subject to the Federal Policy for the Protection of Human Subjects (the Common Rule). Many other states are considering similar legislation. A broad range of legislative measures also have been introduced at the federal level. Accordingly, failure to comply with federal and state laws (both those currently in effect and future legislation) regarding privacy and security of personal information could expose us to fines and penalties under such laws. There also is the threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Given the breadth and depth of changes in data protection obligations, preparing for and complying with such requirements is rigorous and time intensive and requires significant resources and a review of our technologies, systems and practices, as well as those of any third-party collaborators, service providers, contractors or consultants that process or transfer personal data. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of sensitive data, such as healthcare data or other personal information from our clinical trials, could require us to change our business practices and put in place additional compliance mechanisms, may interrupt or delay our development, regulatory and commercialization activities and increase our cost of doing business, and could lead to government enforcement actions, private litigation and significant fines and penalties against us and could have a material adverse effect on our business, financial condition or results of operations. Similarly, failure to comply with federal and state laws regarding privacy and security of personal information could expose us to fines and penalties under such laws. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

***Current and future legislation may increase the difficulty and cost for us and any collaborators to obtain marketing approval of and commercialize our product candidates and affect the prices we, or they, may obtain.***

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. The pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by legislative initiatives. Current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any FDA approved product.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for prescription drugs purchased through a pharmacy by the elderly and disabled and introduced a new reimbursement methodology based on average sales prices for physician-administered drugs. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class. Cost reduction initiatives and other provisions of this legislation could decrease the coverage and price that we receive for any approved products. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors. In March 2010, then-President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the ACA. In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2030 under the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

Since enactment of the ACA, there have been, and continue to be, numerous legal challenges and Congressional actions to repeal and replace provisions of the law. For example, with enactment of the TCJA, which was signed by President Trump on December 22, 2017, Congress repealed the "individual mandate." The repeal of this provision, which requires most Americans to carry a minimal level of health insurance, became effective in 2019. Further, on December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled that the individual mandate portion of the ACA is an essential and inseparable feature of the ACA, and therefore because the mandate was repealed as part the TCJA, the remaining provisions of the ACA are invalid as well. On December 18, 2019, the Court of Appeals for the Fifth Circuit court affirmed the lower court's ruling that the individual mandate portion of the ACA is unconstitutional and it remanded the case to the district court for reconsideration of the severability question and additional analysis of the provisions of the ACA. Thereafter, the U.S. Supreme Court agreed to hear this case. Oral argument in the case took place on November 10, 2020. On February 10, 2021, the Biden Administration withdrew the federal government's support for overturning the ACA. A ruling by the Court is expected sometime this year. Litigation and legislation over the ACA are likely to continue, with unpredictable and uncertain results.

The Trump Administration also took executive actions to undermine or delay implementation of the ACA, including directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On January 28, 2021, however, President Biden rescinded those orders and issued a new Executive Order which directs federal agencies to reconsider rules and other policies that limit Americans' access to health care, and consider actions that will protect and strengthen that access. Under this Order, federal agencies are directed to re-examine: policies that undermine protections for people with pre-existing conditions, including complications related to COVID-19; demonstrations and waivers under Medicaid and the ACA that may reduce coverage or undermine the programs, including work requirements; policies that undermine the Health Insurance Marketplace or other markets for health insurance; policies that make it more difficult to enroll in Medicaid and the ACA; and policies that reduce affordability of coverage or financial assistance, including for dependents. This Executive Order also directs the U.S. Department of Health and Human Services to create a special enrollment period for the Health Insurance Marketplace in response to the COVID-19 pandemic.

***The prices of prescription pharmaceuticals in the United States and foreign jurisdictions are subject to considerable legislative and executive actions and could impact the prices we obtain for our drug products, if and when approved.***

The costs of prescription pharmaceuticals have also been the subject of considerable discussion in the United States and other jurisdictions. To date, there have been several recent U.S. congressional inquiries, as well as proposed and enacted state and federal legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the costs of drugs under Medicare and reform government program reimbursement methodologies for products. To those ends, President Trump issued several executive orders intended to lower the costs of prescription drug products. Certain of these orders are reflected in recently promulgated regulations, including an interim final rule implementing President Trump's most favored nation model, but such final rule is currently subject to a nationwide preliminary injunction. It remains to be seen whether these orders and resulting regulations will remain in force during the Biden Administration. Further, on September 24, 2020, the Trump Administration finalized a rulemaking allowing states or certain other non-federal government entities to submit importation program proposals to the FDA for review and approval. Applicants are required to demonstrate that their importation plans pose no additional risk to public health and safety and will result in significant cost savings for consumers. The FDA has issued draft guidance that would allow manufacturers to import their own FDA-approved drugs that are authorized for sale in other countries (multi-market approved products).

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, health care organizations and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other health care programs. These measures could reduce the ultimate demand for our products, once approved, or put pressure on our product pricing. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

In other countries, particularly the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a drug. To obtain reimbursement or pricing approval in some countries, we, or our collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our drug to other available therapies. If reimbursement of our drugs is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be materially harmed.

***We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.***

Our operations are subject to anti-corruption laws, including the FCPA, the Bribery Act, and other anticorruption laws that apply in countries where we do business and may do business in the future. The FCPA, the Bribery Act, and these other laws generally prohibit us, our officers and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We may in the future operate in jurisdictions that pose a high risk of potential FCPA or Bribery Act violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the FCPA, the Bribery Act, or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United States, United Kingdom, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, which we collectively refer to as Trade Control Laws.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the FCPA, the Bribery Act, or other legal requirements, including Trade Control Laws. If we are not in compliance with the FCPA, the Bribery Act, and other anti-corruption laws or Trade Control Laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. The Securities and Exchange Commission, or SEC, also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions. Likewise, any investigation of any potential violations of the FCPA, the Bribery Act, other anti-corruption laws or Trade Control Laws by U.S., U.K. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could significantly harm our business.***

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. Although we contract with third parties for the disposal of these materials and waste products, we cannot completely eliminate the risk of contamination or injury resulting from these materials. In the event of contamination or injury resulting from the use or disposal of our hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

We maintain workers' compensation insurance to cover costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, but this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us. In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. Current or future environmental laws and regulations may impair our research, development or production efforts, which could adversely affect our business, financial condition, results of operations or prospects. In addition, failure to comply with these laws and regulations may result in substantial fines, penalties or other sanctions.

### **Risks Related to Employee Matters and Managing Growth**

***Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.***

We are highly dependent on the research, development and clinical expertise of our management and scientific teams. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain marketing approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

***We will need to grow the size of our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.***

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, manufacturing, regulatory affairs and, if any of our product candidates receives marketing approval, sales, marketing and distribution. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Future growth would impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and FDA review process for ARV-110, ARV-471 and any product candidate we develop, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to advance development of and, if approved, commercialize ARV-110, ARV-471 and any product candidate we develop will depend, in part, on our ability to effectively manage any future growth. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

***Our internal computer systems, or those of any collaborators, contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs.***

Our internal computer systems and those of any collaborators, contractors or consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such systems are also vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees, third-party vendors and/or business partners, or from cyber-attacks by malicious third parties. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyber-attacks could include the deployment of harmful malware, ransomware, denial-of-service attacks, unauthorized access to or deletion of files, social engineering and other means to affect service reliability and threaten the confidentiality, integrity and availability of information. Cyber-attacks also could include phishing attempts or e-mail fraud to cause payments or information to be transmitted to an unintended recipient.

While we have not experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our marketing approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of our product candidates could be delayed.

***Our employees, independent contractors, vendors, principal investigators, CROs and consultants may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements and insider trading laws.***

We are exposed to the risk that our employees, independent contractors, vendors, principal investigators, CROs and consultants may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include:

- intentional, reckless or negligent conduct or disclosure of unauthorized activities to us that violate the regulations of the FDA or similar foreign regulatory authorities;
- healthcare fraud and abuse laws and regulations in the United States and abroad;
- violations of U.S. federal securities laws relating to trading in our common stock; and
- failures to reporting of financial information or data accurately.

In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations regulate a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Other forms of misconduct could involve the improper use of information obtained in the course of clinical trials or creating fraudulent data in our preclinical studies or clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. We have adopted a code of conduct and implement other internal controls applicable to all of our employees, but it is not always possible to identify and deter misconduct by employees and other third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Additionally, we are subject to the risk that a person could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

### **Risks Related to Our Common Stock**

***The price of our common stock is volatile and may fluctuate substantially, which could result in the loss of all or part of our stockholders' investment.***

Our stock price is volatile. The stock market in general and the market for smaller biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- the degree of success of competitive products or technologies;
- results of or developments in preclinical studies and clinical trials, of our product candidates or those of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to discover, develop, acquire or in-license additional technologies or product candidates;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

If any of the foregoing matters were to occur, or if our operating results fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation often has been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs to defend such claims and divert management's attention and resources, which could seriously harm our business, financial condition, results of operations and prospects.

***Our executive officers, directors and principal stockholders, if they choose to act together, have the ability to significantly influence or control all matters submitted to stockholders for approval.***

Our executive officers and directors, combined with our stockholders who own more than 5% of our outstanding common stock, in the aggregate, beneficially own shares representing approximately 28% of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to significantly influence or control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, could significantly influence or control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

- delay, defer or prevent a change in control;
- entrench our management and the board of directors; or
- impede a merger, consolidation, takeover or other business combination involving us that other stockholders may desire.

***Provisions in our corporate charter documents, under Delaware law could make an acquisition of our company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Provisions in our certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- provide for a classified board of directors such that only one of three classes of directors is elected each year;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from our board of directors;
- provide for advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal specified provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

***An active trading market for our common stock may not be sustained.***

Our shares of common stock began trading on the Nasdaq Global Select Market on September 27, 2018. Given the limited trading history of our common stock, there is a risk that an active trading market for our shares will not be sustained, which could put downward pressure on the market price of our common stock and therefore affect the ability of our stockholders to sell their shares.

***If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.***

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If no or few securities or industry analysts continue coverage of us, the trading price for our stock could be negatively impacted. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our trials or operating results fail to meet the expectations of analysts, our stock price will likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***If a significant portion of our total outstanding shares are sold into the market, the market price of our common stock could drop significantly, even if our business is doing well.***

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. Holders of a significant portion of our common stock have rights, subject to specified conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

In addition, in July 2019, we issued 1,346,313 shares of our common stock to Bayer. On October 1, 2019, we filed a registration statement on Form S-3 covering the resale of these shares.

We have registered all shares of common stock that we may currently issue under our equity compensation plans. These shares can be freely sold in the public market upon issuance, subject to volume, notice and manner of sale limitations applicable to affiliates.

We currently have on file with the SEC universal shelf registration statements on Form S-3 which allow us to offer and sell registered common stock, preferred stock, debt securities, depository shares, units and/or warrants from time to time pursuant to one or more offerings at prices and terms to be determined at the time of sale. In October 2019, we entered into an Equity Distribution Agreement, or Distribution Agreement, with Piper Sandler & Co. (formerly Piper Jaffray & Co.), or Piper Sandler, pursuant to which, from time to time, we may offer and sell through Piper Sandler up to \$100.0 million of the common stock registered under the universal shelf registration statement pursuant to one or more "at the market" offerings. Through December 31, 2020, we sold 2,593,637 shares of common stock in an at-the-market offering for aggregate net proceeds of \$64.1 million.

Sales of substantial amounts of shares of our common stock or other securities by our stockholders, by Piper Sandler pursuant to the Distribution Agreement, under our universal shelf registration statement or otherwise could also dilute our stockholders.

***We will continue to incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

As a public company, we incur, and particularly now that we are no longer an emerging growth company, we will further incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The Nasdaq Global Select Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and have made some activities more time-consuming and costly. For example, these rules and regulations have made it more difficult and more expensive for us to obtain director and officer liability insurance, which in turn could make it more difficult for us to attract and retain qualified members of our board of directors.

Pursuant to Section 404 of Sarbanes-Oxley, or Section 404, we are required to furnish a report by our management on our internal control over financial reporting beginning with our most recent annual report. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective as required by Section 404. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets and restrict our future access to the capital markets due to a loss of confidence in the reliability of our financial statements.

***Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders. Our certificate of incorporation further provides that the federal district courts of the United States of America are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These choice of forum provisions could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.***

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty owed by our directors, officers, other employees or stockholders to the company or our stockholders, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery of the State of Delaware, or any action asserting a claim arising pursuant to our certificate of incorporation or our bylaws or governed by the internal affairs doctrine. Our certificate of incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, or the Securities Act. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, other employees or other stockholders, which may discourage such lawsuits against us and our directors, officers, other employees or other stockholders. Alternatively, if a court were to find this provision in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition. Neither of these choice of forum provisions would affect suits brought to enforce any liability or duty created by the Exchange Act or the rules and regulations thereunder, jurisdiction over which is exclusively vested by statute in the United States federal courts, or any other claim for which United States federal courts have exclusive jurisdiction.

***Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be our stockholders' sole source of gain.***

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements we may enter into may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be our stockholders' sole source of gain for the foreseeable future.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

We lease approximately 63,500 square feet of office and laboratory space in New Haven, Connecticut under leases that expire in December 2024. We believe that our facilities are sufficient to meet our current needs and that suitable additional space will be available as and when needed.

**Item 3. Legal Proceedings.**

We are not currently a party to any material legal proceedings.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Our common stock has been publicly traded on the Nasdaq Global Select Market under the symbol "ARVN" since September 27, 2018 in connection with our initial public offering, or IPO. Prior to that time, there was no public market for our common stock.

**Holders**

As of February 25, 2021, there were approximately 83 holders of record of our common stock. This number does not include beneficial owners whose shares are held by nominees in street name.

**Dividend Policy**

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in respect of our common stock in the foreseeable future. Any future determination to pay dividends will be made at the discretion of our board of directors and will depend on various factors, including applicable laws, our results of operations, financial condition, future prospects, then applicable contractual restrictions and any other factors deemed relevant by our board of directors. Investors should not purchase our common stock with the expectation of receiving cash dividends.

**Recent Sales of Unregistered Securities**

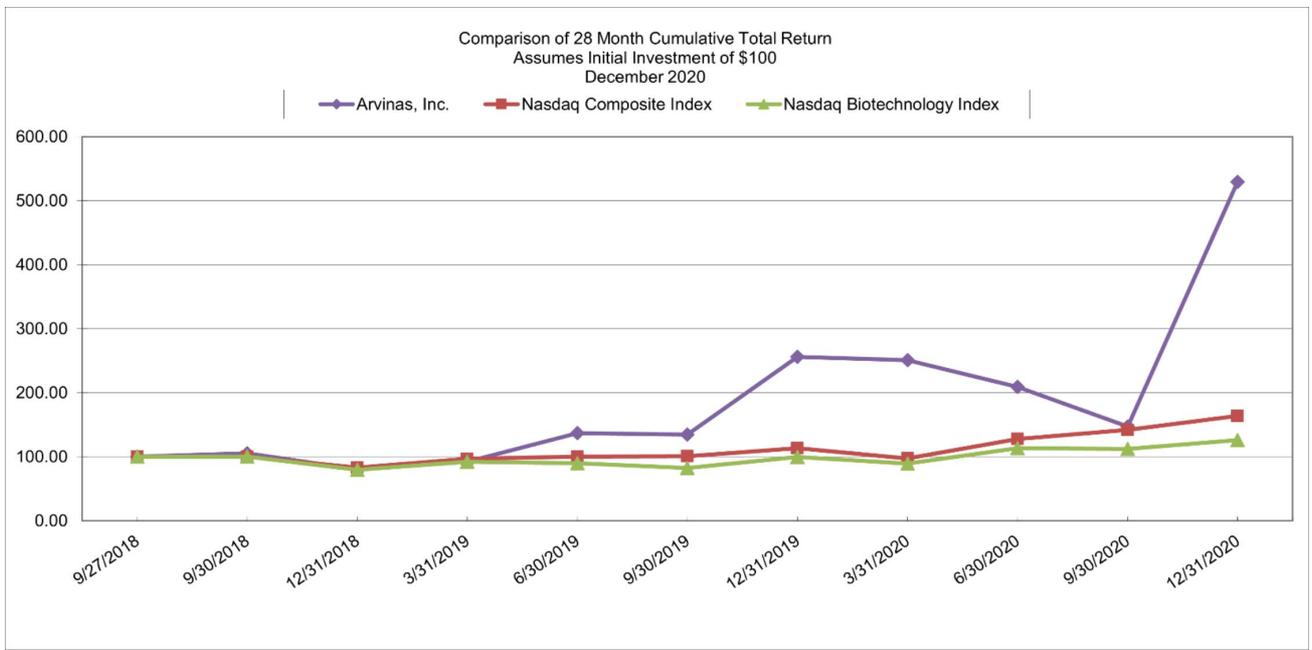
We did not issue any securities that were not registered under the Securities Act of 1933, as amended, or the Securities Act, during the fiscal year ended December 31, 2020.

**Purchases of Equity Securities**

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

**Performance Graph**

The performance graph shown below compares the quarterly change in cumulative total shareholder return on our common shares with the Nasdaq Composite Index and the Nasdaq Biotechnology Index from September 27, 2018 (the first date on which shares of our common stock were publicly traded) through the quarter ended December 31, 2020. The graph assumes an investment of \$100 on September 27, 2018 in our common shares, the Nasdaq Composite Index and the Nasdaq Biotechnology Index and assumes that any dividends are reinvested. All index values are weighted by the capitalization of the companies included in the index. The comparisons shown in the graph below are based upon historical data. The stock price performance included in this graph is not necessarily indicative of future stock price performance. The following performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, or SEC, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, nor shall such information be incorporated by reference into any future filing under the Exchange Act or Securities Act, except to the extent that we specifically incorporate it by reference into such filing.



**Item 6. Selected Financial Data**

Not applicable.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of financial condition and operating results together with our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth in the section titled "Risk Factors" and elsewhere in this Annual Report on Form 10-K, our actual results may differ materially from those anticipated in or implied by these forward-looking statements. For convenience of presentation some of the numbers have been rounded in the text below.*

### Overview

We are a clinical-stage biopharmaceutical company dedicated to improving the lives of patients suffering from debilitating and life-threatening diseases through the discovery, development and commercialization of therapies to degrade disease-causing proteins. We use our proprietary technology platform to engineer proteolysis targeting chimeras, or PROTAC targeted protein degraders, that are designed to harness the body's own natural protein disposal system to selectively remove disease-causing proteins. We believe that our targeted protein degradation approach is a therapeutic modality that may provide distinct advantages over existing modalities, including traditional small molecule therapies and gene-based medicines. Our small-molecule PROTAC technology has the potential to address a broad range of intracellular disease targets, including those representing the up to 80% of proteins that cannot be addressed by existing small molecule therapies, commonly referred to as "undruggable" targets. We are using our PROTAC Discovery Engine to build an extensive pipeline of protein degradation product candidates to target diseases in oncology, neuroscience, and other therapeutic areas.

Our two lead product candidates are ARV-110 and ARV-471. We are developing ARV-110, a PROTAC protein degrader targeting the androgen receptor protein, or AR, for the treatment of men with metastatic castration-resistant prostate cancer, or mCRPC. We initiated a Phase 1 clinical trial of ARV-110 in March 2019. This Phase 1 trial is designed to assess the safety, tolerability and pharmacokinetics of ARV-110 and also includes measures of anti-tumor activity as secondary endpoints, including reduction in prostate specific antigen, or PSA, a well-recognized biomarker of prostate cancer progression. We received fast track designation for ARV-110 for mCRPC in May 2019. In October 2020, we initiated the Phase 2 expansion for ARV-110.

We are also developing ARV-471, a PROTAC protein degrader targeting the estrogen receptor protein, or ER, for the treatment of patients with locally advanced or metastatic ER positive / HER2 negative breast cancer. We initiated a Phase 1 clinical trial of ARV-471 in August 2019. This Phase 1 trial is designed to assess the safety, tolerability and pharmacokinetics of ARV-471 and also includes measures of anti-tumor activity as secondary endpoints. We amended the protocol for our Phase 1 clinical trial for ARV-471 in the first quarter of 2020 to include the Phase 2 expansion cohort and in the fourth quarter of 2020 to include a Phase 1b cohort expansion of ARV-471 in combination with Ibrance® (palbociclib).

In our preclinical studies, these lead product candidates have demonstrated potent and selective protein degradation. We believe favorable clinical trial results in these initial oncology programs would provide validation of our platform as a new therapeutic modality for the potential treatment of diseases caused by dysregulated intracellular proteins regardless of therapeutic area.

As a result of the COVID-19 pandemic, many companies have experienced disruptions in their operations and in markets served. We have instated some and may take additional precautionary measures intended to help ensure our employees, well-being and minimize business disruption. We temporarily shut down our laboratories in mid-March 2020 and initiated work with biology contract research organizations, or CROs, but have since reopened our laboratories. Our office-based employees continue to work remotely. We considered the impact of COVID-19 on the assumptions and estimates used and determined that there were no material adverse impacts on our results of operations and financial position as of December 31, 2020. The full extent of the future impacts of COVID-19 on our operations is uncertain. A prolonged outbreak could have a material adverse impact on our financial results and business operations, including the timing and our ability to complete certain clinical trials and other efforts required to advance our preclinical pipeline.

We commenced operations in 2013, and our operations to date have been limited to organizing and staffing our company, business planning, raising capital, conducting discovery and research activities, filing patent applications, identifying potential product candidates, undertaking preclinical studies and clinical trials and establishing arrangements with third parties for the manufacture of initial quantities of our product candidates. To date, we have not generated any revenue from product sales and have financed our operations primarily through sales of our equity interests, proceeds from our collaborations, grant funding and debt financing. Through December 31, 2020, we raised approximately \$887.3 million in gross proceeds from the sale of equity instruments and the exercise of stock options, and had received an aggregate of \$120.8 million in payments from collaboration partners, grant funding and partially forgivable loans from the State of Connecticut.

In June 2019, we entered into a Collaboration and License Agreement, or the Collaboration Agreement, with Bayer AG, or, together with its controlled affiliates, Bayer, which agreement became effective in July 2019.

We also entered into a Stock Purchase Agreement with Bayer, or the Stock Purchase Agreement, pursuant to which we issued and sold to Bayer 1,346,313 shares of our common stock, or the Shares, for an aggregate purchase price of approximately \$32.5 million. The price per share was \$24.14, based on a 15% premium above our 60-day trading average from April 2, 2019 through May 31, 2019. The closing price of our stock on July 16, 2019, the closing date for the issuance of shares under the Stock Purchase Agreement, was \$25.10. In connection with the closing under the Stock Purchase Agreement, we also entered into an Investor Agreement providing for registration rights, standstill and lock-up restrictions and a voting agreement with respect to the Shares. On October 1, 2019, we filed a registration statement on Form S-3 covering the resale of the Shares.

Also in June 2019, we entered into a Commitment Agreement with Bayer, relating to the formation of a joint venture entity, Oerth Bio LLC, or Oerth, for the purpose of researching, developing and commercializing PROTAC targeted protein degraders for applications in the field of agriculture. We consummated the formation of the joint venture with Bayer as contemplated by the Commitment Agreement in July 2019, upon the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to the reportable transactions and the satisfaction of other application closing conditions, or the JV Closing. Pursuant to the terms of the Commitment Agreement and certain other agreements entered into at the JV Closing, we and Bayer each made an in-kind intellectual property contribution to Oerth at the JV Closing. In addition, Bayer has made a \$56.0 million total cash commitment to Oerth, \$16.0 million of which Bayer contributed to Oerth in connection with the JV Closing. We and Bayer each hold an ownership interest in Oerth initially representing 50% of the ownership interests. A 15% ownership interest of Oerth is reserved for the future grant of incentive units to employees and service providers of Oerth. Oerth will generally be governed by a board of managers, or the JV Board, which will initially comprise four voting members, two of which will be designated by us and two of which will be designated by Bayer. JV Board decisions will generally be made by majority vote of the managers, with each manager having one vote. Certain matters will require both our consent and Bayer's or both of our and Bayer's designated managers on the JV Board. During the term of the joint venture and, in certain limited cases as described below, for one year following the end of the term of the joint venture, neither we, Bayer nor any of their respective affiliates may research, develop, manufacture, use or commercialize in the field of agriculture any PROTAC targeted protein degraders whose primary mechanism of action by design is the binding to and degradation of any Target, as defined below, subject to certain exclusions for early stage research activities and minority investments. Oerth and Bayer also entered into an option agreement, or the Option Agreement, pursuant to which the parties will agree to certain procedures for, and preferential rights relating to, the possible transfer to Bayer of PROTAC targeted protein degrader product candidates researched, developed and commercialized by Oerth under the joint venture. In addition, in the event either Bayer or a third party licenses a PROTAC targeted protein degrader candidate from Oerth pursuant to the Option Agreement, the non-licensing party or parties to the Commitment Agreement will be prohibited from developing, commercializing or otherwise exploiting any product utilizing PROTAC technology to target the same Target as that of the licensed product candidate in the field of agriculture.

We are a clinical-stage company. ARV-110 and ARV-471 are each in Phase 1/2 clinical trials and our other drug discovery activities are at the research and preclinical development stages. Our ability to generate revenue from product sales sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our product candidates. Since inception, we have incurred significant operating losses. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our net loss was \$119.3 million for the year ended December 31, 2020, \$70.3 million for the year ended December 31, 2019, and \$41.5 million for the year ended December 31, 2018. As of December 31, 2020, we had an accumulated deficit of \$491.9 million.

Our total operating expenses were \$146.7 million for the year ended December 31, 2020, \$94.5 million for the year ended December 31, 2019, and \$58.1 million for the year ended December 31, 2018. We anticipate that our expenses will increase substantially due to costs associated with our ongoing and anticipated clinical activities for ARV-110 and ARV-471, development activities associated with our other product candidates, research activities in oncology, neurological and other disease areas to expand our pipeline, hiring additional personnel in research, clinical trials, quality and other functional areas, increased expenses incurred with contract manufacturing organizations, or CMOs, to supply us with product for our preclinical and clinical studies and CROs for the synthesis of compounds in our pre-clinical development activities, as well as other associated costs including the management of our intellectual property portfolio.

We do not expect to generate revenue from sales of any product for many years, if ever. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research or product development programs or any future commercialization efforts, or to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

## Financial Operations Overview

### Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the foreseeable future. Our revenues to date have been generated through research collaboration and license agreements. Revenue is recognized ratably over our expected performance period under each agreement. We expect that any revenue for the next several years will be derived primarily from our current collaboration agreements and any additional collaborations that we may enter into in the future. To date, we have not received any royalties under any of the collaboration agreements.

#### **Genentech License Agreement**

In September 2015, we entered into an Option and License Agreement with Genentech, Inc. and F. Hoffmann-La Roche Ltd, collectively referred to as Genentech, focused on PROTAC targeted protein degrader discovery and research for target proteins, or Targets, based on our proprietary platform technology, other than excluded Targets as described below. This collaboration was expanded in November 2017 through an Amended and Restated Option, License and Collaboration Agreement, which we refer to as the Restated Genentech Agreement.

Under the Restated Genentech Agreement, Genentech has the right to designate up to ten Targets for further discovery and research utilizing our PROTAC platform technology. Genentech may designate as a Target any protein to which a PROTAC targeted protein degrader, by design, binds to achieve its mechanism of action, subject to certain exclusions. Genentech also has the right to remove a Target from the collaboration and substitute a different Target that is not an excluded Target at any time prior to us commencing research on such Target or in certain circumstances following commencement of research by us.

At the time we entered into the original agreement with Genentech we received an upfront payment of \$11.0 million, and at the time we entered into the Restated Genentech Agreement, we also received an additional \$34.5 million in upfront payments and expansion target payments. We are eligible to receive up to an aggregate of \$27.5 million in additional expansion target payments if Genentech exercises its options for all remaining Targets. We are also eligible to receive payments aggregating up to \$44.0 million per Target upon the achievement of specified development milestones; payments aggregating up to \$52.5 million per Target (assuming approval of two indications) subject to the achievement of specified regulatory milestones; and payments aggregating up to \$60.0 million per PROTAC targeted protein degrader directed against the applicable Target, subject to the achievement of specified sales milestones. These milestone payments are subject to reduction if we do not have a valid patent claim covering the licensed PROTAC targeted protein degrader at the time the milestone is achieved. We are also eligible to receive, on net sales of licensed PROTAC targeted protein degraders, mid-single digit royalties, which may be subject to reductions.

#### **Pfizer License Agreement**

In December 2017, we entered into a Research Collaboration and License Agreement with Pfizer, Inc., or Pfizer, setting forth our collaboration to identify or optimize PROTAC targeted protein degraders that mediate for degradation of Targets using our proprietary platform technology that are identified in the agreement or subsequently selected by Pfizer, subject to certain exclusions. We refer to this agreement as the Pfizer Collaboration Agreement.

Under the Pfizer Collaboration Agreement, Pfizer has designated a number of initial Targets. For each identified Target, we and Pfizer will conduct a separate research program pursuant to a research plan. Pfizer may make substitutions for any of the initial Target candidates, subject to the stage of research for such Target.

In the year ended December 31, 2018, we received an upfront non-refundable payment and certain additional payments totaling \$28.0 million in 2018 in exchange for use of the Company's technology license and to fund Pfizer-related research as defined within the agreement. We are also eligible to receive up to an additional \$37.5 million in non-refundable option payments if Pfizer exercises its options for all targets under the agreement. Pfizer has exercised options for \$4.9 million as of December 31, 2020. We are also entitled to receive up to \$225 million in development milestone payments and up to \$550 million in sales-based milestone payments for all designated targets. In addition, we are eligible to receive, on net sales of PROTAC targeted protein degrader-related products, mid- to high-single digit tiered royalties, which may be subject to reductions. Pfizer paid us \$1.2 million in December 2019 and \$3.0 million in 2020 relating to adding additional targets into the collaboration.

### ***Bayer Collaboration Agreement***

In June 2019, we entered into the Bayer Collaboration Agreement with Bayer, setting forth our collaboration to identify or optimize PROTAC targeted protein degraders that mediate for degradation of Targets, using our proprietary platform technology, that are selected by Bayer, subject to certain exclusions and limitations. The Bayer Collaboration Agreement became effective in July 2019.

Under the Bayer Collaboration Agreement, we and Bayer will conduct a research program pursuant to separate research plans mutually agreed to by us and Bayer and tailored to each Target selected by Bayer. Bayer may make substitutions for any such initial Target candidates, subject to certain conditions and based on the stage of research for such Target. During the term of the Bayer Collaboration Agreement, we are not permitted, either directly or indirectly, to design, identify, discover or develop any small molecule pharmacologically-active agent whose primary mechanism of action is, by design, directed to the inhibition or degradation of any Target selected or reserved by Bayer, or grant any license, covenant not to sue or other right to any third party in the field of human disease under the licensed intellectual property for the conduct of such activities.

Under the terms of the Bayer Collaboration Agreement, we received an aggregate upfront non-refundable payment of \$17.5 million, plus an additional \$1.5 million in research funding payments. Bayer is committed to fund an additional \$10.5 million in research funding payments through 2022, of which \$3.0 million was received in 2020, subject to potential increases if our costs for research activities exceed the research funding payments allocated to a Target and certain conditions are met. We are also eligible to receive up to \$197.5 million in development milestone payments and up to \$490.0 million in sales-based milestone payments for all designated Targets. In addition, we are eligible to receive, on net sales of PROTAC targeted protein degrader-related products, mid-single digit to low-double digit tiered royalties, which may be subject to reductions.

### ***Operating Expenses***

Our operating expenses since inception have consisted solely of research and development costs and general and administrative costs.

### ***Research and Development Expenses***

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and the development of our product candidates, and include:

- salaries, benefits and other related costs, including stock-based compensation expense, for personnel engaged in research and development functions;
- expenses incurred under agreements with third parties, including contract research organizations and other third parties that conduct research and preclinical activities on our behalf as well as third parties that manufacture our product candidates for use in our preclinical studies and clinical trials;
- costs of outside consultants, including their fees, stock-based compensation and related travel expenses;
- the costs of laboratory supplies and developing preclinical studies and clinical trial materials;
- facility-related expenses, which include direct depreciation costs of equipment and allocated expenses for rent and maintenance of facilities and other operating costs; and
- third-party licensing fees.

We expense research and development costs as incurred.

We typically use our employee and infrastructure resources across our development programs, and as such, do not track all of our internal research and development expenses on a program-by-program basis. The following table summarizes our research and development expenses for our AR program, ER program and all other platform and exploratory research and development costs:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
AR program development costs	\$ 24,399	\$ 12,085	\$ 11,298
ER program development costs	17,496	6,214	4,240
Other research and development costs	66,461	48,895	29,656
Total research and development costs	<u>\$ 108,356</u>	<u>\$ 67,194</u>	<u>\$ 45,194</u>

Research and development activities are central to our business model. We expect that our research and development expenses will continue to increase substantially for the foreseeable future as we conduct clinical trials for ARV-110 and ARV-471, including our ongoing Phase 1/2 clinical trials, and continue to discover and develop additional product candidates.

We cannot reasonably estimate or determine with certainty the duration and costs of future clinical trials of ARV-110 and ARV-471 or any other product candidate we may develop or if, when, or to what extent we will generate revenue from the commercialization and sale of any product candidate for which we obtain marketing approval. We may never succeed in obtaining marketing approval for any product candidate. The successful development and commercialization of our product candidates is highly uncertain. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- successful completion of preclinical studies;
- successful initiation of clinical trials;
- successful patient enrollment in and completion of clinical trials;
- receipt and related terms of marketing approvals from applicable regulatory authorities;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- making arrangements with third-party manufacturers, or establishing manufacturing capabilities, for both clinical and commercial supplies of our product candidates;
- establishing sales, marketing and distribution capabilities and launching commercial sales of our products, if and when approved, whether alone or in collaboration with others;
- acceptance of our products, if and when approved, by patients, the medical community and third-party payors;
- obtaining and maintaining third-party coverage and adequate reimbursement;
- maintaining a continued acceptable safety profile of the products following approval; and
- effectively competing with other therapies.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or another regulatory authority were to require us to conduct clinical trials beyond those that we anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant delays in our clinical trials due to patient enrollment or other reasons, we would be required to expend significant additional financial resources and time on the completion of clinical development.

### **General and Administrative Expenses**

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation for personnel in our executive, finance, business development and administrative functions. General and administrative expenses also include legal fees relating to intellectual property and corporate matters; professional fees for accounting, auditing, tax and consulting services; insurance costs; travel expenses; and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We expect that our general and administrative expenses will increase in the future as we increase our personnel headcount to support increased research and development activities relating to our product candidates. We also expect to incur increased expenses associated with being a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with Nasdaq and Securities and Exchange Commission requirements; director and officer insurance costs; and investor and public relations costs.

### ***Interest Income (Expense)***

Interest income consists of interest earned on our cash, cash equivalents and short-term investments. Interest income decreased in 2020 due to declining interest rates and a decrease in our marketable securities. Interest expense consists of interest paid or accrued on our outstanding partially forgivable debt of \$2.0 million. Interest expense was approximately \$0.1 million in 2020 and we expect that it will remain relatively stable at that level in 2021.

### ***Income Taxes***

Since our inception in 2013, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in any year or for our federal earned research and development tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2020, we had federal net operating loss carryforwards of \$205.1 million, which begin to expire in 2033. As of December 31, 2020, we also had federal and state research and development tax credit carryforwards of \$10.1 million and \$2.3 million, respectively, which begin to expire in 2033 and 2029, respectively.

As of December 31, 2020, Arvinas, Inc. had four wholly owned subsidiaries organized as C-corporations: Arvinas Operations, Inc., Arvinas Androgen Receptor, Inc., Arvinas Estrogen Receptor, Inc., and Arvinas Winchester, Inc. Prior to December 31, 2018, these subsidiaries were separate filers for federal tax purposes. Net operating loss carryforwards are generated from the C-corporation subsidiaries' filings. We have provided a valuation allowance against the full amount of the deferred tax assets since, in the opinion of management, based upon our earnings history, it is more likely than not that the benefits will not be realized.

### **Critical Accounting Policies and Use of Estimates**

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, costs and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

### ***Revenue Recognition***

We recognize revenue under Accounting Standards Codification, or ASC, 606, *Revenue from Contracts with Customers*. Our revenue is generated through research collaboration and license agreements with pharmaceutical partners. The terms of these agreements contain multiple goods and services which may include (i) licenses, (ii) research and development activities and (iii) participation in joint research and development steering committees. The terms of these agreements may include non-refundable upfront license or option fees, payments for research and development activities, payments upon the achievement of certain milestones, and royalty payments based on product sales derived from the collaboration. Under ASC 606, we evaluate whether the license agreement, research and development services, and participation in research and development steering committees, represent separate or combined performance obligations. We have determined that these services within our existing contracts represent a combined single performance obligation.

The research collaboration and license agreements typically include contingent milestone payments related to specified preclinical and clinical development milestones and regulatory milestones. These milestone payments represent variable consideration that are not initially recognized within the transaction price as they are fully constrained under the guidance in ASC 606. We will continue to assess the probability of significant reversals for any amounts that become likely to be realized prior to recognizing the variable consideration associated with these payments within the transaction price.

Revenue is recognized ratably over our expected performance period under each respective arrangement. We make our best estimate of the period over which we expect to fulfill our performance obligations, which includes access to technology through the license agreement and research activities. Given the uncertainties of these collaboration arrangements, significant judgement is required to determine the duration of the performance period.

For the years ended December 31, 2020, 2019 and 2018, transaction price allocated to the combined performance obligation identified under the agreements was recognized as revenue on a straight-line basis over the estimated performance period under each respective arrangement. Straight-line basis was considered the best measure of progress in which control of the combined obligation transfers to the customers, due to the contract containing license rights to technology, research and development services, and joint committee participation, which in totality are expected to occur ratably over the performance period.

Our contracts may also call for certain sales-based milestone and royalty payments upon successful commercialization of a target. In accordance with ASC 606-10-55-65, we recognize revenues from sales-based milestone and royalty payments at the later of (i) the occurrence of the subsequent sale; or (ii) the performance obligation to which some or all of the sales-based milestone or royalty payments has been allocated has been satisfied (or partially satisfied). We anticipate recognizing these milestone and royalty payments if and when subsequent sales are generated by the customer from the use of the technology. To date, no revenue from these sales-based milestone and royalty payments has been recognized for any periods.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as a contract liability in our accompanying consolidated balance sheets.

### ***Research and Development Contract Costs and Accruals***

As part of the process of preparing our financial statements, we are required to estimate our accrued research and development expenses. This process involves reviewing open contracts and purchase orders, communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs. The majority of our service providers invoice us in arrears for services performed, on a pre-determined schedule or when contractual milestones are met; however, some require advance payments. We make estimates of our accrued expenses as of each balance sheet date in the financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of these estimates with the service providers and make adjustments, if necessary. Examples of estimated accrued research and development expenses include fees paid to:

- vendors in connection with clinical development activities; and
- CROs and investigative sites in connection with pre-clinical, non-clinical, and human clinical trials

We base the expense recorded related to external research and development on our estimates of the services received and efforts expended pursuant to quotes and contracts with multiple CMOs and CROs that supply, conduct and manage clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, we adjust the accrual or the amount of prepaid expenses accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in reporting amounts that are too high or too low in any particular period. To date, there have not been any material adjustments to our prior estimates of accrued research and development expenses.

## **Incentive Units**

Prior to our initial public offering, we issued equity-based compensation awards to employees and non-employees through the granting of incentive units. We had periodically granted incentive units to employees and non-employees, which generally vested over a four-year period. The incentive units represented a separate substantive class of equity with defined rights within the limited liability company agreement of Arvinas Holding Company, LLC. The incentive units represented profit interest in the increase in the value of the entity over a participation threshold, as determined at the time of grant. The holder, therefore, had the right to participate in distributions of profits only in excess of such participation threshold. The participation threshold was based on the valuation of the incentive unit on or around the grant date.

We accounted for unit-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. In accordance with ASC 718, compensation cost is measured at estimated fair value and is included as compensation expense over the vesting period during which an employee provides service in exchange for the award.

We used a Black-Scholes option pricing model to determine the fair value of our incentive units, due to the existence of a participation threshold. The Black-Scholes option pricing model includes various assumptions, including the expected life of incentive units, the expected volatility and the expected risk-free interest rate. The fair value of the underlying common units represented the exercise price utilized in the Black-Scholes option pricing model. These assumptions reflected our best estimates, but they involved inherent uncertainties based on market conditions generally outside our control. As a result, if other assumptions had been used, unit-based compensation cost could have been materially impacted. Furthermore, if we used different assumptions for future grants, unit-based compensation cost could have been materially impacted in future periods.

As there had been no public market for our common units prior to our initial public offering, the estimated fair value of our common units had been determined by our board of directors as of the date of each incentive unit grant, with input from management, considering our most recently available third-party valuations of common stock units. Valuations were updated when facts and circumstances indicated that the most recent valuation was no longer valid, such as changes in the stage of our development efforts, various exit strategies and their timing, and other scientific developments that could be related to the valuation of our company, or, at a minimum, annually. Third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Our common unit valuation in January 2018 was prepared using a market approach, specifically the subject company transaction method. The subject company transaction method solves for the total equity value which allocates a probability-weighted present value to the series B preferred unit holders consistent with the investment amount of that financing round adjusted to account for the impact of progress or changes in the business since the closing of the series B financing. Our common unit valuation as of June 30, 2018 was prepared using the income and market approaches simultaneously. Under the income approach, the hybrid method was used, which is a combination of the probability weighted expected return method, or PWERM, and the option pricing method, or OPM. Under the market approach, the subject company transaction method was used. Within both the PWERM and OPM, the subject company transaction method was used to solve for the total equity value which allocates a probability weighted present value to the series C preferred unit holders consistent with the investment amount of that financing round.

These third-party valuations resulted in participation thresholds of \$270.8 million as of March 31, 2018 and \$292.0 million as of June 30, 2018. Fair value estimates of underlying shares are no longer necessary to determine the fair value of new equity awards because the underlying shares are traded in the public market.

Immediately prior to the effectiveness of our registration statement on Form S-1 (File No. 333-227112) in September 2018, Arvinas Holding Company, LLC, or Arvinas LLC, our predecessor company, converted from a Delaware limited liability company into Arvinas, Inc., a Delaware corporation, which we refer to as the Conversion. In connection with the Conversion, incentive units in Arvinas LLC were exchanged for common stock and restricted common stock of Arvinas, Inc.

## **New Accounting Pronouncements**

For information on new accounting standards, see Note 2 to our consolidated audited financial statements appearing elsewhere in this Annual Report on Form 10-K.

## Results of Operations

### **Comparison of Years Ended December 31, 2020 and 2019**

#### **Revenues**

Revenues for the year ended December 31, 2020 were \$21.8 million, compared with \$43.0 million for the year ended December 31, 2019. Revenues for the year ended December 31, 2019 included \$24.7 million recognized from the contribution of the license to Oerth. The balance of the revenue increased by \$3.5 million over the prior year primarily related to a full year of revenue in 2020 associated with the Bayer Collaboration Agreement which was initiated in the third quarter of 2019 and an increase in activities related to the Pfizer agreement.

#### **Research and Development Expenses**

Research and development expenses for the year ended December 31, 2020 were \$108.4 million, compared with \$67.2 million for the year ended December 31, 2019. The increase of \$41.2 million was primarily due to an increase in our continued investment in our wholly-owned platform and exploratory programs of \$17.6 million, expenses related to our AR program of \$12.3 million and our ER program of \$11.3 million. The increase in spending over all of our programs was primarily due to increased personnel and personnel costs utilized across all our programs of \$14.7 million, including an increase in stock compensation expense of \$5.7 million. Clinical trial costs and related drug manufacturing costs increased by \$20.2 million as we expanded our AR and ER programs in 2020. Direct expenses related to our platform and exploratory programs increased \$7.0 million in 2020 as we expanded the number of protein targets in the exploratory phase.

#### **General and Administrative Expenses**

General and administrative expenses were \$38.3 million for the year ended December 31, 2020, compared with \$27.3 million for the year ended December 31, 2019. The increase of \$11.0 million was primarily due to an increase of \$9.6 million in personnel and facility related costs, including \$4.8 million related to stock compensation expense, and insurance, taxes and professional fees of \$1.4 million.

#### **Other Income**

Other income was \$5.5 million for the year ended December 31, 2020, compared with \$5.9 million for the year ended December 31, 2019. The decrease of \$0.4 million due to lower interest rates and a decrease in our marketable securities investments, partially offset by an increase in refundable income tax credits from the State of Connecticut of \$0.4 million.

### **Comparison of Years Ended December 31, 2019 and 2018**

#### **Revenues**

Revenues for the year ended December 31, 2019 were \$43.0 million, compared with \$14.3 million for the year ended December 31, 2018. Revenues for the year ended December 31, 2019 included \$24.7 million recognized from the contribution of the license to Oerth. The remaining revenues of \$18.3 million increased by \$4.0 million over the prior year primarily related to the revenue associated with the Bayer Collaboration Agreement which was initiated in the third quarter of 2019 and an increase in license and rights to technology fees and research and development activities related to the Pfizer Collaboration Agreement.

#### **Research and Development Expenses**

Research and development expenses for the year ended December 31, 2019 were \$67.2 million, compared with \$45.2 million for the year ended December 31, 2018. The increase of \$22.0 million was primarily due to an increase in our continued investment in our wholly-owned platform and exploratory programs of \$19.2 million, expenses related to our ER program of \$2.0 million and AR program of \$0.8 million. The increase in spending over all of our programs was primarily due to increased personnel and personnel costs of \$10.9 million, including an increase in stock compensation expense of \$3.6 million. Direct expenses related to our platform and exploratory programs increased \$11.1 million in 2019 as we expanded the number of protein targets in the exploratory phase. Clinical trial costs increased by \$3.0 million but were more than offset by a decrease in lead optimization costs and IND-enabling costs for our AR and ER programs in 2019.

## General and Administrative Expenses

General and administrative expenses were \$27.3 million for the year ended December 31, 2019, compared with \$12.9 million for the year ended December 31, 2018. The increase of \$14.4 million was primarily due to an increase of \$10.0 million in personnel and facility related costs, including \$5.0 million related to stock compensation expense. Increases in other costs, including legal and other professional fees of \$3.0 million and corporate insurance of \$0.9 million, are primarily related to costs incurred in our first full year as a public company in 2019.

## Other Income

Other income was \$5.9 million for the year ended December 31, 2019, compared with \$2.3 million for the year ended December 31, 2018. The increase of \$3.6 million was primarily related to an increase in interest income of \$2.1 million and an increase in refundable research and development credits from the State of Connecticut of \$1.2 million. The increase in interest income was the result of our higher average cash, cash equivalent and short-term investment balances for the year ended December 31, 2019 due to the proceeds from our initial public offering in 2018, the Stock Purchase Agreement, the Bayer Collaboration Agreement and our follow-on public offering in 2019.

## Loss on Equity Method Investment

Loss on equity method investment for the year ended December 31, 2019 was \$24.7 million, generated from Oerth's expensing intellectual property contributed to it.

## Liquidity and Capital Resources

### Sources of Liquidity

We do not currently have any approved products and have never generated any revenue from product sales. To date, we have financed our operations primarily through the sale of equity interests and through payments from collaboration partners, grant funding and loans from the State of Connecticut. Through December 31, 2020, we raised approximately \$887.3 million in gross proceeds from the sale of equity interests and the exercise of stock options and had received an aggregate of \$120.8 million in payments from collaboration partners, grant funding and forgivable and partially forgivable loans from the State of Connecticut. In October 2018, we completed our IPO in which we issued and sold an aggregate of 7,700,482 shares of common stock, including 200,482 additional shares of common stock at a subsequent closing upon the exercise in part by the underwriters of their option to purchase additional shares at a public offering price of \$16.00 per share, for aggregate gross proceeds of \$123.2 million before fees and expenses. In July 2019, we sold 1,346,313 shares of common stock to Bayer AG for aggregate gross proceeds of \$32.5 million. In November 2019, we completed a follow-on offering in which we issued 5,227,273 shares of common stock at a public offering price of \$22.00 per share, for aggregate gross proceeds of \$115.0 million before fees and expenses. In December 2020, we completed a public offering in which we issued 6,571,428 shares of common stock at a public offering price of \$70.00 per share, for aggregate gross proceeds of \$460.0 million before fees and expenses. During the year ended December 31, 2020, we sold 2,593,637 shares of common stock in an "at-the-market offering" for aggregate net proceeds of \$64.1 million before fees and expenses.

### Cash Flows

Our cash, cash equivalents and marketable securities totaled \$688.5 million as of December 31, 2020 and \$280.9 million as of December 31, 2019. We had an outstanding loan balance of \$2.0 million as of December 31, 2020 and 2019, respectively.

The following table summarizes our sources and uses of cash for the period presented:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
Net cash used in operating activities	\$ (89,757)	\$ (40,626)	\$ (16,118)
Net cash provided by (used in) investing activities	164,250	(93,097)	(179,665)
Net cash provided by financing activities	504,669	139,744	168,061
Increase in cash and cash equivalents	\$ 579,162	\$ 6,021	\$ (27,722)

### **Operating Activities**

Net cash used in operating activities for the year ended December 31, 2020 was \$89.8 million, resulting from our net loss of \$119.3 million and a decrease in deferred revenue of \$13.3 million, partially offset by non-cash expenses of \$35.5 million and an increase in accounts payable and accrued expenses of \$12.8 million. Non-cash expenses included \$30.2 million of stock compensation expense. The decrease in deferred revenue is primarily due to \$21.8 million of revenue recognized, partially offset by \$8.5 million in payments received and an accounts receivable from collaboration partners.

Net cash used in operating activities for the year ended December 31, 2019 was \$40.6 million, resulting from our net loss of \$70.3 million and an increase in other receivables of \$4.0 million, partially offset by non-cash expenses of \$22.5 million and an increase in accounts payable and accrued expenses of \$5.2 million and deferred revenue of \$4.9 million. The increase in deferred revenue is primarily due to \$23.1 million in payments received from collaboration partners, partially offset by \$18.3 million of revenue recognized.

Net cash used in operating activities for the year ended December 31, 2018 was \$16.1 million, resulting from our net loss of \$41.5 million and a reduction in our deferred revenue of \$8.5 million, partially offset by non-cash expenses of \$12.8 million and a decrease in accounts receivable of \$22.2 million. The reduction in deferred revenue is primarily due to \$14.3 million of revenue recognized, partially offset by \$5.8 million in target payments received from a collaboration partner.

### **Investing Activities**

Net cash provided by investing activities for the year ended December 31, 2020 was \$164.3 million, attributable to the net maturities and sales of marketable securities in excess of purchases of \$170.7 million, offset by the purchases of property and equipment of \$6.4 million.

Net cash used in investing activities for the year ended December 31, 2019 was \$93.1 million, attributable to the net investment of excess cash of \$86.9 million and the purchases of property and equipment of \$6.2 million.

Net cash used in investing activities for the year ended December 31, 2018 was \$179.7 million, attributable to the net investment of excess cash of \$176.8 million and the purchases of property and equipment of \$2.8 million.

### **Financing Activities**

Net cash provided by financing activities for the year ended December 31, 2020 was \$504.7 million, primarily attributable to the proceeds from sales of our common stock from our public offering and at-the-market offering of \$496.4 million, net of combined underwriter discounts from the public offering and offering costs of \$29.2 million and the proceeds from the exercise of stock options of \$8.3 million.

Net cash provided by financing activities for the year ended December 31, 2019 was \$139.7 million, primarily attributable to the proceeds from the sales of our common stock, net of underwriter discounts and offering costs, of \$137.1 million and the proceeds from the exercise of stock options of \$2.8 million. We also made \$0.2 million in debt payments.

Net cash provided by financing activities for the year ended December 31, 2018 was \$168.1 million, primarily attributable to the net proceeds from the sale of series C preferred units of \$55.0 million and the sale of common stock, net of underwriter discounts and offering costs, of \$111.2 million. We also received loan proceeds of \$2.0 million and made \$0.2 million in debt payments.

### **Funding Requirements**

Since our inception, we have incurred significant operating losses. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future as we advance the preclinical and clinical development of our product candidates. In addition, we expect to continue to incur additional costs associated with operating as a public company.

Specifically, we anticipate that our expenses will increase substantially if and as we:

- continue a Phase 1/2 clinical trial of our product candidate ARV-110, and initiate one or more Phase 1b cohort expansions of ARV-110 in combination with standard of care agents, in men with mCRPC;

- continue a Phase 1/2 clinical trial of our product candidate ARV-471, a Phase 1b cohort expansion of ARV-471 in combination with palbociclib, and initiate an additional Phase 1b cohort expansion in combination with a standard of care agent, each in patients with locally advanced or metastatic ER positive / HER2 negative breast cancer, and initiate a window of opportunity study in early breast cancer;
- initiate a planned Phase 1 clinical trial of our product candidate ARV-766 in the first half of 2021;
- apply our PROTAC Discovery Engine to advance additional product candidates into preclinical and clinical development;
- expand the capabilities of our PROTAC Discovery Engine;
- seek marketing approvals for any product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure and scale up external manufacturing capabilities to commercialize any products for which we may obtain marketing approval;
- expand, maintain and protect our intellectual property portfolio;
- hire additional development, including clinical and regulatory, and scientific personnel; and
- add operational, financial and management information systems and personnel to support our research, product development and future commercialization efforts and support our operations as a public company.

As of December 31, 2020, we believe that our existing cash, cash equivalents and marketable securities, will enable us to fund our operating expenses and capital expenditure requirements into 2024. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the progress, costs and results of our ongoing clinical trials for ARV-110 and for ARV-471 and any future clinical development of ARV-110 and ARV-471;
- the initiation, progress, costs and results of our planned clinical trial for ARV-766 and any future clinical development of ARV-766;
- the scope, progress, costs and results of preclinical and clinical development for our other product candidates and development programs;
- the number of, and development requirements for, other product candidates that we pursue, including our other oncology and neurodegenerative research programs;
- the success of our collaborations with Pfizer, Genentech and Bayer;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and
- our ability to establish additional collaboration arrangements with other biotechnology or pharmaceutical companies on favorable terms, if at all, for the development or commercialization of our product candidates.

As a result of these anticipated expenditures, we will need to obtain substantial additional financing in connection with our continuing operations. Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. Although we may receive potential future payments under our collaborations with Pfizer, Genentech and Bayer, we do not currently have any committed external source of funds. Adequate additional funds may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we may be required to delay, limit, reduce or terminate our research, product development programs or any future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

### **Borrowings**

In August 2013, we entered into a Loan Agreement, or Loan, with Connecticut Innovations, Incorporated, or CII, the strategic venture capital arm and a component unit of the State of Connecticut. Under the Loan, we borrowed \$750,000 for the purchase of laboratory equipment, information technology equipment and leasehold improvements. Interest on the Loan was compounded on a monthly basis at a rate of 7.50% per annum. The Loan provided for monthly, interest-only payments for ten months. Beginning on June 1, 2015 we were required to make monthly principal and interest payments through July 31, 2019. We could have prepaid the amount due at any time without premium or penalty. The Loan was secured by substantially all of our assets. The amount outstanding under the Loan was \$0.2 million as of December 31, 2018. We paid the Loan in full in July 2019. In connection with the issuance of the Loan, we granted CII a warrant to purchase 110,116 of our series A preferred units at a purchase price of \$0.6811 per unit, with a seven-year term from the date of issuance. The warrant was exercised in July 2018.

In January 2014, we entered into an Assistance Agreement with the State of Connecticut, or the 2014 Assistance Agreement. Under the terms of the 2014 Assistance Agreement, we borrowed \$2.5 million. Borrowings under the 2014 Assistance Agreement were forgivable if we maintained a minimum number of full-time jobs in the State of Connecticut for a minimum period at a minimum annual salary. Effective in March 2016, the full principal amount under the 2014 Assistance Agreement had been forgiven. While borrowings under the 2014 Assistance Agreement have been forgiven, we remain subject to an ongoing covenant to be located in the State of Connecticut through January 2024. Upon violation of this covenant we would be required to repay the full original funding amount of \$2.5 million plus liquidated damages of 7.50%.

In June 2018, we entered into an additional Assistance Agreement with the State of Connecticut, or the 2018 Assistance Agreement, to provide funding for the expansion and renovation of laboratory and office space. Under the terms of the 2018 Assistance Agreement, we could borrow from the State of Connecticut a maximum of \$2.0 million, provided that the funding does not exceed more than 50% of the total costs of the expansion and renovation. Borrowings under the 2018 Assistance Agreement bear an interest rate of 3.25% per annum and interest payments are required for the first 60 months from the funding date. Interest expense related to the Assistance Agreement is expected to be \$65,000 annually for the first five years. Thereafter, the loan begins to fully amortize through month 120, maturing in June 2028. Up to \$1.0 million of the funding can be forgiven if we meet certain employment conditions. We may be required to prepay a portion of the loan if the employment conditions are not met. The 2018 Assistance Agreement requires that we be located in the State of Connecticut through June 2028 with a default penalty of repayment of the full original funding amount of \$2.0 million plus liquidated damages of 7.5% of the total amount of funding received. We borrowed the full \$2.0 million under the 2018 Assistance Agreement in September 2018 and the full amount remains outstanding at December 31, 2020.

### **Off-Balance Sheet Arrangements**

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. Our interest-earning assets consist of cash, cash equivalents, and marketable securities. Interest income earned on these assets was \$3.6 million in 2020 and \$4.6 million in 2019. Our interest income is sensitive to changes in the general level of interest rates, primarily U.S. interest rates. At December 31, 2020, our cash equivalents consisted of bank deposits and money market funds, and our marketable securities included interest-earning securities. Such interest-earning instruments carry a degree of interest rate risk. Our outstanding debt was \$2.0 million as of December 31, 2020 and \$2.0 million as of December 31, 2019. Our outstanding debt as of December 31, 2020 carries a fixed interest rate of 3.25% per annum.

### **Item 8. Financial Statements and Supplementary Data.**

Our financial statements, together with the report of our independent registered public accounting firm, appear on pages F-1 through F-24 of this Annual Report on Form 10-K.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### ***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2020, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### ***Management’s Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company’s principal executive and principal financial officers and effected by the company’s board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on that assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was effective.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of internal control over financial reporting as of December 31, 2020, included below.

### ***Changes in Internal Control over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal control over financial reporting due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls to minimize the impact on their design and operating effectiveness.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Arvinas, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Arvinas, Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 1, 2021, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Hartford, CT  
March 1, 2021

### Item 9B. Other Information.

None.

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this Item is incorporated by reference from the information that will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates pursuant to General Instruction G(3) of Form 10-K.

We have adopted a Code of Business Conduct and Ethics that applies to our officers, including our principal executive, financial and accounting officers, and our directors and employees. We have posted the text of our Code of Business Conduct and Ethics under the "Investors + Media – Corporate Governance" section of our website, [www.arvinas.com](http://www.arvinas.com). We intend to disclose on our website any amendments to, or waivers from, the Code of Business Conduct and Ethics that are required to be disclosed pursuant to the disclosure requirements of Item 5.05 of Form 8-K.

**Item 11. Executive Compensation.**

The information required by this Item is incorporated by reference from the information that will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates pursuant to General Instruction G(3) of Form 10-K.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this Item is incorporated by reference from the information that will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates pursuant to General Instruction G(3) of Form 10-K.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this Item is incorporated by reference from the information that will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates pursuant to General Instruction G(3) of Form 10-K.

**Item 14. Principal Accounting Fees and Services.**

The information required by this Item is incorporated by reference from the information that will be contained in our Proxy Statement for our 2021 Annual Meeting of Stockholders, which we intend to file with the SEC within 120 days of the end of the fiscal year to which this Annual Report on Form 10-K relates pursuant to General Instruction G(3) of Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) **Financial Statements** - The following financial statements are filed as part of this Annual Report on Form 10-K:

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets as of December 31, 2020 and 2019</a>	F-4
<a href="#">Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018</a>	F-5
<a href="#">Consolidated Statements of Redeemable Convertible Preferred Shares/Units and Changes in Stockholders'/Members' Equity for the years ended December 31, 2020, 2019 and 2018</a>	F-6
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018</a>	F-8
<a href="#">Notes to Consolidated Financial Statements</a>	F-9

(2) **Financial Statement Schedules**

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the financial statements or the notes thereto.

(3) **Index to Exhibits**

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38672) filed with the SEC on October 1, 2018).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38672) filed with the SEC on October 1, 2018).</a>
4.1	<a href="#">Specimen Stock Certificate evidencing the shares of common stock (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-227112) filed with the SEC on August 30, 2018).</a>
4.2	<a href="#">Registration Rights Agreement among the Registrant and the other parties thereto, dated September 26, 2018 (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K (File No. 001-38672) filed with the SEC on March 26, 2019).</a>
4.3	<a href="#">Second Amended and Restated Put Agreement among the Registrant, Connecticut Innovations, Incorporated and the other parties thereto, dated March 29, 2018 (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-2271121) filed with the SEC on August 30, 2018).</a>
4.4	<a href="#">Description of the Registrant's Securities Registered Under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K (File No. 001-38672) filed with the SEC on March 16, 2020).</a>
10.1+	<a href="#">Incentive Share Plan, as amended by First Amendment, dated October 16, 2015, Second Amendment, dated December 22, 2016, Third Amendment, dated September 8, 2017, and Fourth Amendment, dated March 29, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-227112) filed with the SEC on August 30, 2018).</a>
10.2+	<a href="#">Form of Incentive Share Award Agreement under Incentive Share Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-227112) filed with the SEC on August 30, 2018).</a>
10.3+	<a href="#">Form of Restricted Stock Agreement under Incentive Share Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A (File No. 333-227112) filed with the SEC on September 14, 2018).</a>

- 10.4+ [2018 Stock Incentive Plan \(incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.5+ [Form of Stock Option Agreement under 2018 Stock Incentive Plan \(incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.6+ [Form of Restricted Stock Unit Agreement under 2018 Stock Incentive Plan \(incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 26, 2019\).](#)
- 10.7+ [2018 Employee Stock Purchase Plan \(incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.8+ [Form of Director and Officer Indemnification Agreement \(incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.9+ [Employment Agreement between the Registrant and John Houston, Ph.D., dated September 13, 2018 \(incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.10+ [Employment Agreement between the Registrant and Sean Cassidy, dated August 28, 2018 \(incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.11+ [Employment Agreement between the Registrant and Ian Taylor, Ph.D., dated August 28, 2018 \(incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.12 [Lease Agreement between the Arvinas Operations, Inc. \(formerly Arvinas, Inc.\) and Science Park Development Corporation, dated December 31, 2017, as amended by First Amendment to Lease, dated May 23, 2018, and second Amendment to Lease, dated September 4, 2018 \(incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.13 [Third Amendment to Lease between Arvinas Operations, Inc. \(formerly Arvinas, Inc.\) and Science Park Development Corporation, dated March 12, 2019 \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 001-38672\) filed with the SEC on March 15, 2019\).](#)
- 10.14 [Fourth Amendment to Lease between Arvinas Operations, Inc. \(formerly Arvinas, Inc.\) and Science Park Development Corporation, dated January 31, 2020 \(incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 16, 2020\).](#)
- 10.15 [Lease Agreement between Arvinas Operations, Inc. and Science Park Development Corporation, dated November 15, 2019 \(incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 16, 2020\).](#)
- 10.16 [First Amendment to Lease between Arvinas Operations, Inc. and Science Park Development Corporation, dated February 27, 2020 \(incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 16, 2020\).](#)
- 10.17† [License Agreement between Yale University and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated July 5, 2013, as amended by Amendment No. 1, dated May 8, 2014, Amendment No. 2, dated October 23, 2014, and Letter Amendment Number 3, dated April 1, 2015 \(incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.18† [Amendment No. 4 to License Agreement between Yale University and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\) dated January 9, 2019 \(incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 26, 2019\).](#)

- 10.19 [Amended and Restated Consulting Agreement between Craig Crews and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated October 16, 2015, as amended by Amendment No. 1, dated August 27, 2018 \(incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 \(File No. 333-227112\) filed with the SEC on August 30, 2018\).](#)
- 10.20† [Corporate Sponsored Research Agreement between Yale University and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated July 1, 2016, as amended by Amendment No. 1, dated April 1, 2018 \(incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 \(File No. 333-227112\) filed with the SEC on August 30, 2018\).](#)
- 10.21† [Amended and Restated License and Option Agreement among Genentech, Inc., F. Hoffmann-La Roche Ltd and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated November 8, 2017 \(incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.22† [Research Collaboration and License Agreement between Pfizer Inc. and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated December 22, 2017 \(incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.23† [Sponsored Research Agreement between The Silverstein Foundation for Parkinson's with GBA and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated March 7, 2018 \(incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1/A \(File No. 333-227112\) filed with the SEC on September 14, 2018\).](#)
- 10.24† [Amendment No. 1 to Research Collaboration and License Agreement between Pfizer Inc. and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\), dated December 9, 2019 \(incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K \(File No. 001-38672\) filed with the SEC on March 16, 2020\).](#)
- 10.25† [Collaboration and License Agreement between Arvinas Operations, Inc. and Bayer AG, dated June 3, 2019 \(incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.26† [Commitment Agreement between Arvinas Operations, Inc., Protag LLC, and Bayer CropScience LP, dated June 3, 2019 \(incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.27† [Option Agreement between Arvinas Operations, Inc. and Bayer CropScience LP, dated June 3, 2019 \(incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.28† [Arvinas IP Contribution Agreement between Arvinas Operations, Inc. and Protag LLC, dated July 16, 2019 \(incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.29† [Stock Purchase Agreement between the Registrant and Bayer AG, dated June 3, 2019 \(incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.30† [Investor Agreement between the Registrant and Bayer AG, dated July 16, 2019 \(incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.31† [Amendment No. 5 to License Agreement between Yale University and Arvinas Operations, Inc. \(formerly Arvinas, Inc.\) dated June 3, 2019 \(incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on August 5, 2019\).](#)
- 10.32+ [Employment Agreement between the Registrant and Ronald Peck, M.D., dated July 18, 2019 \(incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q \(File No. 001-38672\) filed with the SEC on April 28, 2020\).](#)
- 10.33 [Equity Distribution Agreement, dated October 1, 2019, by and between the Registrant and Piper Jaffray & Co. \(incorporated by reference to Exhibit 1.2 to the Registrant's Registration Statement on Form S-3 \(File No. 333-234035\) filed with the SEC on October 1, 2019\).](#)

10.34*	<a href="#">Fifth Amendment to Lease between Arvinas Operations, Inc. (formerly Arvinas, Inc.) and Science Park Development Corporation, dated January 4, 2021.</a>
10.35*	<a href="#">Second Amendment to Lease between Arvinas Operations, Inc. (formerly Arvinas, Inc.) and Science Park Development Corporation, dated January 4, 2021.</a>
21.1*	<a href="#">Subsidiaries of the Registrant.</a>
23.1*	<a href="#">Consent of Deloitte &amp; Touche LLP, independent registered public accounting firm.</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
99.1*	<a href="#">Audited Financial Statements of Oerth Bio, LLC, as of December 31, 2020.</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* Filed herewith.

\*\* Furnished herewith.

† Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

+ Management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

None.



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<a href="#">Consolidated Balance Sheets as of December 31, 2020 and 2019</a>	F-4
<a href="#">Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2020, 2019 and 2018</a>	F-5
<a href="#">Consolidated Statements of Redeemable Convertible Preferred Shares/Units and Changes in Stockholders'/Members' Equity for the years ended December 31, 2020, 2019 and 2018</a>	F-6
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Arvinas, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Arvinas, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, redeemable convertible preferred shares/units and changes in stockholders'/members' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Prepaid and Accrued Research and Development - Refer to Note 2 in the Consolidated Financial Statements

#### *Critical Audit Matter Description*

The Company has entered into various contracts with third parties to perform research and development, including clinical research and contract manufacturing. When billing terms under these contracts do not coincide with the timing of when the work is performed, the Company makes estimates of the costs incurred by third parties during the period and the outstanding obligations to those third parties as of period end. Estimates of costs incurred during the period that are included in period-end prepaid or accrued expense balances are based on a number of factors, including the Company's knowledge of the research and development programs and clinical manufacturing activities associated with project status and milestones, invoicing to date, and the provisions in the contract. Significant judgments and estimates are made by the Company in determining the costs incurred during the period that are included in prepaid or accrued expense balances at the end of each reporting period.

We identified the measurement of the accruals and prepaid expense related to these types of research and development costs as a critical audit matter because of the judgments and estimates necessary for management to determine the status and progress of each contract. The expense recorded related to external research and development is based off of estimates as to the services received and efforts expended pursuant to quotes and contracts with the Company's contract manufacturing vendors and contract research organizations that supply, conduct and manage clinical trials on the Company's behalf. Assessing such estimates required an increased extent of audit effort and a high degree of auditor judgment when performing procedures to audit the prepaid and accrued expenses related to these costs.

**How the Critical Audit Matter Was Addressed in the Audit:**

Our audit procedures related to the management's estimation of costs incurred included the following, among others:

- Testing the effectiveness of controls over the accounting for prepaid and accrued research and development expenses, including the Company's assessment and estimation of the costs incurred for significant research and development activities performed by third parties
- On a sample basis, we tested the accrued and prepaid expense balances by:
  - o inspecting related contracts and agreeing key provisions of the contracts to the Company's analysis of estimated expenses incurred to date;
  - o inspecting correspondences from the third-party vendors to the Company, including status reports, and comparing such information to the amounts used in the Company's estimates;
  - o meeting with clinical and manufacturing operational personnel within the Company to understand the status of significant research and development activities for a sample of project activities, and comparing such information to the amounts used in the Company's estimates;
  - o comparing the estimated accrual balance as of December 31, 2020, to the invoices received after year-end to evaluate the Company's ability to estimate the accrual.

/s/ Deloitte & Touche LLP

Hartford, Connecticut  
March 1, 2021

We have served as the Company's auditor since 2016.

## ARVINAS, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

	December 31,	
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 588,373,232	\$ 9,211,057
Marketable securities	100,157,618	271,661,456
Account receivable	1,000,000	—
Other receivables	7,443,654	6,280,828
Prepaid expenses and other current assets	6,113,122	3,727,294
Total current assets	703,087,626	290,880,635
Property, equipment and leasehold improvements, net	12,259,515	8,455,411
Operating lease right of use assets	1,992,669	2,278,623
Other assets	28,777	26,757
Total assets	<u>\$ 717,368,587</u>	<u>\$ 301,641,426</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 7,121,879	\$ 4,556,827
Accrued expenses	18,859,840	7,602,904
Deferred revenue	22,150,861	19,979,525
Current portion of operating lease liabilities	952,840	673,896
Total current liabilities	49,085,420	32,813,152
Deferred revenue	22,938,233	38,427,882
Long term debt, net of current portion	2,000,000	2,000,000
Operating lease liabilities	1,087,422	1,714,111
Total liabilities	75,111,075	74,955,145
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value, 48,455,741 and 38,461,353 shares issued and outstanding as of December 31, 2020 and 2019, respectively	48,455	38,461
Accumulated deficit	(491,888,910)	(372,556,846)
Additional paid-in capital	1,133,537,171	599,097,090
Accumulated other comprehensive income	560,796	107,576
Total stockholders' equity	642,257,512	226,686,281
Total liabilities and stockholders' equity	<u>\$ 717,368,587</u>	<u>\$ 301,641,426</u>

*See accompanying notes*



**ARVINAS, INC AND SUBSIDIARIES**

**Consolidated Statements of Redeemable Convertible Preferred Shares/Units and Changes in Stockholders'/Members' Equity**

	Series A Redeemable Convertible Preferred		Series B Redeemable Convertible Preferred		Series C Redeemable Convertible Preferred		Series A, B and C Convertible Preferred	
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount
Balance at December 31, 2017	22,463,665	\$ 19,768,025	24,977,489	\$ 41,712,407	—	\$ —	—	\$ —
Incentive unit-based compensation	—	—	—	—	—	—	—	—
Exercise of Series A redeemable convertible preferred warrant	110,116	319,667	—	—	—	—	—	—
Issuance of Series C redeemable convertible preferred units	—	—	—	—	16,467,066	55,000,001	—	—
Change in redemption value of redeemable convertible preferred units	—	91,044,716	—	81,253,577	—	26,068,463	—	—
Net loss	—	—	—	—	—	—	—	—
Conversion of redeemable convertible preferred units to redeemable convertible preferred shares	(22,573,781)	(111,132,408)	(24,977,489)	(122,965,984)	(16,467,066)	(81,068,464)	64,018,336	315,166,856
Conversion of common and incentive units to common and restricted stock	—	—	—	—	—	—	—	—
Issuance of common stock, net of underwriters' discounts and issuance costs of \$12,048,129	—	—	—	—	—	—	—	—
Conversion of redeemable convertible preferred stock to common stock	—	—	—	—	—	—	(64,018,336)	(315,166,856)
Restricted stock vesting	—	—	—	—	—	—	—	—
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	—	—
Balance at December 31, 2018	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—
Issuance of common stock, net of underwriters' discounts and issuance costs of \$7,497,131	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Restricted stock vesting	—	—	—	—	—	—	—	—
Proceeds from exercise of stock options	—	—	—	—	—	—	—	—
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	—	—
Balance at December 31, 2019	—	—	—	—	—	—	—	—
Issuances of common stock, net of underwriters' discounts and issuance costs of \$28,099,997	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—
Restricted stock vesting	—	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	—	—
Common stock issued in at-the-market offering, net of offering costs of \$1,584,647	—	—	—	—	—	—	—	—
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	—	—
Balance at December 31, 2020	—	\$ —	—	\$ —	—	\$ —	—	\$ —

*See accompanying notes*

**ARVINAS, INC AND SUBSIDIARIES**

**Consolidated Statements of Redeemable Convertible Preferred Shares/Units and Changes in Stockholders'/Members' Equity**

	Common		Common		Incentive		Accumulated Deficit	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Total Stockholders' / Members' Equity
	Units	Amount	Shares	Amount	Units	Amount				
Balance at December 31, 2017	1,897,544	\$ 6,167	—	\$ —	3,669,963	\$ 1,186,419	\$ (62,417,397)	\$ —	\$ (9,751)	\$ (61,234,562)
Incentive unit-based compensation	—	—	—	—	1,680,386	2,489,061	—	9,141,239	—	11,630,300
Exercise of Series A redeemable convertible preferred warrant	—	—	—	—	—	—	—	—	—	—
Issuance of Series C redeemable convertible preferred units	—	—	—	—	—	—	—	—	—	—
Change in redemption value of redeemable convertible preferred units	—	—	—	—	—	—	(198,366,756)	—	—	(198,366,756)
Net loss	—	—	—	—	—	—	(41,480,466)	—	—	(41,480,466)
Conversion of redeemable convertible preferred units to redeemable convertible preferred shares	—	—	—	—	—	—	—	—	—	—
Conversion of common and incentive units to common and restricted stock	(1,897,544)	(6,167)	3,692,765	3,693	(5,350,349)	(3,675,480)	—	3,677,954	—	—
Issuance of common stock, net of underwriters' discounts and issuance costs of \$12,048,129	—	—	7,700,482	7,700	—	—	—	111,151,883	—	111,159,583
Conversion of redeemable convertible preferred stock to common stock	—	—	19,697,928	19,698	—	—	—	315,147,158	—	315,166,856
Restricted stock vesting	—	—	144,283	145	—	—	—	(145)	—	—
Unrealized loss on available-for-sale securities	—	—	—	—	—	—	—	—	(207,972)	(207,972)
Balance at December 31, 2018	—	—	31,235,458	31,236	—	—	(302,264,619)	439,118,089	(217,723)	136,666,983
Stock-based compensation	—	—	—	—	—	—	—	20,072,710	—	20,072,710
Issuances of common stock, net of underwriters' discounts and issuance costs of \$7,497,131	—	—	6,573,586	6,573	—	—	—	137,082,302	—	137,088,875
Net loss	—	—	—	—	—	—	(70,292,227)	—	—	(70,292,227)
Restricted stock vesting	—	—	475,412	475	—	—	—	(475)	—	—
Proceeds from exercise of stock options	—	—	176,897	177	—	—	—	2,824,464	—	2,824,641
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	—	—	325,299	325,299
Balance at December 31, 2019	—	—	38,461,353	38,461	—	—	(372,556,846)	599,097,090	107,576	226,686,281
Issuances of common stock, net of underwriters' discounts and issuance costs of \$28,099,997	—	—	6,571,428	6,571	—	—	—	431,893,392	—	431,899,963
Stock-based compensation	—	—	—	—	—	—	—	30,230,858	—	30,230,858
Net loss	—	—	—	—	—	—	(119,332,064)	—	—	(119,332,064)
Restricted stock vesting	—	—	371,164	371	—	—	—	(371)	—	—
Proceeds from exercise of stock options	—	—	458,159	458	—	—	—	8,260,302	—	8,260,760
Common stock issued in at-the-market offering, net of offering costs of \$1,584,647	—	—	2,593,637	2,594	—	—	—	64,055,900	—	64,058,494
Unrealized gain on available-for-sale securities	—	—	—	—	—	—	—	—	453,220	453,220
Balance at December 31, 2020	—	\$ —	48,455,741	\$ 48,455	—	\$ —	\$ (491,888,910)	\$ 1,133,537,171	\$ 560,796	\$ 642,257,512

See accompanying notes

## ARVINAS, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities:</b>			
Net loss	\$ (119,332,064)	\$ (70,292,227)	\$ (41,480,466)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	—	15,149	17,963
Change in fair value of preferred unit warrant liability	—	—	193,779
Depreciation and amortization	3,166,139	1,561,557	706,000
Net accretion of bond discounts/premiums	1,654,516	154,022	248,069
Gain on sale of marketable securities	(395,070)	—	—
Amortization of right to use assets	858,367	691,345	—
Non-cash share/unit-based compensation	30,230,858	20,072,710	11,630,300
Changes in operating assets and liabilities:			
Other receivables	(1,162,826)	(4,024,862)	(1,215,514)
Account receivable	(1,000,000)	2,775,831	22,224,169
Prepaid expenses and other current assets	(2,387,848)	(1,065,005)	(2,501,383)
Accounts payable	2,042,342	1,608,735	2,002,163
Accrued expenses	10,807,123	3,601,628	605,340
Operating lease liabilities	(920,158)	(581,961)	—
Deferred revenue	(13,318,313)	4,856,736	(8,548,090)
Net cash used in operating activities	(89,756,934)	(40,626,342)	(16,117,670)
<b>Cash flows from investing activities:</b>			
Purchase of marketable securities	(41,196,166)	(256,548,355)	(234,894,225)
Maturities of marketable securities	174,118,543	169,695,816	58,059,526
Sale of marketable securities	37,775,235	—	—
Purchase of property, equipment and leasehold improvements	(6,447,533)	(6,244,024)	(2,830,661)
Net cash provided by (used in) investing activities	164,250,079	(93,096,563)	(179,665,360)
<b>Cash flows from financing activities:</b>			
Repayments of long-term debt	—	(169,610)	(173,889)
Proceeds from long-term debt	—	—	2,000,000
Proceeds from issuance of common stock	459,999,960	137,686,006	114,583,172
Payment of common stock offering costs	(27,650,184)	(597,131)	(3,423,589)
Proceeds from sale of common stock in at-the-market offering	65,643,141	—	—
Payment of common stock offering costs for at-the-market offering	(1,584,647)	—	—
Proceeds from exercise of stock options	8,260,760	2,824,641	—
Proceeds from issuance of Series C redeemable convertible preferred units	—	—	55,000,001
Proceeds from exercise of warrant	—	—	75,000
Net cash provided by financing activities	504,669,030	139,743,906	168,060,695
Net increase (decrease) in cash and cash equivalents	579,162,175	6,021,001	(27,722,335)
Cash and cash equivalents, beginning of the period	9,211,057	3,190,056	30,912,391
Cash and cash equivalents, end of the period	\$ 588,373,232	\$ 9,211,057	\$ 3,190,056
<b>Supplemental disclosure of cash flow information:</b>			
Purchases of property, equipment and leasehold improvements unpaid at period end	\$ 522,710	\$ 189,908	\$ 159,494
Cash paid for interest	\$ 65,000	\$ 70,420	\$ 39,476
Increase in redemption value of preferred units	\$ —	\$ —	\$ 198,366,756

See accompanying notes

## Notes to Consolidated Financial Statements

**1. Nature of Business and Basis of Presentation**

Arvinas, Inc. has four wholly owned subsidiaries, Arvinas Operations, Inc., Arvinas Androgen Receptor, Inc., Arvinas Estrogen Receptor, Inc., and Arvinas Winchester, Inc. (collectively, the Company). Arvinas Operations, Inc. was formed in 2013, Arvinas Androgen Receptor, Inc. was formed in 2015, Arvinas Estrogen Receptor, Inc. was formed in 2016, and Arvinas Winchester, Inc. was formed in 2018. In September 2018, the Company converted from a Delaware limited liability company to a Delaware corporation. All periods prior to the date of conversion represent the results of the limited liability corporation. The Company is a clinical-stage biopharmaceutical company dedicated to improving the lives of patients suffering from debilitating and life-threatening diseases throughout the discovery, development and commercialization of therapies to degrade disease-causing proteins.

Arvinas, Inc. was incorporated in Delaware on July 3, 2013. Effective January 1, 2015, Arvinas Holding Company, LLC (Arvinas LLC) was formed by the shareholders of Arvinas, Inc. and Arvinas, Inc. became a wholly owned subsidiary of Arvinas LLC. In connection with this reorganization, the rights and preferences of the preferred stock of Arvinas, Inc. were exchanged for preferred stock units with similar rights and preferences of Arvinas LLC. As part of the reorganization, the employees, consultants and board members of Arvinas, Inc. exchanged their stock options in Arvinas, Inc. stock in exchange for incentive units in Arvinas LLC. Additionally, common stockholders of Arvinas, Inc. exchanged their common stock for common units in Arvinas LLC. All exchanges were made on a 1-for-1 basis. This reorganization was accounted for as a common control transaction as the common stockholders of Arvinas, Inc. formed Arvinas, LLC and transferred all the assets from Arvinas, Inc. to Arvinas LLC.

The Company's Board of Managers approved a one-for-3.25 reverse stock split of its issued and outstanding shares of common units and a proportional adjustment to the existing conversion ratios for the Company's Series A, Series B, and Series C preferred units effective as of September 14, 2018. Accordingly, all share/unit and per share/unit amounts for all periods presented in the accompanying financial statements and notes thereto have been retroactively adjusted, where applicable, to reflect this reverse unit split and adjustment of the preferred unit conversion ratios. Immediately prior to the effectiveness of the registration statement pertaining to the Company's initial public offering on September 26, 2018, the Company converted from a Delaware limited liability company to a Delaware corporation. Pursuant to the plan of conversion, each outstanding Series A, Series B, and Series C preferred units converted into an equal number of shares of Series A, Series B, and Series C preferred stock, each outstanding common unit converted into a share of common stock and each outstanding incentive unit converted into a number of shares of common stock and restricted common stock based on a conversion price determined by the board of directors. The Company issued 1,795,221 shares of common stock and 1,268,923 shares of restricted common stock.

On October 1, 2018, the Company completed an initial public offering (IPO) in which the Company issued and sold 7,500,000 shares of common stock at a public offering price of \$16.00 per share. In October 2018, the underwriters of the IPO exercised in part their option to purchase 200,482 additional shares of the Company's common stock at an offering price of \$16.00 per share. The Company's aggregate gross proceeds from the sale of shares in the IPO, including the option, was \$123.2 million before fees and expenses of \$12.0 million.

On October 1, 2018, all of the outstanding shares of convertible preferred stock automatically converted into 19,697,928 shares of common stock at the applicable conversion ratio then in effect. Subsequent to the closing of the IPO, there were no shares of preferred stock outstanding.

**Basis of Presentation** - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The accounting policies used to prepare these financial statements are the same as those used to prepare the consolidated financial statements in prior years, except as described in these notes or for the adoption of new standards as outlined below.

**2. Summary of Significant Accounting Policies****Principles of Consolidation**

The consolidated financial statements of the Company include the accounts of Arvinas, Inc. and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

### ***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosures in the financial statements and notes. While management believes that estimates and assumptions used in the preparation of the consolidated financial statements and notes are appropriate, actual results could differ from those estimates. The most significant estimates are those used in determination of the Company's revenue recognition, research and development expenses, fair value of its common and preferred units, preferred unit warrant liability, incentive equity compensation, and fair value of its investment in a joint venture, Oerth Bio LLC (Oerth).

### ***Financial Instruments***

The Company's principal financial instruments comprise cash, marketable securities, account receivable, accounts payable, accrued liabilities and long-term debt. The carrying value of all financial instruments approximates fair value.

### ***Cash and Cash Equivalents***

The Company classifies as cash and cash equivalents amounts on deposit in banks and cash invested temporarily in various instruments, primarily money market accounts, with original maturities of three months or less at time of purchase. The carrying amounts reported in the consolidated balance sheets represent the fair values of cash and cash equivalents.

### ***Concentration of Credit Risk***

The Company maintains its cash in financial institution accounts that, at times during the year, may exceed federally insured limits. The cash balances in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash may also be maintained at commercial institutions that are not insured by the FDIC.

For the year ended December 31, 2020, 100% of the Company's revenue was attributable to three collaborators representing 37%, 32% and 31%, respectively, and one collaborator accounted for the entire accounts receivable balance. For the year ended December 31, 2019, 57% of the Company's revenue was attributable to a license contributed to Oerth, and two collaborators represented 19% and 16% of total revenue. For the year ended December 31, 2018, two collaborators each represented over 45% of total revenue.

### ***Marketable Securities***

The Company classifies its marketable securities as available-for-sale securities, which are carried at their fair value based on the quoted market prices of the securities with unrealized gains and losses reported as accumulated other comprehensive loss, a separate component of stockholders'/members' equity. Realized gains and losses on available-for-sale securities are included in net earnings in the period earned or incurred.

### ***Property, Equipment, and Leasehold Improvements***

Property and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives, which range from three years for office equipment to five years for laboratory equipment. Maintenance and repairs which do not extend the lives of the assets are charged directly to expense as incurred. Upon retirement or disposal, cost and related accumulated depreciation are removed from the related accounts, and any resulting gain or loss is recognized as a component of income or loss for the period. Leasehold improvements are recorded at cost and amortized using the straight-line method over the shorter of the lease term or the useful life of the asset.

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

When indications of potential impairments are present, the Company evaluates the carrying value of long-lived assets. The Company adjusts the carrying value of the long-lived assets if the sum of undiscounted expected future cash flows is less than carrying value. No such impairments were recorded during 2020, 2019 or 2018.

## **Segment Information**

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. All of the Company's tangible assets are held in the United States. To date, all of the Company's revenue has been generated in the United States.

## **Revenue Recognition and Deferred Revenue**

### *Revenues from Contracts*

The Company recognizes revenue under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The Company's revenue is generated through research collaboration and license agreements with pharmaceutical partners. The terms of these agreements contain multiple goods and services which may include (i) licenses, (ii) research and development activities, and (iii) participation in joint research and development steering committees. The terms of these agreements may include non-refundable upfront license or option fees, payments for research and development activities, payments upon the achievement of certain milestones, and royalty payments based on product sales derived from the collaboration. Under ASC 606, the Company evaluates whether the license agreement, research and development services, and participation in research and development steering committees, represent separate or combined performance obligations. The Company has determined that these services within its existing contracts represent a combined single performance obligation.

The research collaboration and license agreements typically include contingent milestone payments related to specified preclinical and clinical development milestones and regulatory milestones. These milestone payments represent variable consideration to be included within the transaction price using the most likely amount method. The Company determined that the most likely amount to be recognized was zero, against which no constraint was applied. The Company will continue to assess the probability of significant reversals for any amounts that become likely to be realized prior to recognizing the variable consideration associated with these payments within the transaction price.

Revenue is recognized ratably over the Company's expected performance period under each respective arrangement. The Company makes its best estimate of the period over which the Company expects to fulfill the Company's performance obligations, which includes access to technology through the license agreement and research activities. Given the uncertainties of these collaboration arrangements, significant judgment is required to determine the duration of the performance period.

For the years ended December 31, 2020, 2019 and 2018, the transaction price allocated to the combined performance obligation identified under the agreements is recognized as revenue on a straight-line basis over the estimated performance period under each respective arrangement. Straight-line basis was considered the best measure of progress in which control of the combined obligation transfers to the customers, due to the contract containing license rights to technology, research and development services, and joint committee participation, which in totality are expected to occur ratably over the performance period.

The Company's contracts may also call for certain sales-based milestone and royalty payments upon successful commercialization of a target. The Company recognizes revenues from sales-based milestone and royalty payments at the later of a) the occurrence of the subsequent sale; or b) the performance obligation to which some or all of the sales-based milestone or royalty payments has been allocated has been satisfied (or partially satisfied). The Company anticipates recognizing these milestones and royalty payments if and when subsequent sales are generated by the customer from the use of the technology. To date, no revenue from these sales-based milestone and royalty payments has been recognized for any periods.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as a contract liability in the Company's accompanying consolidated balance sheets.

The Company also recognized revenue under ASC 606 from its contribution of a license to Oerth. See Note 12.

### **Equity Method Investments**

The Company accounts for investments for which it does not have a controlling interest in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. The Company recognizes its pro-rata share of income and losses in the investment in “Loss from equity method investment” on the consolidated statement of operations and comprehensive loss, with a corresponding change to the investment in equity method investment on the consolidated balance sheet until such investment is reduced to \$0.

### **Preferred Unit Warrants**

Preferred unit warrants issued in conjunction with debt financings were initially recorded at fair value, using a Black-Scholes option pricing model, with a corresponding discount recorded against the face value of the note and a liability. The discount was then accreted against the face value of the note over its remaining term as additional interest expense.

The Company classified warrants to purchase shares of its Series A Redeemable Convertible Preferred Units (Series A Preferred Units) as a liability on its balance sheets as these warrants were free-standing financial instruments that were exercisable for contingently redeemable shares. The preferred unit warrants were recorded in long-term liabilities at fair value, estimated using the Black-Scholes option pricing model, and marked to market at each balance sheet date. The change in carrying value was reported as the change in fair value of warrant liability in the accompanying consolidated statements of operations. The outstanding warrants were exercised in July 2018 and no warrants were outstanding as of December 31, 2020 and 2019.

### **Income Taxes**

Prior to the conversion to a C-corporation, Arvinas LLC was taxed under the provisions of Subchapter K—Partners and Partnerships of the Internal Revenue Code. Under those provisions, Arvinas LLC did not pay federal or state corporate income taxes on its taxable income. Instead, each member would include net operating income or loss for Arvinas LLC on its individual return. Arvinas LLC was converted to a C-corporation in 2018.

Arvinas, Inc. and its wholly owned subsidiaries use the asset and liability method of accounting for income taxes, as set forth in ASC 740, *Accounting for Income Taxes*. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequence of temporary differences between the carrying amounts and the tax basis of assets and liabilities and net operating loss carry forwards, all calculated using presently enacted tax rates.

Management has evaluated the effect of ASC 740 guidance related to uncertain income tax positions and concluded that the Company has no significant uncertain income tax positions at December 31, 2020 and 2019.

### **Equity-based Compensation**

Prior to its IPO, the Company periodically granted incentive units to employees and non-employees, which generally vested over a four-year period. The incentive units represented a separate substantive class of equity with defined rights within the limited liability company agreement of Arvinas Holding Company, LLC (the LLC Operating Agreement). The incentive units represented profits interests in the Company, which was an interest in the increase in the value of the entity over the Participation Threshold, as defined in the LLC Operating Agreement and as determined at the time of grant. The holder, therefore, had the right to participate in distributions of profits only in excess of the Participation Threshold. The Participation Threshold was based on the valuation of the common unit on or around the grant date.

The Company accounted for incentive units granted in accordance with ASC 718, *Compensation-Stock Compensation* (ASC 718). In accordance with ASC 718, compensation expense is measured at estimated fair value of the incentive units and is included as compensation expense over the vesting period during which an employee provides service in exchange for the award.

The Company measures employee, board of director and consultant equity-based compensation for stock option and restricted stock grants based on the grant date fair value of the equity awards. Equity-based compensation expense is recognized over the requisite service period of the awards, net of estimated forfeitures. Estimated forfeitures are updated on a periodic basis based on actual experience. For equity awards that have a performance condition, the Company recognizes compensation expense based on its assessment of the probability that the performance condition will be achieved.

The Company classifies equity-based compensation expense in its consolidated statement of operations in the same manner in which the award recipient's salary and related costs are classified or in which the award recipient's service payments are classified.

### **Research and Development Expenses**

Research and development expenses include (i) employee-related expenses, including salaries, benefits, travel and stock-based compensation expense; (ii) external research and development expenses incurred under arrangements with third parties, such as contract research organization agreements, investigational sites, and consultants; (iii) the cost of acquiring, developing, and manufacturing clinical study materials; (iv) costs associated with preclinical and clinical activities and regulatory operations; and (v) costs incurred in development of intellectual property. Costs incurred in connection with research and development activities are expensed as incurred.

The Company enters into consulting, research, and other agreements with commercial entities, researchers, universities, and others for the provision of goods and services. Such arrangements are generally cancelable upon reasonable notice and payment of costs incurred. Costs are considered incurred based on an evaluation of the progress to completion of specific tasks under each contract using information and data provided by the respective vendors, including the Company's clinical sites. These costs consist of direct and indirect costs associated with specific projects, as well as fees paid to various entities that perform certain research on behalf of the Company. Depending upon the timing of payments to the service providers, the Company recognizes prepaid expenses or accrued expenses related to these costs. These accrued or prepaid expenses are based on management's estimates of the work performed under service agreements, milestones achieved, and experience with similar contracts. The Company monitors each of these factors and adjusts estimates accordingly.

### **Fair Value Measurements**

ASC Topic 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Company. ASC 825, *Financial Instruments*, defines fair value and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

Level 1—Inputs are based upon observable or quoted prices for identical instruments traded in active markets.

Level 2—Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 investments consist primarily of corporate notes and bonds and U.S. government and agency securities.

Level 3—Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The Company's marketable securities consist of corporate bonds which are adjusted to fair value each balance sheet date, based on quoted prices, which are considered Level 2 inputs (see Note 5). During the year ended December 31, 2019, a non-recurring fair value measurement was applied to determine the fair value of the non-cash consideration of 50% equity ownership received related to Oerth. The fair value measurement was determined using an income approach based primarily on utilizing management's estimates of future cash flows as inputs, which are considered Level 3 measurements within the above fair value hierarchy.

### **Net Loss per Common Share**

Basic net loss per common share is computed by dividing net loss, after adjusting for redeemable preferred unit dividends, by the weighted-average number of common shares outstanding during the period. The change in current redemption value of the redeemable preferred units was treated as a deemed dividend for the period during 2018 prior to conversion to common units. Diluted net loss per share was computed using the weighted-average number of common shares outstanding during the period and, if dilutive, the weighted average number of potential shares of common shares. The effect of the conversion of redeemable preferred units into common units was excluded from the computation of diluted net loss per common share for all periods as their effect was antidilutive. Additionally, common share equivalents are excluded from the computation of diluted net loss per common share for all periods as their effect is antidilutive.

### **New Accounting Pronouncements**

#### *Recently Adopted Accounting Pronouncements*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses*, which provides a model for recognizing credit losses on financial instruments based on an estimate of current expected losses, requiring immediate recognition of credit losses expected over the life of a financial instrument. The Company adopted ASU 2016-13 in the first quarter of 2020. The adoption of the standard was immaterial to the accompanying consolidated financial statements.

Other accounting standards that have been issued by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

### **3. License Agreements**

In July 2013, the Company entered into an exclusive license agreement, including the right to grant sublicenses, with Yale University to develop protein degradation technologies. In connection with the execution of this license agreement, the Company made a non-refundable upfront payment of \$149,511. In addition to the upfront payment, the Company paid Yale University a License Maintenance Royalty of varying amounts through the fourth anniversary of the license agreement. The minimum annual payment will be \$75,000 until the first sale to a third party of any licensed product.

The Company is also required to pay Yale University success-based milestones for the development of the protein degradation technologies as well as low single-digit running royalties on aggregate worldwide net sales of certain licensed products, which may be subject to reductions, and subject to a minimum royalty payment that ranges from \$200,000 to \$500,000. The agreement requires that, if the Company sublicenses the protein degradation technologies to a third party, the Company must pay Yale University a mid-single digit to mid-double digit percentage of Sublicense Income (as defined in the agreement) received on the first licensed product therewith. During 2015, the Company paid \$750,000 to Yale University for sublicense consideration, representing the maximum amount required to be paid for sublicense consideration for a licensed product and satisfying this obligation. During 2020, 2019 and 2018, the Company paid \$150,000, \$150,000 and \$75,000, respectively, under the license agreement. The Company is also required to reimburse Yale University for patent costs incurred. During 2020, 2019 and 2018, the Company reimbursed Yale University \$196,167, \$352,663 and \$216,093, respectively, for patent costs.

### **4. Research Collaboration and License Agreements**

In June 2019, the Company and Bayer AG entered into a Collaboration and License Agreement (Bayer Collaboration Agreement) setting forth the Company's collaboration with Bayer AG to identify or optimize proteolysis targeting chimeras, or PROTAC® targeted protein degraders, that mediate for degradation of target proteins (Targets), using the Company's proprietary platform technology, which Targets will be selected by Bayer AG, subject to certain exclusions and limitations. The Bayer Collaboration Agreement became effective in July 2019. Under the terms of the Bayer Collaboration Agreement, the Company received an upfront non-refundable payment of \$17.5 million in exchange for the use of the Company's technology license and a \$1.5 million payment to fund research activities. Bayer is committed to fund an additional \$10.5 million through 2022, of which \$3.0 million was received in 2020. These payments are being recognized over the total estimated period of performance. The Company is also eligible to receive up to \$197.5 million in development milestone payments and up to \$490.0 million in sales-based milestone payments for all designated Targets. In addition, the Company is eligible to receive, on net sales of PROTAC targeted protein degrader-related products, mid-single digit to low-double digit tiered royalties, which may be subject to reductions.

The Company determined that the Bayer Collaboration Agreement and a Stock Purchase Agreement entered into with Bayer AG at the same time should be evaluated as a combined contract in accordance with ASC 606, *Revenue from Contracts with Customers*, given that the agreements were entered into at the same time and have the same commercial objective to provide funding to further the Company's research utilizing its proprietary technology. The Company identified the elements under the agreements as license and research revenue and the issuance of the common stock. The Company determined the fair value of the shares sold under the Stock Purchase Agreement to be \$2.9 million less than the contractual purchase price stipulated in the agreement. In accordance with the applicable accounting guidance in ASC 815-40, *Contracts in Entity's Own Equity*, the Company determined that the sale of stock should be recorded at fair value. Therefore, the Company allocated the additional \$2.9 million of consideration received under the Stock Purchase Agreement to the Bayer Collaboration Agreement given that the two contracts were determined to be combined contracts. This amount has, therefore, been added to the total transaction price and was included in initial contract liabilities balances.

In December 2017, the Company entered into a Research Collaboration and License Agreement with Pfizer, Inc. (Pfizer) (the Pfizer Collaboration Agreement). Under the terms of the Pfizer Collaboration Agreement, the Company received an upfront non-refundable payment and certain additional payments totaling \$28.0 million in 2018 in exchange for use of the Company's technology license and to fund Pfizer-related research as defined within the agreement. These payments are being recognized as revenue over the total estimated period of performance. The Company is also eligible to receive up to an additional \$37.5 million in non-refundable option payments if Pfizer exercises its options for all targets under the agreement. Pfizer has exercised options for \$4.9 million as of December 31, 2020. The options are recognized as revenue over the estimated period of performance. The Company is also entitled to receive up to \$225 million in development milestone payments and up to \$550 million in sales-based milestone payments for all designated targets under the Pfizer Collaboration Agreement, as well as tiered royalties based on sales. Pfizer paid the Company \$1.2 million in December 2019 and \$3.0 million in 2020 relating to adding additional targets into the collaboration. These payments are being recognized over the estimated period of performance.

In September 2015, the Company entered into an Option and License Agreement with Genentech, Inc. and F. Hoffman-La Roche Ltd. (together, Genentech) (the Genentech Agreement). During 2015, the Company received an upfront non-refundable payment of \$11.0 million in exchange for use of the Company's technology license and to fund Genentech-related research as defined within the Genentech Agreement. In November 2017, the Company entered into an Amended and Restated Option, License, and Collaboration Agreement with Genentech, Inc. and F. Hoffman-La Roche Ltd (the Genentech Modification), amending the Genentech Agreement. Under the Genentech Modification, the Company received additional upfront non-refundable payments of \$34.5 million to fund Genentech-related research and Genentech has the right to designate up to ten targets. The Company is eligible to receive up to \$27.5 million in additional expansion target payments if Genentech exercises its options on all remaining targets. Upfront non-refundable payments are recognized as revenue over the total estimated period of performance. The Company is eligible to receive up to \$44.0 million per target in development milestone payments, \$52.5 million in regulatory milestone payments and \$60.0 million in commercial milestone payments based on sales as well as tiered royalties based on sales.

Information about contract liabilities, included as deferred revenue in the accompanying Consolidated Balance Sheets, is as follows:

	December 31,	
	2020	2019
Contract liabilities	\$ 45,089,094	\$ 58,407,407
Revenues recognized in the period from:		
Amounts included in deferred revenue in previous periods	18,651,649	14,335,188

Changes in deferred revenue as of December 31, 2020 from 2019 were due to \$21.8 million of revenue recognized on the research collaboration and license agreements and additions to deferred revenue of \$8.5 million related to the Bayer Collaboration Agreement and Pfizer Collaboration Agreement.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as of December 31, 2020 was \$45.1 million, which is expected to be recognized in the following periods (in millions):

2021	\$	19.4
2022		19.2
2023		6.5
	\$	<u>45.1</u>

## 5. Marketable Securities

The following is a summary of the Company's available-for-sale securities.

Description	December 31, 2020				
	Effective Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	2021	\$99,596,821	\$ 560,797	\$ -	\$ 100,157,618
Total		<u>\$99,596,821</u>	<u>\$ 560,797</u>	<u>\$ -</u>	<u>\$ 100,157,618</u>

Description	December 31, 2019				
	Effective Maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	2020	\$ 145,359,876	\$ 49,722	\$ —	\$ 145,409,598
Corporate bonds	2021	126,194,004	57,854	—	126,251,858
Total		<u>\$ 271,553,880</u>	<u>\$ 107,576</u>	<u>\$ —</u>	<u>\$ 271,661,456</u>

The following tables summarize the fair values and levels within the fair value hierarchy in which the fair value measurements fall for assets and liabilities measured on a recurring basis as of:

Description	December 31, 2020				Total
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
Corporate bonds	\$ —	\$ 100,157,618	\$ —		\$ 100,157,618

Description	December 31, 2019				Total
	Level 1	Level 2	Level 3		
<b>Assets:</b>					
Corporate bonds	\$ —	\$ 271,661,456	\$ —		\$ 271,661,456

The carrying value of account receivable, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these assets and liabilities.

## 6. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consist of the following:

	December 31,	
	2020	2019
Laboratory equipment	\$ 11,100,116	\$ 8,045,179
Office equipment	1,233,823	865,888
Leasehold improvements	6,058,400	2,809,205
	18,392,339	11,720,272
Less: accumulated depreciation	(6,132,824)	(3,264,861)
Property, equipment and leasehold improvements, net	<u>\$ 12,259,515</u>	<u>\$ 8,455,411</u>

Depreciation expense totaled \$3,166,139, \$1,561,557 and \$706,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

## 7. Right to Use Assets and Liabilities

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate ranges from 3.2% – 6.6%. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Some of the Company's leases include options to extend or terminate the lease. The Company includes these options in the recognition of the Company's ROU assets and lease liabilities when it is reasonably certain that the Company will exercise the option. The Company has operating leases for its corporate office and certain equipment, which expire no later than September 2024. The leases have a weighted average remaining term of 1.9 years.

The components of lease expense were as follows:

	Year Ended December 31,	
	2020	2019
Operating lease cost	\$ 995,228	\$ 817,057

Supplemental cash flow information related to leases was as follows:

	December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 920,158	\$ 581,961
Supplemental non-cash information:		
Right-of-use assets obtained in exchange for new lease obligations	\$ 572,413	\$ 571,886

Maturities of lease liabilities for operating leases as of December 31, 2020 are as follows:

2021	\$ 1,124,684
2022	1,108,065
Thereafter	<u>12,041</u>
Total lease payments	2,244,790
Less: imputed interest	<u>(204,529)</u>
Total	<u>\$ 2,040,261</u>

Prior to January 1, 2019, the Company accounted for its leases in accordance with ASC Topic 840, Leases. At December 31, 2018, the Company was committed under operating leases for its corporate office and certain equipment. Total rent expense under operating leases for the year ended December 31, 2018 was \$606,538.

## 8. Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2020	2019
Employee expenses	\$ 8,967,126	\$ 5,810,723
Research and development expenses	8,113,043	1,186,935
Professional fees and other	<u>1,779,671</u>	<u>605,246</u>
	<u>\$ 18,859,840</u>	<u>\$ 7,602,904</u>

## 9. Long-Term Debt

In August 2013, the Company entered into a Loan Agreement (Loan) and a Stock Subscription Warrant, with Connecticut Innovations, Incorporated (CII). Under the Loan, the Company could draw up to \$750,000 for the purpose of purchasing laboratory equipment, information technology equipment and leasehold improvements. Leasehold improvements are limited to \$100,000. Interest on the Loan was compounded on a monthly basis at a rate of 7.50% per annum and was required to be paid on a monthly basis beginning on the date of the first draw of funds for 10 months, then with principal payments beginning on June 1, 2015 and payable monthly until the maturity date of July 31, 2019. The Company had the ability to prepay the amount due at any time prior to the maturity date without premium or penalty. The Loan was secured by substantially all of the Company's assets. As of December 31, 2018, the amount outstanding under the Loan was \$169,610 and the total unamortized debt discount on the Loan totaled \$7,210. The Company paid the loan in full in July 2019. Interest expense recorded related to the amortization of the debt discount in the years ended December 31, 2019 and 2018 was \$7,210 and \$12,359, respectively.

In connection with an Assistance Agreement with the State of Connecticut (Assistance Agreement) entered into in 2014, under which all the borrowings by the Company were forgiven in accordance with the Assistance Agreement, the Company is required to be located in the State of Connecticut through January 2024, with a default penalty of repayment of the full original funding amount of \$2.5 million plus liquidated damages of 7.5%.

In June 2018, the Company entered into an Assistance Agreement with the State of Connecticut (2018 Assistance Agreement) to provide funding for the expansion and renovation of laboratory and office space (Project). Under the terms of the 2018 Assistance Agreement, the Company could borrow from the State of Connecticut a maximum of \$2.0 million, provided that the funding does not exceed more than 50% of the total Project costs. In September 2018, the Company borrowed \$2.0 million under the 2018 Assistance Agreement, bearing interest at 3.25% per annum and interest payments will be required for the first 60 months from the funding date. Thereafter, the loan begins to fully amortize through month 120, maturing in June 2028. According to the terms of the 2018 Assistance Agreement, up to \$1.0 million of the funding can be forgiven if the Company meets certain employment conditions, as defined in the agreement. The Company may also be required to prepay a portion of the loan if the employment conditions are not met. The 2018 Assistance Agreement requires that the Company be located in the State of Connecticut through June 2028 with a default penalty of repayment of the full original funding amount of \$2.0 million plus liquidated damages of 7.5% of the total amount of funding received.

Anticipated future minimum payments on long-term debt as of December 31, 2020 are:

2023	\$	92,480
2024		377,516
2025		389,970
Beyond 5 years		1,140,034
Total	\$	<u>2,000,000</u>

During the years ended December 31, 2020, 2019 and 2018, interest expense was \$65,000, \$85,569 and \$57,440, respectively.

## 10. Members' Equity

### Common Units

Each common unit entitled the holder to one vote on all matters submitted to a vote of the Company's members. As noted in Note 1, in September 2018, all issued and outstanding common units were converted into common stock.

### Preferred Units

During 2013 and 2014, Arvinas, Inc. sold 22,463,665 shares of Series A Redeemable Convertible Preferred Stock (Series A Preferred Stock) for \$15.3 million at a price of \$0.6811 per share. The Series A Preferred Stock was subsequently exchanged for Series A Preferred Units in Arvinas LLC upon the reorganization. During 2015, the Company sold 24,977,489 Series B Redeemable Convertible Preferred Units (Series B Preferred Units) in exchange for \$41.6 million at a price of \$1.6659 per share. In March 2018, the Company entered into a Series C Preferred Unit Purchase Agreement (the Series C Agreement) to raise additional equity. Under the terms of the Series C Agreement, the Company sold 16,467,066 units of Series C Redeemable Convertible Preferred Units (Series C Preferred Units) for \$55.0 million at a price of \$3.34 per unit. As noted in Note 1, in September 2018, after giving effect of the 3.25 to 1 reverse split, all issued and outstanding preferred units were converted into preferred stock and subsequently into common stock upon the closing of the IPO.

## 11. Equity

### *Common Stock*

During December 2020, the Company completed a public offering in which the Company issued and sold 6,571,428 shares of common stock at a public offering price of \$70.00 per share, which resulted in aggregate net proceeds of \$431.9 million, net of underwriter discounts, commissions and offering costs of \$28.1 million.

In October 2019, the Company entered into an Equity Distribution Agreement (Distribution Agreement) with Piper Sandler Companies, formerly Piper Jaffray & Co. (Piper Sandler), pursuant to which the Company may offer and sell from time-to-time in an "at-the-market offering," at its option, up to an aggregate of \$100.0 million of shares of the Company's common stock through Piper Sandler, as sales agent. During year ended December 31, 2020, the Company sold 2,593,637 shares of its common stock resulting in proceeds to the Company of \$64.1 million, net of offering costs of \$1.6 million.

In November 2019, the Company completed a public offering in which the Company issued and sold 5,227,273 shares of common stock at a public offering price of \$22.00 per share. The Company's aggregate gross proceeds from the sale of shares in the public offering was \$115.0 million before fees and expenses of \$7.4 million.

In June 2019, the Company entered into a Stock Purchase Agreement with Bayer AG pursuant to which, in connection with the closing in July 2019, the Company issued and sold to Bayer AG 1,346,313 shares of the Company's common stock (the Shares) for a contractually stated purchase price of \$32.5 million. The value of the shares of the Company's common stock was based on the average of the Company's common stock for the preceding 60 days prior to the signing of the Stock Purchase Agreement plus a fifteen percent premium. On October 1, 2019, the Company filed a registration statement covering these shares.

### *Share-based Compensation*

In September 2018, the Company adopted the 2018 Employee Stock Purchase Plan (the 2018 ESPP) initially providing participating employees with the opportunity to purchase an aggregate of 311,850 shares of the Company's common stock. The number of shares of the Company's common stock reserved for issuance under the 2018 ESPP increased, pursuant to the terms of the 2018 ESPP, by an additional 323,377 shares, equal to 1% of the Company's then-outstanding common stock, effective as of January 1, 2019, and by an additional 390,371 shares, equal to 1% of the Company's then-outstanding common stock, effective as of January 1, 2020. The first offering period under the 2018 ESPP commenced on January 1, 2020. During the year ended December 31, 2020, the Company issued 11,046 shares of common stock under the 2018 ESPP. As of December 31, 2020, 1,014,552 shares remained available for purchase.

All of the Company's employees are eligible to participate in the 2018 ESPP, provided they meet certain employment requirements. On each offering commencement date, each participant will be granted the right to purchase, on the last business day of the offering period, a number of shares of the Company's common stock determined by multiplying \$2,083 by the number of full months in the offering period and dividing that product by the closing price of the Company's common stock on the first day of the offering period. On the commencement date of each offering period, each eligible employee may authorize up to a maximum of 15% of the compensation he or she receives during the offering period to be deducted by the Company during the offering period. Under the terms of the 2018 ESPP, the purchase price shall be determined by the Company's board of directors for each offering period and will be at least 85% of the applicable closing price of the Company's common stock. If the Company's board of directors does not make a determination of the purchase price, the purchase price will be 85% of the lesser of the closing price of the Company's common stock on the first business day of the offering period or the last business day of the offering period.

In the Fourth Amendment to the Company's Incentive Share Plan (the Incentive Plan) adopted in March 2018, the Company was authorized to issue up to an aggregate of 6,199,477 incentive units pursuant to the Incentive Plan. Generally, incentive units were granted at no less than fair value as determined by the board of managers and had vesting periods ranging from one to four years. The Incentive Plan was terminated in September 2018. In September 2018, the Company's board of directors adopted and the Company's stockholders approved the 2018 Stock Incentive Plan (the 2018 Plan), which became effective upon the effectiveness of the registration statement on Form S-1 for the Company's IPO. The number of common shares initially available for issuance under the 2018 Plan equaled the sum of (1) 4,067,007 shares of common stock; plus (2) the number of shares of common stock (up to 1,277,181) issued in respect of incentive units granted under the Incentive Plan that are subject to vesting immediately prior to the effectiveness of the registration statement that expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right; plus (3) an annual

increase on the first day of each fiscal year beginning with the fiscal year ended December 31, 2019 and continuing to, and including, the fiscal year ending December 31, 2028, equal to the lowest of 4,989,593 shares of the Company's common stock, 4% of the number of shares of the Company's common stock outstanding on the first day of the fiscal year and an amount determined by the Company's board of directors. The increase in the number of authorized shares for the fiscal years ending December 31, 2020 and 2019 was 1,561,485 and 1,293,510, respectively. Common shares subject to outstanding equity awards that expire or are terminated, surrendered, or cancelled without having been fully exercised or are forfeited in whole or in part shall be available for future grants of awards.

During 2018, the Company granted 1,715,368 incentive units to employees and directors under the Incentive Plan. In September 2018, each outstanding incentive unit was converted into a number of shares of common stock based upon the IPO price. Certain of the shares of common stock issued in respect of incentive units continue to be subject to vesting in accordance with the vesting schedule that was applicable to such incentive units. The Company granted 1,253,263 restricted shares to employees and directors as part of the conversion. The Company also granted 1,744,650 stock options to purchase shares of common stock to employees and directors who were holders of incentive units at the time of the incentive unit conversion. In September 2018, in connection with the conversion of the incentive units, the Company granted 11,097 restricted shares of common stock and 251,010 stock options to purchase shares of common stock to consultants.

For the years ended December 31, 2020, 2019 and 2018, the Company recognized \$30,230,858, \$20,072,710 and \$11,630,300, respectively, of total compensation expense for awards classified as equity awards related to its stock options, restricted stock awards and restricted stock units. At December 31, 2020, there was \$22,647,241 of compensation expense that is expected to be recognized over a weighted average period of approximately 2 years.

The fair value of the stock options granted during each of the years was determined using the Black-Scholes option pricing model with the following assumptions:

	2020	2019	2018
Expected volatility	70% - 75%	69% - 71%	68% - 70%
Expected term (years)	5.3 - 7.0	5.5 - 7.0	5.0 - 10.0
Risk free interest rate	0.3% - 1.6%	1.4% - 2.7%	2.6% - 3.1%
Expected dividend yield	0%	0%	0%
Exercise price	\$22.70 - \$50.00	\$17.29 - \$37.66	\$14.44 - \$16.24

Given the Company's common stock has not been trading for a sufficient period of time, the Company utilizes a collection of volatilities of peer companies to estimate the expected volatility of its common stock. The expected term is calculated utilizing the simplified method.

A summary of the stock option activity under the 2018 Plan as of December 31, 2020 is presented below. These amounts include stock options granted to employees, directors and consultants.

<b>Stock Options</b>	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2019	3,432,198	\$ 18.05		
Granted	1,424,402	\$ 43.67		
Exercised	(447,113)	\$ 17.76		
Forfeited	(87,605)	\$ 26.94		
Outstanding at December 31, 2020	<u>4,321,882</u>	<u>\$ 26.35</u>	<u>8.4</u>	<u>\$ 253,193,160</u>
Exercisable at December 31, 2020	<u>1,665,452</u>	<u>\$ 17.50</u>	<u>\$ 7.9</u>	<u>\$ 112,307,482</u>

Included in the stock options granted in the table above are options to purchase 1,995,660 shares of common stock that were granted to employees, directors, and consultants granted at the time of the incentive unit conversion in September 2018 that have the same vesting terms as the profit units that were outstanding in September 2018 before the profit interests were converted into common stock. At the time of issuance of the stock options, 357,658 stock options to purchase shares of common stock became immediately vested, resulting in stock compensation expense of \$3,627,507.

The weighted-average grant date fair value of options granted during the years ended December 31, 2020, 2019 and 2018 was \$27.45, \$13.28 and \$9.88, respectively. The total intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was approximately \$19.4 million, \$1.9 million and zero, respectively. The excess tax benefit classified as a financing cash flow was not significant for any of the periods presented.

At December 31, 2020, \$21.5 million of total unrecognized compensation cost related to non-vested stock options granted under the 2018 Plan is expected to be recognized over the next two years.

A summary of the restricted stock grant activity under the Incentive Plan as of December 31, 2020 is presented below. These amounts include restricted stock granted to employees, directors and consultants.

<b>Restricted Stock Awards</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Unvested restricted stock at December 31, 2019	576,074	\$ 16.00
Vested	(325,818)	\$ 16.00
Forfeited	(11,544)	\$ 16.00
Unvested restricted stock at December 31, 2020	<u>238,712</u>	<u>\$ 16.00</u>

A summary of restricted stock unit activity under the 2018 Plan for the year ended December 31, 2020 is presented below. These amounts include restricted stock units granted to employees.

<b>Restricted Stock Units</b>	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Unvested restricted stock units at December 31, 2019	181,372	\$ 20.00
Exercised	(45,346)	\$ 20.00
Forfeited	(2,977)	\$ 19.36
Unvested restricted stock units at December 31, 2020	<u>133,049</u>	<u>\$ 20.01</u>

At December 31, 2020, there were 217,232 restricted shares under the Incentive Plan, 4,053,998 stock options under the 2018 Plan, and 114,243 restricted stock units under the 2018 Plan that have vested or are expected to vest.

## **12. Investment in Equity Method Investee**

In June 2019, the Company entered into an agreement to establish a joint venture (Commitment Agreement) with Bayer CropScience LP (Bayer LP) to research, develop and commercialize PROTAC targeted protein degraders for applications in the field of agriculture. In July 2019, the Company and Bayer LP completed the formation of the joint venture entity, Oerth. Pursuant to the terms of the Commitment Agreement, the Company made an in-kind intellectual property contribution to Oerth in the form of a license to certain of the Company's proprietary technology. Bayer LP has made a \$56.0 million total cash commitment to Oerth, \$16.0 million of which Bayer LP has contributed to Oerth during the quarter ended September 30, 2019, and an in-kind intellectual property contribution. The Company and Bayer LP each hold an ownership interest in Oerth initially representing 50% of the ownership interests. A 15% ownership interest of Oerth is reserved for the future grant of incentive units to employees and service providers of Oerth.

Under the Commitment Agreement, the Company has no obligation to provide any additional funding and the Company's ownership interest will not be diluted from future contributions from Bayer LP. The Company has no exposure to future losses of Oerth. The activities of Oerth are controlled by a management board under the joint control of the Company and Bayer LP. As Oerth is jointly controlled by the Company and Bayer LP, the Company accounts for its 50% interest using the equity method of accounting. The Company determined that Oerth is a variable interest entity and, accordingly, the Company has evaluated the significant activities of Oerth under the variable interest entity model and concluded that the significant activities consist primarily of research and development activities and, as the Company does not have the sole power to direct such activities, the Company is not the primary beneficiary.

The Company will also provide to Oerth compensated research and development services and administrative services through a separate agreement. The services rendered by the Company during the years ended December 31, 2020 and 2019 were insignificant.

The Company determined that the fair value of the equity interest it received in Oerth in exchange for the license contributed was \$49.4 million. The fair value of Oerth was determined utilizing discounted cash flows based on reasonable estimates and assumptions of cash flows expected from Oerth.

The Company recognized revenue of \$24.7 million attributable to the license contributed to Oerth and eliminated the remaining \$24.7 million which corresponds to the Company's 50% ownership in Oerth. The Company determined that the amount that was eliminated represents intra-entity profit which should be deferred until realized by Oerth. The deferral will be recognized if and when Oerth recognizes revenue associated with the license. Until such time, the remaining \$24.7 million of revenue is indefinitely deferred and excluded from the results of operations of the Company. The amount recognized as revenue was treated as such because the licensing of its technology in connection with the formation of a joint venture is part of the Company's major ongoing or central operations, as evidenced by previous licensing agreements.

Total operating expenses and net loss of Oerth for 2020 was \$8.3 million. Total operating expenses and net loss of Oerth for 2019 was \$49.8 million, which included research and development expenses equal to \$49.4 million for the fair value of the license acquired from Arvinas. The Company's initial investment in Oerth was \$49.4 million which represented the fair value of shares received in exchange for the contribution of the license. The elimination of the intra-entity profit component of the revenue resulted in a reduction in the balance of the investment in Oerth, bringing its initial carrying value of the investment to \$24.7 million. During 2019, the Company recorded equity method losses of \$24.7 million based on its proportionate share of ownership. After recognition of its proportionate share of Oerth's losses for the period the carrying value of the investment as of December 31, 2019 was reduced to \$0, and, as a result, no additional losses were recorded against the carrying value of the investment during the year ended December 30, 2020.

### 13. Income Taxes

The Company has had no income tax expense due to operating losses incurred for the years ended December 31, 2020 and 2019. The Company has also not recorded any income tax benefits for the net operating losses incurred in each period due to its uncertainty of realizing a benefit from those items. All of the Company's losses before income taxes were generated in the United States.

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Federal statutory rate	21.0%	21.0%	21.0%
Federal research tax credit	4.1%	3.5%	2.5%
Stock compensation	(1.7)%	(2.2)%	(3.3)%
Change in valuation allowance	(23.3)%	(22.0)%	(20.3)%
Other	(0.1)%	(0.3)%	0.1%
	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Deferred income taxes represent the tax effect of transactions that are reported in different periods for financial and tax reporting purposes. Temporary differences and carryforwards that give rise to a significant portion of the deferred income tax benefits and liabilities are as follows at December 31, 2020 and 2019:

	2020	2019
Deferred income tax assets:		
Loss carryforwards	\$ 43,074,539	\$ 21,733,983
Deferred revenue	8,978,710	7,871,790
Tax credits	10,070,208	5,121,644
Stock compensation	5,038,675	3,580,768
Other	172,170	183,118
Total deferred income tax assets	<u>67,334,302</u>	<u>38,491,303</u>
Deferred income tax liabilities		
Other	(43,103)	(35,011)
Property, equipment and leasehold improvements	(2,377,997)	(1,293,932)
Total deferred income tax liabilities	<u>(2,421,100)</u>	<u>(1,328,943)</u>
Less valuation allowance	(64,913,202)	(37,162,360)
Net deferred income tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company has provided a valuation allowance against the full amount of the deferred tax assets since, in the opinion of management, based upon the history of losses of the Company, it is more likely than not that the benefits will not be realized. All or a portion of the remaining valuation allowance may be reduced in future years based on an assessment of earnings sufficient to utilize these potential tax benefits. The valuation allowance increased by \$27.8 million in 2020 and \$15.4 million in 2019 due to the increase in the net operating loss carryforwards, stock compensation expense and research and development tax credits.

The Company had approximately \$205.1 million and \$103.5 million of federal net operating loss carryforwards as of December 31, 2020 and 2019, respectively. Federal net operating loss carryforwards as of December 31, 2017 expire at various dates through fiscal year 2037 and federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such carryforwards is limited to 80% of the Company's taxable income in the year in which carryforwards are used. The Company believes the federal net operating losses are subject to an annual limitation as a result of changes in the Company's ownership, as defined by Federal Internal Revenue Code Section 382, in November 2019. Notwithstanding the limitations, the Company expects the federal net operating losses to be fully available under Section 382 within the next two years. The Company had approximately \$10.1 million and \$5.1 million of federal tax credit carryforwards as of December 31, 2020 and 2019, respectively, which expire at various dates through fiscal year 2040. The Company estimates that its federal credits will not be subject to the Section 382 limitation and the federal tax credits will be available to offset future federal income tax within the next two years.

The Company complies with the provisions of ASC 740 in accounting for its uncertain tax positions. ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in tax expense. The Company had no accruals for interest and penalties at December 31, 2020 and 2019.

The Company is required to file income tax returns in the U.S. Federal jurisdiction, and in the States of Connecticut, Massachusetts and North Carolina. The Company is a state franchise taxpayer due to the Company's loss position. As a result, there is no state income tax provision included in the financial statements. The 2016 tax year forward remain subject to future examinations by the applicable taxing authorities.

For the years ended December 31, 2020, 2019 and 2018, the Company recorded a benefit from expected cash refunds to be provided by the State of Connecticut, equal to 65% of research and development credits, of \$1.8 million, \$1.4 million and \$0.1 million, respectively, which is included in Other Income in the accompanying consolidated statement of operations and comprehensive loss, due to the Company being a state franchise taxpayer. The benefit results from the exchange of the state research and development tax credit carryforwards for cash refunds. At December 31, 2020 and 2019, the Company has recorded receivables of \$3.2 million and \$1.4 million, respectively, relating to research and development credits due to the Company.

#### 14. Commitments and Contingencies

##### Consulting and Sponsored Research Agreement Commitments

In July 2016, the Company entered into a Corporate Sponsored Research Agreement (SRA) with Yale University, which was amended in April 2018. The amended SRA extended the agreement until April 2021 and amended the scope of work. The amended SRA requires quarterly payments of \$250,000 through the end of the agreement. The total payments made under the SRA for 2020, 2019 and 2018 were \$1,000,000, \$1,000,000 and \$851,161, respectively.

The Company entered into a consulting agreement with its Chief Scientific Advisor in 2018, which extends into 2021, and requires monthly payments of \$20,833. During the years ended December 31, 2020, 2019 and 2018, the Company paid \$250,000, \$250,000 and \$176,110, respectively, pursuant to this consulting agreement.

#### 15. Net Loss Per Common Share

Basic and diluted loss per common share were calculated as follows:

	2020	2019	2018
Net loss	\$ (119,332,064)	\$ (70,292,227)	\$ (41,480,466)
Change in redemption value of preferred units	-	-	(198,366,756)
Net loss attributable to common shares – basic and diluted	<u>\$ (119,332,064)</u>	<u>\$ (70,292,227)</u>	<u>\$ (239,847,222)</u>
Weighted average number of common shares outstanding, basic and diluted	39,534,497	32,927,697	9,422,799
Net loss per common share	<u>\$ (3.02)</u>	<u>\$ (2.13)</u>	<u>\$ (25.45)</u>

The Company's potential dilutive securities have been excluded from the computation of diluted net loss per common share as the effect would be to reduce the net loss per common share. The following common share equivalents have been excluded from the calculations of diluted loss per common share because their inclusion would have been antidilutive.

	2020	2019	2018
Stock options	4,321,882	3,432,198	2,273,024
Restricted stock awards	238,712	576,074	1,102,289
Restricted stock units	133,049	181,372	-
	<u>4,693,643</u>	<u>4,189,644</u>	<u>3,375,313</u>

**FIFTH AMENDMENT TO LEASE**

**THIS FIFTH AMENDMENT TO LEASE** (the “**Agreement**”) is entered into as of this 4th day of January, 2021 by and between **SCIENCE PARK DEVELOPMENT CORPORATION**, a Connecticut non stock corporation having its office at 5 Science Park, New Haven, Connecticut 06511 (the “**Landlord**”), and **ARVINAS OPERATIONS, INC.**, f/k/a Arvinas, Inc., a Delaware corporation having a principal place of business at 5 Science Park, 1st Floor, New Haven, Connecticut 06511 (the “**Tenant**”) in modification of that certain Lease between the Landlord and the Tenant executed on or about January 2, 2018 (the “**Original Lease**”), as amended by the First Amendment to Lease between Landlord and Tenant and dated as of May 23, 2018 (the “**First Amendment**”), as further modified by the Second Amendment to Lease between Landlord and Tenant and dated as of September 4, 2018 (the “**Second Amendment**”), as further modified by the Third Amendment to Lease between Landlord and Tenant and dated as of March 12, 2019 (the “**Third Amendment**”), and as further modified by the Fourth Amendment to Lease between Landlord and Tenant and dated as of January 31, 2020 (the “**Fourth Amendment**”). The Original Lease as modified by the First Amendment, the Second Amendment, the Third Amendment, and the Fourth Amendment are collectively referred to herein as the “**Lease**”.

**WHEREAS**, the Landlord and the Tenant are parties to the Lease which is in full force and effect; and

**WHEREAS**, the Landlord and the Tenant wish to modify the Lease as more fully set forth herein; and

**NOW, THEREFORE**, the Landlord and the Tenant agree as follows:

1. **Amendments to Lease.** As of January 1, 2021, the following modifications are made to the Lease:
  - a) Section 1.1(a) of the Lease is amended and restated to read, in full, as follows:

Landlord is the owner of the real property located at Science Park, New Haven, Connecticut as described on **Exhibit A** attached hereto (the “**Property**”). The Tenant shall lease from Landlord the following premises located in Science Park Building 5 (“**Building 5**”), which is located on the Property: (i) approximately 7,873 rentable square feet on the first floor of Building 5, as shown on the floor plan attached hereto as **Schedule A-1** (the “**First Floor Premises**”); (ii) approximately 10,249 rentable square feet on the second floor of Building 5, as shown on the floor plan attached hereto as **Schedule A-2** (the “**Second Floor Premises**”); approximately 9,456 rentable square feet on the third floor of Building 5, as shown on the floor plan attached hereto as **Schedule A-3** (the “**Third Floor Premises**”); (iii) as of May 15, 2018, approximately 2,632 rentable square feet on the first floor of Building 5, as shown on the floor plan attached hereto as **Schedule A-4** (the “**Part A Space**”); (iv) as of May 1, 2019, or earlier as provided in Section 2.4.G. of the Lease, approximately 3,705 rentable square feet on the first floor of Building 5, as shown on the floor plan attached hereto as **Schedule A-4** (the “**Part**

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**B Space**"); (v) as of September 1, 2018, approximately 84 rentable square feet on the first floor of Building 5 as shown on the floor plan attached hereto as **Schedule A-5** (the "**September 2018 Space**"); (vi) as of March 1, 2019 approximately 1,468 rentable square feet (subsequently reduced to approximately 1,264 rentable square feet) on the second floor of Building 5 as shown on the floor plan attached hereto as **Schedule A-6** (the "**March 2019 Space**"); (vii) as of April 1, 2019 approximately 3,719 rentable square feet on the first floor of Building 5 as shown on the floor plan attached hereto as **Schedule A-7** (the "**April 2019 Space**"); (viii) as of February 1, 2020 approximately 9,889 rentable square feet on the third floor of Building 5 as shown on the floor plan attached hereto as **Schedule A-8** (the "**February 2020 Space**"); and as of February 1, 2021 approximately 10,708 rentable square feet on the second floor of Building 5 as shown on the floor plan attached hereto as **Schedule A-9** (the "**February 2021 Space**"). Tenant shall have exclusive use of the Landlord's fixtures, equipment, furniture and other personalty as set forth in **Schedule A-1** attached hereto ("**Landlord's Additional Property**"). The First Floor Premises, the Second Floor Premises, the Third Floor Premises, the Part A Space, the Part B Space, the September 2018 Space, the March 2019 Space, the April 2019 Space, the February 2020 Space, the February 2021 Space, and the Landlord's Additional Property shall be referred to herein collectively as the "Leased Premises". Landlord's Additional Property shall be considered part of the Leased Premises but shall remain property of the Landlord.

b) A new Section 2.4.L. is added to the Lease to provide, in full, as follows:

L. The February 2021 Space is currently subject to a lease (the "**Clifford Beers Lease**") between Landlord and The Clifford Beers Guidance Clinic, Incorporated ("**Clifford Beers**"). Landlord shall deliver the February 2021 Space to Tenant in a broom clean condition, free of any personal property of any prior tenants, except as otherwise agreed. The February 2021 Space shall be leased to Tenant in its then "as is" condition and Landlord shall not be required to construct any additional improvements in, or contribute anything of value in connection with any Tenant's Work with respect to the February 2021 Space. Landlord shall not be liable to Tenant or otherwise be in default hereunder in the event that Landlord is delayed or is unable to deliver the February 2021 Space to Tenant due to the failure of Clifford Beers to timely vacate and surrender the February 2021 Space to Landlord, or any portion thereof.

c) Section 2.1(a) of the Lease is modified by amending and restating the last sentence thereof to read in full as follows:

Unless sooner cancelled or terminated or extended in accordance with the terms of this Lease, the Term will expire with respect to the entire Leased Premises as of December 31, 2024 (the "**Expiration Date**").



- d) Section 3.1.A. of the Lease is modified by deleting the last line of the Base Rent chart (for the months of February 2020 through December 2022) and substituting therefor the following:

Months of Term	Base Rent Rate (Annually per RSF)	Applicable RSF	Monthly Base Rent
February, 2020 - January, 2021	\$21.00	48,766	\$ 85,340.50
February, 2021 - December, 2022	\$21.00	59,474	\$104,079.50
January, 2023 – December, 2024	\$23.50	59,474	\$116,469.91

- e) Section 3.2.A. of the Lease is modified to add the following provisions:

"2021 Base Year" shall mean the calendar year 2019.

"2021 Operating Expenses" shall mean the amount of Operating Expenses attributable to the 2021 Base Year.

"2021 Property Taxes" shall mean the amount of Property Taxes attributable to the 2021 Base Year.

- f) The last paragraph of Section 3.2.A. of the Lease is amended and restated to read, in full, as follows:

**“Tenant’s 2018 Proportionate Share”, “Tenant’s 2019 Proportionate Share” and Tenant’s 2021 Proportionate Share** shall mean, respectively, those fractions, the numerator of which is: (i) with respect to Tenant’s 2018 Proportionate Share, 38,877 rentable square feet (the **“Initial Premises”**) (the **“2018 Numerator”**); (ii) with respect to Tenant’s 2019 Proportionate Share, 9,889 rentable square feet (the **“2019 Numerator”**), and (iii) with respect to Tenant’s 2021 Proportionate Share, 10,708 rentable square feet, and the denominator for each of which (the **“Denominator”**) is the average of the total rentable square feet of floor space in Building 5 actually under lease to tenants during the calendar year in question (as such number is determined by leases, whether verbal or in writing, and pursuant to the terms of which leases rent has commenced to be payable), (said average being referred to as the **“Average Occupancy Figure”**). Notwithstanding the foregoing, in the event that the Average Occupancy Figure is less than ninety five percent (95%) of the total rentable square footage in Building 5 during any calendar year, then in such event (i) the Denominator described hereinabove shall be then established during such period in question at ninety five percent (95%) of



the total rentable square footage in Building 5, and (ii) those components of Operating Expenses which relate to and are incurred as a consequence of Building 5 tenant use and occupancy (including Building 5 maintenance and repair, janitorial and cleaning expenses. Building 5 management fees and costs and Building 5 tenant electric expenses) shall be increased on a pro rata basis from the actual levels at which they are incurred during any given calendar year in question to the levels at which they would have been incurred had the Average Occupancy Figure been ninety five percent (95%) of the total square footage in Building 5 during the calendar year in question.

**“Tenant’s 2018, 2019 and 2021 Proportionate Shares”** shall mean Tenant’s 2018 Proportionate Share, Tenant’s 2019 Proportionate Share, and Tenant’s 2021 Proportionate Share.

g) Section 3.2.B. of the Lease is amended and restated to read, in full, as follows:

B. **Expense and Tax Increases.** In addition to the Base Rent, Tenant shall pay to Landlord, as Additional Rent, as hereinafter provided, (I) Tenant's 2018 Proportionate Share of (i) increases in Operating Expenses over the Base Operating Expenses, and (ii) increases in Property Taxes over Base Property Taxes; (II) Tenant's 2019 Proportionate Share of (a) increases in Operating Expenses over 2019 Operating Expenses, and (b) increases in Property Taxes over 2019 Property Taxes, and (c) (III) Tenant's 2021 Proportionate Share of (1) increases in Operating Expenses over 2021 Operating Expenses, and (2) increases in Property Taxes over 2021 Property Taxes (collectively referred to as the "**Expense and Tax Increases**"). In advance of each calendar year during the Term, Landlord shall furnish Tenant with an estimate (which estimate may be changed by Landlord from time to time) of Tenant's 2018, 2019 and 2021 Proportionate Shares of the Expense and Tax Increases for the ensuing calendar year (or portion thereof). Commencing with the monthly installment of Base Rent payable for January, 2019, and thereafter on the first (1st) day of each month of calendar year 2019, Tenant shall pay to Landlord one-twelfth (1/12th) of the amount of Landlord's then current estimate of Expense and Tax Increases. Commencing with the monthly installment of Base Rent payable for January, 2020 (as to the Initial Premises) and February, 2020 (as to the February 2020 Space) and thereafter on the first (1st) day of each month of through December 31, 2021, Tenant shall pay to Landlord one-twelfth (1/12th) of the amount of Landlord's then current estimate of Expense and Tax Increases. Commencing with the monthly installment of Base Rent payable for January, 2022, and thereafter on the first (1st) day of each month of the Term, as to the entire Leased Premises, Tenant shall pay to Landlord one-twelfth (1/12th) of the amount of Landlord's then current estimate of Expense and Tax Increases. Within 180 days after the end of each calendar year and within 180 days after the end of the Term, Landlord shall submit to Tenant a statement, prepared by Landlord, of the actual



Expense and Tax Increases for the preceding calendar year (or partial calendar year in the event the Term shall end on a date other than a December 31<sup>st</sup>), and the figures used for computing Tenant's 2018,2019 and 2021 Proportionate Shares for the preceding calendar year, and if Tenant's 2018, 2019 and 2021 Proportionate Shares of Expense and Tax Increases so stated for such period is (i) more than the amount paid for such period, Tenant shall pay to Landlord the deficiency within thirty (30) days after submission of such statement, or (ii) less than the amount paid for such period, at Landlord's sole election, Tenant shall be entitled to a credit in the amount of such excess against amounts next coming due under this Paragraph or Landlord shall refund the amount of such overpayment to Tenant (or a refund of such excess in the case of the end of the term of this Lease). Any such adjustment shall survive the expiration or earlier termination of the Term. If Landlord shall furnish such estimate subsequent to the commencement of any such calendar year, then, until the first (1st) day of the month following the month in which such estimate is furnished to Tenant, Tenant shall pay to Landlord on the first (1st) day of each month an amount equal to Tenant's monthly payment with respect to Tenant's 2018, 2019 and 2021 Proportionate Shares of Expense and Tax Increases for the last month of the preceding calendar year.

- h) Section 3.4 of the Lease is modified by deleting the last line of the Electricity charge payable chart (for the months of February 2020 through December 2022) and substituting therefor the following:

<b>Months of Term</b>	<b>Electricity Charge (Annually per RSF)</b>	<b>Applicable RSF</b>	<b>Monthly Electricity Charge</b>
February, 2020 - January, 2021	\$2.50	48,766	\$10,159.58
February, 2021 - December, 2024	\$2.50	59,474	\$12,390.42

2. **Schedules.** **Schedule A-9** attached hereto is hereby made a part of the Lease as amended by this Agreement.

3. **Extended Term.** Tenant shall continue to retain its right to an Extended Term under and subject to the provisions of Article 35 of the Lease as to the entire Leased Premises (inclusive of the Mandatory Expansion Premises), which Extended Term would commence immediately following the Expiration Date of the Lease as extended by this Agreement.

4. **Reaffirmation of Lease.** In all other respects, the Lease, as hereby amended, is reaffirmed by the Parties and shall be and remain in full force and effect.



5. **Landlord and Tenant Remain Obligated.** Nothing herein shall constitute a waiver or release by the Landlord or the Tenant of any unperformed obligations of the other under the Lease as modified by this Agreement.

6. **Brokerage.** Landlord shall pay an agreed commission to Colliers International by way of a separate agreement. Landlord represents to Tenant that no other broker has any right to lease space at the Property and Landlord agrees to indemnify and hold Tenant harmless from and against the claims, losses, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Tenant as a result of any party asserting a right to a fee or commission claiming to have acted by, under, through or on behalf of the Landlord. Tenant agrees to indemnify and hold Landlord harmless from and against the claims, losses, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Landlord as a result of any party other than Colliers International claiming a fee or commission by, under or through Tenant on account of this Agreement and/or the extension of the Term of the Lease provided for in this Agreement.

7. **Later Provision Controls.** In case of any inconsistency between the provisions of the Lease and this Agreement, the provisions of this Agreement shall govern and control. Without limiting the meaning or application of the foregoing sentence in any manner, the provisions of Paragraph 5 of this Agreement supersede and replace Article 29 with respect to this Agreement.

8. **Capitalized Terms.** Capitalized terms used but not otherwise defined herein shall have the same meaning as set forth in the Lease.

9. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements.

10. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement transmitted by telecopy or otherwise electronically shall be valid and effective to bind the party so signing. Each party agrees promptly to deliver an execution original to this Agreement with its actual signature to the other party, but a failure to do so shall not affect the enforceability of this Agreement, it being expressly agreed that each party to this Agreement shall be bound by its own telecopied or electronic signature and shall accept the telecopied or electronic signature of the other party to this Agreement.

*[The Signature Page(s) Follow.]*



# Science Park Development Corporation

5 Science Park, New Haven CT 06511-1966 ph 203.785.0840 fax 203.785.0846

Dated as of the date and year first above written.

Signed, Sealed and **TENANT:**  
Delivered In ARVINAS OPERATIONS, INC.  
the Presence of:

/s/ Carol Barnabei By: /s/ Sean Cassidy  
Witness Name: Sean Cassidy  
/s/ Carol Barnabei Treasurer and Chief Financial Officer  
Witness Name:

**LANDLORD:**  
SCIENCE PARK DEVELOPMENT CORPORATION

/s/ Carol Barnabei By: /s/ Clio Nicolakis  
Witness Name: Clio Nicolakis  
/s/ Carol Barnabei Executive Director and Controller  
Witness Name:

STATE OF CONNECTICUT)  
)ss.: New Haven January 4, 2021

COUNTY OF NEW HAVEN)

On this date personally appeared before me, Sean Cassidy, who acknowledged himself to be the duly authorized Treasurer and Chief Financial Officer of Arvinas Operations, Inc., a Delaware corporation, and that the execution hereof was the free act and deed of such corporation and his/her free act and deed as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.

/s/ Carol Barnabei  
Commissioner of the Superior Court/Notary Public



# Science Park Development Corporation

5 Science Park, New Haven CT 06511-1966 ph 203.785.0840 fax 203.785.0846

---

STATE OF CONNECTICUT        )  
  ) ss.: New Haven January 4, 2021  
COUNTY OF NEW HAVEN        )

On this date personally appeared before me, Clio Nicolakis, who acknowledged herself to be the duly authorized Executive Director and Controller of Science Park Development Corporation, a Connecticut non stock corporation, and that the execution hereof was the free act and deed of such corporation and her free act and deed as such officer.

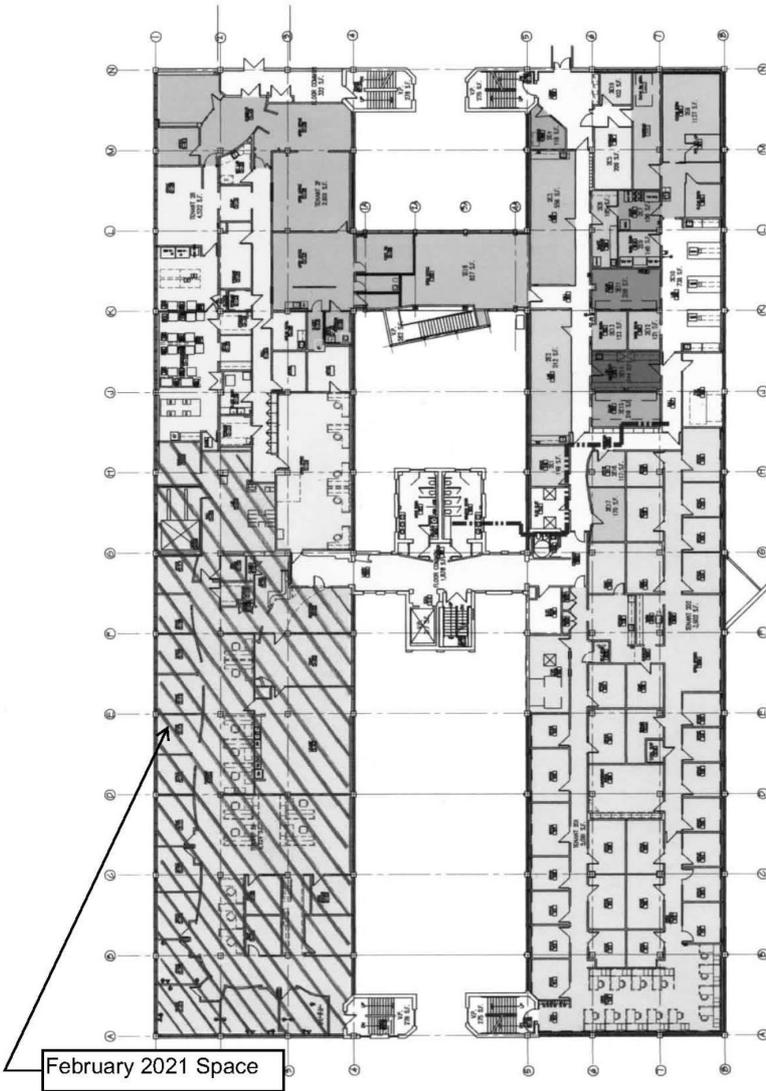
IN WITNESS WHEREOF, I hereunto set my hand.

/s/ Carol Barnabei

\_\_\_\_\_  
Commissioner of the Superior Court/Notary Public



## SCHEDULE A-9



February 2021 Space

BASE CASE PLAN

SECOND FLOOR PLAN

5 SCIENCE PARK

8/Cherry Lane  
New Haven, CT 06511  
(203) 785-5110  
203.785.5110

ARCHITECTS

**S V I G A L S**  
+ PARTNERS

SECOND FLOOR PLAN

JOB NAME: 5 SCIENCE PARK

DRAWING NO: **A2**

SCALE: NTS

DATE: 2020-01-06

JOB NO: —

PAGE NO: —



February 23, 2021

Andria McBride  
Arvinas, Inc.  
5 Science Park  
New Haven, CT 06511

Dear Andria:

As per our discussions earlier today, I am confirming the following errors in the Fifth Amendment to Lease ("5th Amendment") between Science Park Development Corporation and Arvinas Operations, Inc. dated January 4, 2021.

- Section 1 (e) of the 5th Amendment should be corrected as follows:  
Defined term "2021 Base Year" shall mean the calendar year 2021.
- Item 1 (h) of the 5th Amendment should read as follows:  
Section 3.4 of the Lease is modified by deleting the last line of the Electricity charge payable chart (for the months February 2020 through December 2022) and substituting therefor the following:

<b>Months of Term</b>	<b>Electricity Charge (Annually per RSF)</b>	<b>Applicable RSF</b>	<b>Monthly Electricity Charge</b>
1.1 February, 2020 – September, 2020	\$1.62	48,766	\$6,583.41
1.2 October, 2020 – December, 2020	\$1.62 + \$1750/month surcharge	48,766	\$8,333.41
1.3 January, 2021	\$2.50	48,766	\$10,159.58
1.4 February, 2021 - December, 2024	\$2.50	59,474	\$12,390.42

All other terms and conditions of your current lease will remain unchanged.

Thank you for bringing it to my attention!

Sincerely,

/s/ Clio Nicolakis

Clio Nicolakis  
Executive Director

cc: David Silverstone, President  
Gary Poitras, Property Manager, The Wm. M. Hotchkiss Co.

**SECOND AMENDMENT TO LEASE**

**THIS SECOND AMENDMENT TO LEASE** (the “**Agreement**”) is entered into as of this 4<sup>th</sup> day of January, 2021 by and between **SCIENCE PARK DEVELOPMENT CORPORATION**, a Connecticut non stock corporation having its office at 5 Science Park, New Haven, Connecticut 06511 (the “**Landlord**”), and **ARVINAS OPERATIONS, INC.**, f/k/a Arvinas, Inc., a Delaware corporation having a principal place of business at 5 Science Park, 1<sup>st</sup> Floor, New Haven, Connecticut 06511 (the “**Tenant**”) in modification of that certain Lease between the Landlord and the Tenant dated as of November 15, 2019 (the “**Original Lease**”) as amended by the First Amendment to Lease between Landlord and Tenant and dated as of February 27, 2020 (the “**First Amendment**”). The Original Lease as modified by the First Amendment shall be referred to herein as the “**Lease**”.

**WHEREAS**, the Landlord and the Tenant are parties to the Lease which is in full force and effect; and

**WHEREAS**, the Landlord and the Tenant wish to modify the Lease as more fully set forth herein; and

**NOW, THEREFORE**, the Landlord and the Tenant agree as follows:

1. **Amendments to Lease.** As of the January 1, 2021, the following modifications are made to the Lease:
  - a) Section 2.1 of the Lease is modified by amending and restating the last sentence thereof to read in full as follows:

Unless sooner cancelled or terminated or extended in accordance with the terms of this Lease, the Term will expire with respect to the entire Leased Premises as of December 31, 2024 (the "**Expiration Date**").

---

b) Section 3.1.A. of the Lease is modified by amending and restating the schedule of Base Rents payable by Tenant, as follows:

Period	Months of Term	LEASED PREMISES						Total Monthly Base Rent
		Rentable Square Footage ("RSF")	Base Rent Per RSF	Monthly Base Rent	RSF	Base Rent Per RSF	Monthly Base Rent	
Nov 15, 2019 - Feb 29, 2020	3 1/2	3,427	\$21.00	SATISFIED BY INITIAL RENT PREPAYMENT	0	\$0.00	\$0.00	\$0.00
March 1, 2020 – May 31, 2020	3	3,427	\$22.22		93	\$21.00	\$162.75	\$162.75
June 1, 2020 – December 31, 2022	31	3,427	\$21.00	\$5,997.25	93	\$21.00	\$162.75	\$6,160.00
January 1, 2023 – December 31, 2024	32-43	3,427	\$23.50	\$6,711.21	93	\$23.50	\$182.12	\$6,893.33

c) Section 3.4 of the Lease is modified by adding the following to the schedule of the Electricity charge payable by Tenant, as follows:

Months of Term	Electricity Charge (Annually/RSF)	RSF	Monthly Electricity Charge
January 1, 2023 – December 31, 2024	\$4.00	3,520	\$1,173.33

2. **Extended Term.** Tenant shall continue to retain its right to an Extended Term under and subject to the provisions of Article 35 of the Lease as to the entire Leased Premises, which Extended Term would commence immediately following the Expiration Date of the Lease as extended by this Agreement.

3. **Base Rent Rate Correction.** Landlord and Tenant acknowledge and agree that this Amendment corrects an erroneous Base Rent rate for the period of June 1, 2020 through December 31, 2022 (from \$26 to \$21/RSF). However, as the Landlord actually billed and collected Base Rent at the correct rate of \$21/RSF, no rent adjustments or refunds are due to Tenant.

4. **Reaffirmation of Lease.** In all other respects, the Lease, as hereby amended, is reaffirmed by the Parties and shall be and remain in full force and effect.

5. **Landlord and Tenant Remain Obligated.** Nothing herein shall constitute a waiver or release by the Landlord or the Tenant of any unperformed obligations of the other under the Lease as modified by this Agreement.

6. **Brokerage.** Landlord shall pay an agreed commission to Colliers International by way of a separate agreement. Landlord represents to Tenant that no other broker has any right to lease space at the Property and Landlord agrees to indemnify and hold Tenant harmless from and against the claims, losses, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Tenant as a result of any party asserting a right to a fee or commission claiming to have acted by, under, through or on behalf of the Landlord. Tenant agrees to indemnify and hold Landlord harmless from and against the claims, losses, damages, costs and expenses (including, but not limited to, reasonable attorneys' fees) incurred by Landlord as a result of any party other than Colliers International claiming a fee or commission by, under or through Tenant on account of this Agreement and/or the extension of the Term of the Lease provided for in this Agreement.

7. **Later Provision Controls.** In case of any inconsistency between the provisions of the Lease and this Agreement, the provisions of this Agreement shall govern and control. Without limiting the meaning or application of the foregoing sentence in any manner, the provisions of Paragraph 5 of this Agreement supersede and replace Article 29 with respect to this Agreement.

8. **Capitalized Terms.** Capitalized terms used but not otherwise defined herein shall have the same meaning as set forth in the Lease.

9. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements.

10. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement transmitted by telecopy or otherwise electronically shall be valid and effective to bind the party so signing. Each party agrees promptly to deliver an execution original to this Agreement with its actual signature to the other party, but a failure to do so shall not affect the enforceability of this Agreement, it being expressly agreed that each party to this Agreement shall be bound by its own telecopied or electronic signature and shall accept the telecopied or electronic signature of the other party to this Agreement.

*[The Signature Page(s) Follow.]*

Dated as of the date and year first above written.

Signed, Sealed and Delivered In  
the Presence of:

/s/ Carol Barnabei  
Witness Name:

/s/ Carol Barnabei  
Witness Name:

/s/ Carol Barnabei  
Witness Name:

**TENANT:**  
ARVINAS OPERATIONS, INC.

By: /s/ Sean Cassidy  
Sean Cassidy  
Treasurer and Chief Financial Officer

**LANDLORD:**  
SCIENCE PARK DEVELOPMENT  
CORPORATION

By: /s/ Clio Nicolakis  
Clio Nicolakis  
Executive Director and Controller

STATE OF CONNECTICUT            )  
  ) ss.: New Haven  
COUNTY OF NEW HAVEN         )

January 4, 2021

On this date personally appeared before me, Sean Cassidy, who acknowledged himself to be the duly authorized Treasurer and Chief Financial Officer of Arvinas Operations, Inc., a Delaware corporation, and that the execution hereof was the free act and deed of such corporation and his/her free act and deed as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.

/s/ Carol Barnabei  
Commissioner of the Superior Court/Notary Public

STATE OF CONNECTICUT            )  
  ) ss.: New Haven  
COUNTY OF NEW HAVEN         )

January 4, 2021

On this date personally appeared before me, Clio Nicolakis, who acknowledged herself to be the duly authorized Executive Director and Controller of Science Park Development Corporation, a Connecticut non stock corporation, and that the execution hereof was the free act and deed of such corporation and her free act and deed as such officer.

IN WITNESS WHEREOF, I hereunto set my hand.

/s/ Carol Barnabei  
Commissioner of the Superior Court/Notary Public

**Name of Subsidiary**

**State of Incorporation**

Arvinas Operations, Inc.  
Arvinas Androgen Receptor, Inc.  
Arvinas Estrogen Receptor, Inc.  
Arvinas Winchester, Inc.

Delaware  
Delaware  
Delaware  
Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-234031, 333-234035 and 333-251326 on Form S-3 and Registration Statement Nos. 333-227555, 333-231388 and 333-237215 on Form S-8 of our report dated March 1, 2021, relating to the consolidated financial statements of Arvinas, Inc. and the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Hartford, Connecticut  
March 1, 2021

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Houston, Ph.D., certify that:

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

Date: March 1, 2021

By: \_\_\_\_\_ /s/ John Houston, Ph.D.

**John Houston, Ph.D.**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean Cassidy, certify that:

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

Date: March 1, 2021

By: \_\_\_\_\_ /s/ Sean Cassidy  
**Sean Cassidy**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial and Accounting Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Arvinas, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 1, 2021

By: \_\_\_\_\_ /s/ John Houston, Ph.D.  
**John Houston, Ph.D.**  
**President and Chief Executive Officer**  
**(Principal Executive Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Arvinas, Inc. (the "Company") on Form 10-K for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 1, 2021

By: \_\_\_\_\_ */s/ Sean Cassidy*  
**Sean Cassidy**  
**Chief Financial Officer and Treasurer**  
**(Principal Financial and Accounting Officer)**



Oerth Bio, LLC

Financial Statements as of December 31, 2020 and 2019, and for the Year Ended December 31, 2020 and the Period from May 24, 2019 (Date of Formation) to December 31, 2019, and Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

The Board of Managers

Oerth Bio, LLC

We have audited the accompanying financial statements of Oerth Bio, LLC (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and comprehensive loss, members' equity, and cash flows for the year then ended December 31, 2020 and for the period from May 24, 2019 (date of formation) to December 31, 2019, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oerth Bio, LLC as of December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the year ended December 31, 2020 and for the period from May 24, 2019 to December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

February 19, 2021

Oerth Bio, LLC  
Balance Sheets  
As of December 31, 2020, and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,638,978	\$ 15,560,832
Restricted cash equivalents	79,000	21,000
Prepaid expenses and other current assets	402,969	11,147
Total current assets	<u>22,120,947</u>	<u>15,592,979</u>
Property and equipment, net	2,913,244	-
Security deposits	261,371	-
Total assets	<u>\$ 25,295,562</u>	<u>\$ 15,592,979</u>
<b>Liabilities, and members' deficit</b>		
Current liabilities:		
Accounts payable	\$ 1,358,855	\$ 151,953
Accrued expenses	629,679	-
Total current liabilities	<u>1,988,534</u>	<u>151,953</u>
Commitments and contingencies – Note 5		
Members' equity:		
Common units, no par value, 8,500,000 units authorized, issued and outstanding as of December 31, 2020 and 2019	81,350,000	65,350,000
Incentive units, 1,500,000 authorized as of December 31, 2020 and 2019, respectively, 715,000 units and -0- issued as of December 31, 2020 and 2019, respectively, and 96,667 units and -0- outstanding as of December 31, 2020 and 2019, respectively	132,117	-
Accumulated deficit	<u>(58,175,089)</u>	<u>(49,908,974)</u>
Total members' equity	<u>23,307,028</u>	<u>15,441,026</u>
Total liabilities and members' equity	<u>\$ 25,295,562</u>	<u>\$ 15,592,979</u>

See accompanying notes to the financial statements.

Oerth Bio, LLC  
Statements of Operations and Comprehensive Loss  
For the year ended December 31, 2020, and the period from  
May 24, 2019 to December 31, 2019

	<u>2020</u>	<u>2019</u>
Operating expenses:		
General and administrative	\$ 3,255,491	\$ 531,392
Research and development	<u>5,080,212</u>	<u>49,438,115</u>
Total operating expenses	8,335,703	49,969,507
Loss from operations	(8,335,703)	(49,969,507)
Other income (expenses):		
Interest income	73,902	60,533
Loss on disposal of assets	<u>(4,314)</u>	<u>-</u>
Total other income	69,588	60,533
Net loss and comprehensive loss	<u>\$ (8,266,115)</u>	<u>\$ (49,908,974)</u>

See accompanying notes to the financial statements.

Oerth Bio, LLC  
 Statements of Members' Equity  
 For the year ended December 31, 2020, and the period from  
 May 24, 2019 to December 31, 2019

	Common		Incentive		Accumulated Deficit	Total Members' Equity
	Units	Amount	Units	Amount		
<b>Balance May 24, 2019</b>	-	\$ -	-	\$ -	\$ -	\$ -
Issuance of common units for Bayer contribution	4,250,000	16,000,000	-	-	-	16,000,000
Issuance of common units for Arvinas contribution	4,250,000	49,350,000	-	-	-	16,000,000
Net loss	-	-	-	-	(49,908,974)	(49,908,974)
<b>Balance December 31, 2019</b>	<u>8,500,000</u>	<u>\$ 63,500,000</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (49,908,974)</u>	<u>\$ 15,441,026</u>
Receipt of Bayer contribution for common units previously issued	-	16,000,000	-	-	-	16,000,000
Unit-based compensation expense	-	-	96,667	132,117	-	132,117
Net loss	-	-	-	-	(8,266,115)	(8,266,115)
<b>Balance December 31, 2020</b>	<u>8,500,000</u>	<u>\$ 81,350,000</u>	<u>96,667</u>	<u>\$ 132,117</u>	<u>\$ (58,175,089)</u>	<u>\$ 23,307,028</u>

See accompanying notes to the financial statements.

Oerth Bio, LLC  
Statements of Cash Flows  
For the year ended December 31, 2020, and the period from  
May 24, 2019 to December 31, 2019

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Net loss	\$ (8,266,115)	\$ (49,908,974)
Adjustments to reconcile net loss to net cash used in operating activities:		
Research and development expense related to Arvinas IP contribution (Note 2)	-	49,350,000
Depreciation	51,341	-
Unit-based compensation expense	132,117	-
Changes in:		
Prepaid expenses and other assets	(391,822)	(11,147)
Security deposits	(261,371)	-
Accounts payable	1,206,903	151,953
Accrued expenses	629,679	-
Net cash used in operating activities	<u>(6,899,268)</u>	<u>(418,168)</u>
<b>Investing activities</b>		
Purchases of property and equipment	(2,964,586)	-
Net cash used in investing activities	<u>(2,964,586)</u>	-
<b>Financing activities</b>		
Proceeds from initial Bayer contribution for common units	-	16,000,000
Proceeds from Bayer contribution for common units previously issued	16,000,000	-
Net cash provided by financing activities	<u>16,000,000</u>	<u>16,000,000</u>
Increase in cash and cash equivalents	6,136,146	15,581,832
Cash, cash equivalents and restricted cash equivalents at beginning of period	<u>15,581,832</u>	<u>-</u>
Cash, cash equivalents and restricted cash equivalents at end of period	<u>\$ 21,717,978</u>	<u>\$ 15,581,832</u>
<b>Supplemental disclosure of non-cash investing and financing activities</b>		
Issuance of common units in exchange for Arvinas IP contribution	<u>\$ -</u>	<u>\$ 49,350,000</u>
Purchases of property, plant and equipment included in accounts payable and accrued expenses	<u>\$ 853,016</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**OERTH BIO, LLC**  
**NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 AND 2019,**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM MAY 24, 2019 (DATE OF FORMATION) TO DECEMBER**  
**31, 2019**

**1. Description of the Business and Basis of Presentation**

Oerth Bio, LLC (pronounced “Earth”) (the “Company” or “Oerth”) was organized as a limited liability company (LLC) on May 24, 2019, which was amended and restated as an LLC in Delaware on October 1, 2019 and is located and headquartered in Durham, North Carolina.

Oerth is an early-stage research and development (R&D) agricultural biotechnology company developing an entirely new model for global crop protection to address one of the greatest challenges facing the world: sustainably feeding the growing global population. Oerth will be committed to leveraging Arvinas’ PROTAC® (proteolysis targeting chimera) protein degrader technology to create innovative, safe, and sustainable agricultural products and evaluating the potential to address resistance mechanisms in plants to existing agricultural solutions, with solutions to control weeds, insects, diseases, and abiotic stressors by leveraging the selectivity and other features of PROTAC® protein degraders.

The Company was formed as a joint venture between Arvinas, Inc. (“Arvinas”) and Bayer CropScience LP (“Bayer LP”) to research, develop, and commercialize PROTAC targeted protein degraders for applications in the field of agriculture. Arvinas made an in-kind intellectual property (IP) contribution to Oerth in the form of a license to certain of Arvinas’ proprietary technology. Bayer LP made a \$56,000,000 total cash commitment to Oerth. Arvinas and Bayer LP each hold an ownership interest in Oerth, initially representing 50% of the ownership interests. A 15% ownership interest of Oerth is reserved for the future grant of incentive units to employees and service providers of Oerth. The activities of Oerth are controlled by a management board under the joint control of Arvinas and Bayer LP.

***Basis of Presentation***

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements cover the period from May 24, 2019 (date of formation) to December 31, 2019 (referred to as “period ended December 31, 2019”) and the year ended December 31, 2020.

***Reclassifications***

Certain prior period amounts have been reclassified to conform to the current period presentation. Amounts previously presented separately as biology and chemistry costs, \$37,503 and \$50,612, respectively, in the prior year are now presented as research and development costs within the consolidated statement of operations. \$21,000 of restricted cash equivalents that were presented as cash and cash equivalents in the prior year have been reclassified to conform to the current year presentation.

***Risk and Uncertainties***

The Company is subject to risks and uncertainties common to early-stage companies in the agriculture biotechnology industry, including, but not limited to, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, and ability to secure additional capital to fund operations. Product candidates resulting from the Company’s current discovery efforts will require significant additional research and development, including extensive testing and regulatory approval prior to commercialization. These efforts will require significant amounts of additional capital, adequate personnel, infrastructure, and

extensive compliance reporting capabilities. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

The Company operations could be disrupted by large-scale regional or global events, such as the recent outbreak of the novel coronavirus ("COVID-19"). Such events could limit the ability to manage operations, disrupt the supply of product, and could affect the timing of completion of performance obligations in the affected areas. Notwithstanding, the Company is monitoring regional and global developments and proceeding with proactive strategies to minimize any impact on its operations. To date, the Company's operations have not been affected by COVID-19.

### **Liquidity**

In accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40)*, the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

The Company has funded its operations to date primarily with annual drawdowns from the \$56,000,000 cash commitment to Oerth from Bayer. Since its inception, the Company has incurred recurring operating losses and negative cash flows from operations. As of December 31, 2020, the Company had an accumulated deficit of \$58,175,089. The Company expects to continue to generate operating losses for the foreseeable future.

The Company expects that its existing cash and cash equivalents will be sufficient to fund its operations into early 2023.

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. The significant estimate contained within these financial statements is the estimated fair value of the Company's incentive units for equity-based compensation expense. Estimates are periodically reviewed considering changes in circumstances, facts, and experience. Changes in estimates are recorded in the period in which they become known.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less at the time of initial purchase to be cash equivalents. The Company's cash balances exceed those that are federally insured and primarily consist of checking and savings deposits. To date, the Company has not recognized any losses caused by uninsured balances. Cash equivalents consisted of money market funds at December 31, 2020 and 2019 and are stated at fair value.

### **Restricted Cash**

The Company classifies all cash whose use is limited by contractual provisions as restricted cash. Restricted cash arises from the requirement for the Company to maintain a short-term certificate of deposit with the Company's financial institution as collateral for the Company's credit card line.

The following table reconciles cash, cash equivalents, and restricted cash equivalents reported within our consolidated balance sheet and cash flows.

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 21,638,978	\$ 15,560,832
Restricted cash equivalents	79,000	21,000
<b>Total</b>	<b>\$ 21,717,978</b>	<b>\$ 15,581,832</b>

### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company invests its excess cash in low-risk, highly liquid money market funds and certificates of deposit that management believes to be with a financial institution of high credit quality. The Company may maintain cash deposits at this financial institution that are in excess of government insured limits. The Company has not experienced any losses on cash and cash equivalents to date.

### **Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computer equipment	3 years
Furniture and fixtures	7 years
Laboratory equipment	5 years
Leasehold improvements and capital lease assets	Shorter of the useful life of the asset or the life of the lease

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in loss from operations. Expenditures for repairs and maintenance are charged to expense as incurred.

Costs incurred during the construction of property and equipment are capitalized as construction in process. Once an asset has been placed into service, it will be depreciated on a straight-line basis over the estimated useful life of the related assets or, in the case of leasehold improvements, over the shorter of the estimated useful life and the lease term.

The Company reviews long-lived assets, such as property and equipment, for impairment when events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, recoverability is measured by comparison of the carrying amount of the assets to estimated future undiscounted cash flows that the assets are expected to generate. If the carrying amount of an asset exceeds its estimated future cash flows, then an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment charges have been recorded since inception.

### **Research Contract Costs and Accruals**

The Company has entered into various contracts with third parties. These agreements and related payments are recorded as research and development expenses as incurred. The Company records accruals for estimated ongoing research costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes the progress of the studies, including the phase or completion of events, invoices

received and contracted costs.

### **Income Taxes**

As the Company operates as a LLC, income and expenses of the Company are passed through to the members and are reported in the individual income tax returns. As a LLC, the Company is not required to pay federal or state income taxes. There was no taxable income and, therefore, no distributions in 2019 or 2020.

### **Employee Benefit Plan**

The Company sponsors a qualified 401(k) defined contribution plan covering eligible employees. Participants may contribute a portion of their annual compensation limited to a maximum annual amount set by the Internal Revenue Service. Total employer contributions made under this plan for 2020 were \$40,832. There were no employer contributions under this plan in 2019.

### **Incentive Units**

As incentive units are Profits Interests, management has assessed the features of the incentive units to determine the appropriate accounting model under Accounting Standards Codification (ASC) 710 *Compensation* or ASC 718 *Stock Compensation*. The scope of ASC 710-10 includes performance bonus, profit sharing, and specific deferred compensation contracts, but excludes stock compensation plans. Stock compensation plans are specifically addressed by ASC 718 (or ASC 505-50 *Equity* if issued to nonemployees). Since US GAAP does not provide explicit guidance on how to account for Profits Interests, entities with Profits Interests evaluate all the terms, conditions, and characteristics of such awards and apply judgment to determine whether the awards are subject to ASC 718 or ASC 710. Management's assessment is that the incentive units are to be accounted for in accordance with ASC 718. In accordance with ASC 718, the Company records compensation expense over the requisite service period associated with the awards. The Company accounts for forfeitures as incurred.

Due to the absence of an active market for the Company's incentive units, the Company utilized methodologies in accordance with the framework of the American Institute of Certified Public Accountants Technical Practice Aid, *Valuation of Privately Held Company Equity Securities Issued as Compensation*, to estimate the fair value of its incentive units.

The estimated fair value of the incentive units was determined based upon a variety of factors, including the illiquid nature of the incentive units, the Company's financial position and historical financial performance, the status of developments within the Company's research, the composition and ability of the current research and management team, an evaluation of the Company's competition and similar stage company values, and the current business climate in the marketplace. Significant changes to the key assumptions underlying the factors used could result in different fair values of incentive units at each valuation date.

### **Research and Development Costs**

Research and development ("R&D") expenses include employee payroll, consulting, contract research, depreciation, rent and other corporate costs attributable to research and development activities, and are expensed as incurred. Non-refundable pre-payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized. Such amounts are recognized as expense as the goods or services are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered.

Upon formation of the Company, referenced in Note 1 above, and pursuant to the terms of the commitment agreement, Arvinas made an in-kind IP contribution to Oerth in the form of a license to certain of the Company's proprietary technology. The fair value of the equity interest for the license

received was \$49,350,000. The fair value of Oerth was determined utilizing discounted cash flows based on reasonable estimates and assumptions of cash flows expected from Oerth. Costs of intangibles that are purchased from others for a particular R&D project and that have no alternative future uses and, therefore, no separate economic values are R&D expenses at the time the costs are incurred. As the license was acquired specifically for research in the agricultural space and the license itself is limited to such space, the fair value of the Arvinas license was expensed as R&D.

The following table summarizes research and development expenses for our Chemistry and Biology programs. For comparability purposes, the impact of the expense related to the in-kind IP contribution from Arvinas, described above, has been removed from the 2019 results.

	December 31,	
	2020	2019
Biology	\$ 2,503,298	\$ 37,503
Chemistry	2,576,914	50,612
Total	<u>\$ 5,080,212</u>	<u>\$ 88,115</u>

### **General and Administrative Expense**

General and administrative costs are expensed as incurred. General and administrative expenses include compensation, employee benefits, operating leases, as well as fees paid to outside consultants.

### **Patent Costs**

The Company expenses patent costs as incurred and records such costs as general and administrative expenses within the statements of operations and comprehensive loss.

### **Comprehensive Loss**

Comprehensive loss includes net loss as well as other changes in members' equity that result from transactions and economic events other than those with stakeholders. For the year ended December 31, 2020 and the period ended December 31, 2019, there were no differences between net loss and comprehensive loss as there were no items that gave rise to other comprehensive loss.

### **Fair Value Measurements**

The Company's financial instruments consist of cash equivalents, prepaid expenses and other current assets and liabilities, accounts payable and accrued expenses. The carrying amounts of these financial instruments are considered a reasonable estimate of their fair value, due to the short-term maturity of these instruments.

For fair value measurement, the Company follows ASC 820, "*Fair Value Measurements and Disclosures*," for the Company's financial assets and liabilities that are re-measured and reported at fair value at least annually using a fair value hierarchy that is broken down into three levels. Level inputs are defined as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

## Recent Accounting Pronouncements

### Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606) on January 1, 2020. ASC 606 applies to contracts with commercial substance that establish the payment terms and each party's rights regarding the goods or services to be transferred, to the extent collection of substantially all of the related consideration is probable. The adoption of ASC 606 had no impact on the Company's financial statements.

### Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 will require lessees to recognize most leases on their balance sheet as a right-of-use asset and a lease liability. Leases will be classified as either operating or finance, and classification will be based on criteria like current lease accounting, but without explicit bright lines. The guidance is effective for annual reporting periods beginning after December 15, 2021 and interim periods within those fiscal years, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements.

## 3. Property and Equipment

Property and equipment, net consisted of the following:

	December 31,	
	2020	2019
Laboratory equipment	\$ 563,285	\$ -
Computer equipment	84,412	-
Furniture and fixtures	82,769	-
Construction in process	2,234,119	-
Less accumulated depreciation	(51,341)	-
Property and equipment, net	\$ 2,913,244	\$ -

Depreciation expense was \$51,341 for the year ended December 31, 2020 and \$-0- for the period ended December 31, 2019. As of December 31, 2020, no amounts recorded within construction in process had been placed into service, and as a result no depreciation was recorded related to these assets to date.

## 4. Leases

On January 2, 2020, the Company entered into an agreement to lease office and laboratory space under a cancelable month-to-month operating lease. During the year ended December 31, 2020 the total rent expense recognized was \$336,645.

On March 26, 2020, the Company entered into an agreement to lease 7,655 square feet of office space in Durham, North Carolina. The lease commenced on April 1, 2020, and expires on October 31, 2021, unless sooner terminated or extended. The annual base rent under the lease is \$186,482 for the first lease year and is subject to annual increases of 3%.

On August 27, 2020, the Company entered into an amended lease agreement for the same space which extended the lease term and amended certain terms therein. The initial lease was terminated conterminously with the amended lease. The lease term commenced on August 27, 2020 and extends through the February 1, 2027. The annual base rent under the lease is \$188,342 for the first lease year

and is subject to annual increases of 3%. In connection with the lease amendment the landlord will provide a tenant improvement allowance of \$306,200. During the year ended December 31, 2020 the total rent expense recognized was \$184,477.

In addition, on May 26, 2020, the Company entered into an agreement to lease 7,289 square feet of office/lab space in Durham, North Carolina. The lease commenced on September 1, 2020, and expires on October 31, 2021, unless sooner terminated or extended. The annual base rent under the lease is \$179,337 for the first lease year and is subject to annual increases of 3%.

On August 27, 2020, the Company entered into an amended lease agreement for the same space which extended the lease term and amended certain terms therein. The initial lease was terminated conterminously with the amended lease. The lease term will commence on February 1, 2021 and expires on February 1, 2027. The annual base rent under the lease is \$204,092 for the first lease year and is subject to annual increases of 3%. In connection with the lease amendment the landlord will provide a tenant improvement allowance of \$656,010. During the year ended December 31, 2020, no rent expense was recognized.

The Company also rents growth chambers in plant growth facility to execute its R&D activities, under a cancelable month-to-month operating lease. The total expense related to these agreements in 2020 was \$54,299.

Future minimum lease payments under the Company's lease arrangements as of December 31, 2020 were as follows:

<b>Year ended December 31</b>	<b>Operating Leases</b>
2021	\$ 378,244
2022	408,036
2023	420,277
2024	432,886
Thereafter	943,902
<b>Total</b>	<b>\$ 2,583,345</b>

Total rent expense recorded for all operating leases was \$587,173 for the year ended December 31, 2020 and \$13,574 for the period ended December 31, 2019. Rent expense is allocated between general and administrative and research and development in the accompanying statements of operations and comprehensive loss. Rent expense for facilities being used specifically for R&D purposes, such as the expense related to growth chambers and lab space has been allocated to R&D expense. All other office space, including rent being paid for assets under construction has been allocated to G&A expense.

#### **5. Commitments and Contingencies**

From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters contractual relationships, including collaboration or licensing partners, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a breach of representations, other third-party claims that the Company's products when used for their intended purposes infringe the IP rights of such other third parties, or other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each claim.

From time to time, the Company is subject to various claims that arise in the ordinary course of business. Management believes that any liability of the Company that may arise out of or with respect to these

matters will not materially adversely affect the financial position, results of operations, or cash flows of the Company.

## 6. Accrued Expenses

Accrued expenses consisted of the following:

	December 31	
	2020	2019
Research and development expenses	\$ 344,117	\$ -
Professional fees and other	285,562	-
Total	<u>\$ 629,679</u>	<u>\$ -</u>

## 7. Members' Equity (Deficit)

The Company has authorized and issued 8,500,000 common units to its two founding members.

Common Units have the following rights and privileges:

### ***Voting Rights***

Holders of Common Units have the right to one vote per unit held by such member. In addition, Bayer and Arvinas each have the right to designate two board members, with a fifth board member being the CEO of the Company. The unrestricted Incentive Units represent Common Units, and holders of Incentive Units are not entitled to any voting rights.

### ***Redemption***

The Common Units are not redeemable.

### ***Distributions and Liquidation Preference***

The holders of the Common Units are entitled to participate in distributions as follows:

All distributions, including in connection with a dissolution event, a change of control, an initial public offering ("IPO"), or a single asset sale, will be made to all Members holding Common Units and unrestricted Incentive Units, and accounting for any acceleration of vesting with respect to the Incentive Units, pro rata in proportion to the aggregate number of such units outstanding.

No distributions were made to the Common unitholders during the period ended December 31, 2019 and year ended December 31, 2020.

### ***Liquidation***

In the event of any liquidation, dissolution, or winding-up of the Company, the assets of the Company will be distributed in accordance with the same order of priority as distributions.

## 8. Equity-Based Compensation

The Company is authorized to issue a class of units designated as Incentive Units. The Company is authorized to issue up to 1,500,000 units, of which 785,000 units are available future grants as of December 31, 2020. The Incentive Units are subject to time-based vesting conditions and unvested Incentive Units may not be sold or transferred by the holder. These restrictions lapse according to the time-based vesting conditions of each award. The unrestricted units represent common units, and holders

of Incentive Units are not entitled to any voting rights. The Company and each member issued units agree that all Incentive Units are intended to constitute a "Profits Interest" in the Company within the meaning of Rev. Proc. 93-27 and Rev. Proc. 2001-43 (a "Profits Interest").

The following is a summary of Profits Interest transactions as well as the Profits Interest outstanding and their corresponding hurdle values as of and for the year ended December 31, 2020. There were no issued or outstanding Profits Interests during the period ended December 31, 2019.

	<u>Profits Interest</u>	<u>Weighted-Average Grant Date Fair Value Per Share</u>
Unvested at December 31, 2019	-	\$ -
Granted	790,000	0.83
Unvested Profits Interests forfeited	(75,000)	0.84
Vested	<u>(96,667)</u>	0.84
Unvested at December 31, 2020	<u>618,333</u>	\$ 0.83

<u>As of December 31, 2020</u>		
<u>Profits Interest Outstanding</u>		<u>Hurdle Value</u>
600,000	\$	16,750,000
115,000	\$	19,800,000
<u>715,000</u>		

There was no aggregate intrinsic value associated with restricted Profits Interest that vested during the year ended December 31, 2020. As of December 31, 2020, there was \$460,433 of unrecognized equity-based compensation related to unvested Profits Interest, which is expected to be recognized over a weighted average period of 3.22 years.

These Profits Interest represented ownership in the Company tied solely to the accretion, if any, in the value of the Company following the date of issuance of such Profits Interest. Profits Interest participate in any increase of the Company's value related to their Profits Interest after the hurdle value had been achieved and the Company's Profits Interest received the agreed-upon return on their invested capital. The Profits Interest awards vested over a requisite service period. Holders of unrestricted Incentive Units are not entitled to any distributions, except as defined within the governing agreements, which contemplate distributions in connection with a dissolution event, change in control, IPO, or single asset sale. Distributions would be made pro rata in proportion to the aggregate number of such units outstanding.

Each Profits Interest award contained the following material terms:

- (i) The Profits Interest received distributions, that exceeded a threshold equivalent to the fair value of the Company as determined by the Board of Directors, at the grant date.
- (ii) The options vest over a period of continuous employment or service, such that, Twenty-five percent (25%) of the Granted Units will vest after twelve (12) months of continuous employment with the Company, and the remaining units vest monthly thereafter until fully vested after an additional three years of continuous employment with the Company (e.g., four (4) years of continuous employment total).
- (iii) The unvested awards terminate upon employee's service with the Company.

Profits Interest were accounted for as equity using the fair value method, which required the measurement and recognition of compensation expense for all profit interest-based payment awards made to Oerth Bio employees based upon the grant-date fair value.

For the Profits Interest, Oerth Bio recognized unit-based compensation expense over the requisite service period for each separately vesting portion of the Profits Interest as if the awards were, in-substance, multiple awards. The compensation expense recognized related to the Profits Interest for the periods ended December 31, 2020 and 2019 was \$132,117 and \$-0- respectively.

Oerth Bio determined the fair value of each award on the date of grant using the market approach to value the total shareholders' equity of Oerth Bio, and the option pricing model to allocate the equity value to the various classes of units (common units, and 2 tranches of Profits Interests). Key metrics used within the valuation of the Profits Interest included, a risk-free rate of 0.15% and 0.1%, volatility of 80.60% and 2.5 years to liquidity assumptions used for grants issued for the year ended December 31, 2020.

## 9. Related Party Transactions

On July 16, 2019, the Company entered into master services agreement with Arvinas and Bayer LP (collectively, MSA). The language in each agreement mirrors the other. The MSAs each outline parameters for Arvinas and Bayer LP to perform services on behalf of Oerth and be compensated therefore. The services are outlined in individual statements of work (SoWs), which outline the work performed by Bayer LP or Arvinas for a defined period. The SoWs can be amended through change order procedures outlined in the SoW and are expected to renew upon expiration. Using a defined period allows for a descriptive outline of services, such as knowledge share, assay development, biological and chemical screening, and bio and chem informatics.

For the periods ended December 31, 2020 and 2019, the Company paid Arvinas \$37,024 and \$59,330 pursuant to the MSA, respectively. For the year ended December 31, 2020, the Company paid Bayer \$306,520 in 2020 pursuant to the MSA. No amounts were paid to Bayer for the period ended December 31, 2019, pursuant to the MSA. As of December 31, 2020, costs of \$1,260 were recorded within accounts payable and accrued expenses to Arvinas. As of December 31, 2020, costs of \$292,518 were recorded within accounts payable and accrued expenses to Bayer. No amounts were recorded within accounts payable or accrued expenses as of December 31, 2019 for Arvinas or Bayer.

## 10. Subsequent Events

The Company evaluated subsequent events from December 31, 2020, the date of these financial statements, through February 19, 2021, which represents the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020. The Company concluded that the only event that occurred that would require recognition or disclosure is related to the sale leaseback arrangement described below.

**Sale Leaseback Arrangement**—On January 29, 2021, the Company entered a sale leaseback transaction for certain lab equipment with a total asset value of \$284,208.

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