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

FORM 10-Q

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

For the quarterly period ended March 31, 2026

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: 001-39801

XOMA Royalty Corporation
(Exact name of Registrant as specified in its charter)

Nevada	**52-2154066**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2200 Powell Street, Suite 310 Emeryville, California	**94608**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (510) 204-7200

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 $0.0075	XOMA	The Nasdaq Global Market
8.625% Series A Cumulative Perpetual Preferred Stock, par value $0.05	XOMAP	The Nasdaq Global Market
Depositary Shares (each representing 1/1000th interest in a share of 8.375% Series B Cumulative Perpetual Preferred Stock, par value $0.05)	XOMAO	The Nasdaq Global Market

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

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

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

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

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

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

As of May 7, 2026, the registrant had 12,541,030 shares of common stock, $0.0075 par value per share, outstanding.

XOMA ROYALTY CORPORATION

FORM 10-Q

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GLOSSARY OF TERMS AND ABBREVIATIONS

Abbreviations	Definition
General:	
2010 Plan	The Company's 2010 Long Term Incentive and Stock Award Plan, as amended
2015 ESPP	2015 Employee Stock Purchase Plan, as amended
2018 Common Stock ATM Agreement	At The Market Issuance Sales Agreement with HCW dated December 18, 2018
2021 Series B Preferred Stock ATM Agreement	At The Market Issuance Sales Agreement with B. Riley dated August 5, 2021
2025 Common Stock ATM Agreement	At the Market Issuance Sales Agreement with Leerink dated October 3, 2025
2026 ESPP	2026 Employee Stock Purchase Plan
2025 Series B Preferred Stock ATM Agreement	At The Market Issuance Sales Agreement with HCW dated October 3, 2025
ASC	Accounting Standards Codification
ASC 260	ASC Topic 260, Earnings Per Share
ASC 310	ASC Topic 310, Receivables
ASC 450	ASC Topic 450, Contingencies
ASC 606	ASC Topic 606, Revenue from Contracts with Customers
ASC 805	ASC Topic 805, Business Combinations
ASC 815	ASC Topic 815, Derivatives and Hedging
ASC 835-30	ASC Subtopic 835-30, Interest – Imputation of Interest
ASC 842	ASC Topic 842, Leases
ASU	Accounting Standards Update
Black-Scholes Model	Black-Scholes Option Pricing Model
Blue Owl	Blue Owl Capital Corporation
Blue Owl Loan	Loan pursuant to the Blue Owl Loan Agreement
Blue Owl Loan Agreement	Loan agreement dated as of December 15, 2023, between XRL, the lenders from time to time party thereto and Blue Owl, as administrative agent
Board	The Company’s Board of Directors
B. Riley	B. Riley Securities, Inc.
Broadridge	Broadridge Corporate Issuer Solutions, LLC
BVF	Biotechnology Value Fund, L.P.
Cash-Out Agreement	Cash-Out Agreement between the Company and Thomas M. Burns dated October 22, 2025
Company	XOMA Royalty Corporation (formerly XOMA Corporation), including its subsidiaries
EIR	Effective interest rate
EMA	European Medicines Agency
ESPP	Employee Stock Purchase Plan
Exchange Act	U.S. Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FDA	U.S. Food and Drug Administration
FDIC	Federal Deposit Insurance Corporation
GAAP	Generally accepted accounting principles
G&A	General and administrative
HCRP	Healthcare Royalty Partners II, L.P.
HCW	H.C. Wainwright & Co., LLC
HSR Act	The Hart-Scott-Rodino Antitrust Improvements Act of 1976

IP	Intellectual Property
IPR&D	In-Process Research and Development
IRA	Inflation Reduction Act
Leerink	Leerink Partners LLC
MAA	Marketing Authorization Application
PSU	Performance stock unit
R&D	Research and development
Regeneron	Regeneron Pharmaceuticals, Inc.
RSU	Restricted stock unit
SEC	U.S. Securities and Exchange Commission
Securities Act	U.S. Securities Act of 1933, as amended
Series A Preferred Stock	The 8.625% Series A cumulative, perpetual preferred stock issued in December 2020
Series B Preferred Stock	The 8.375% Series B cumulative, perpetual preferred stock issued in April 2021
Series A and Series B Preferred Stock	Series A Preferred Stock and Series B Preferred Stock, collectively
Series B Depositary Shares	The depositary shares, each representing 1/1000th interest in a share of Series B Preferred Stock
Series X Preferred Stock, or Convertible Preferred Stock	The Series X Convertible Preferred Stock
U.S.	United States
XOMA	XOMA Royalty Corporation (formerly XOMA Corporation), a Nevada corporation, including its subsidiaries
XRL	XRL 1 LLC, a wholly-owned subsidiary of the Company
Royalty and Commercial Payment Purchase Agreements:	
AAA	Assignment and Assumption Agreement
Affitech	Affitech Research AS
Affitech CPPA	The Company's Commercial Payment Purchase Agreement with Affitech dated October 6, 2021
Aptevo	Aptevo Therapeutics Inc.
Aptevo CPPA	The Company’s Payment Interest Purchase Agreement with Aptevo dated March 29, 2023, referred to herein as “Aptevo Commercial Payment Purchase Agreement” or “Aptevo CPPA”
Castle Creek	Castle Creek Biosciences, Inc. and Castle Creek Biosciences, LLC, collectively
Castle Creek PRV Interest	The Company’s right to receive 6.7% of the proceeds from a potential PRV sale
Castle Creek Royalty Purchase Agreement	The Company’s Royalty Purchase Agreement with Castle Creek dated February 24, 2025
Checkmate Pharmaceuticals	Checkmate Pharmaceuticals, Inc.
CPPA	Commercial Payment Purchase Agreement
Daré	Daré Bioscience, Inc.
Daré Organon License Agreement	Exclusive License Agreement between Daré and Organon, dated March 31, 2022, as amended July 4, 2023
Daré RPAs	The Company’s Traditional Royalty Purchase Agreement and Synthetic Royalty Purchase Agreement, both with Daré dated April 29, 2024
Day One	Day One Biopharmaceuticals, Inc. (successor in interest to DOT Therapeutics-1, Inc.)
Day One License Agreement	License Agreement for RAF between Viracta and Day One dated December 16, 2019, as amended on March 4,

	2024 (assumed by the Company as part of Viracta Assignment Agreements)
ImmunityBio	ImmunityBio, Inc. (formerly NantCell, Inc.)
ImmunityBio License Agreement	Out-license agreement to ImmunityBio from LadRx dated July 27, 2017, related to the development and commercialization of Aldoxorubicin, as amended on September 27, 2018
IXINITY®	coagulation factor IX (recombinant)
Kuros	Kuros Biosciences AG, Kuros US LLC and Kuros Royalty Fund (US) LLC, collectively
Kuros RPA	The Company's Royalty Purchase Agreement with Kuros dated July 14, 2021
LadRx	LadRx Corporation (formerly CytRx Corporation)
LadRx Agreements	LadRx AAA and LadRx RPA
LadRx AAA	The Company's Assignment and Assumption Agreement with LadRx dated June 21, 2023
LadRx RPA	The Company's Royalty Purchase Agreement with LadRx dated June 21, 2023 and subsequently amended on June 3, 2024
Medexus	Medexus Pharmaceuticals, Inc.
MIPLYFFA™	arimoclomol
OJEMDA™	tovorafenib
OVAPRENE®	An investigational hormone-free monthly intravaginal contraceptive
Palo	Palobiofarma, S.L.
Palo RPA	The Company's Royalty Purchase Agreement with Palo dated September 26, 2019
Priority Review Voucher, or PRV	A voucher that may be granted by the FDA to Castle Creek if D-Fi is approved as a treatment for a rare pediatric disease, which could be sold to a third party
Roche	F. Hoffmann-La Roche AG
RPA	Royalty Purchase Agreement
Servier	Servier Pharmaceuticals LLC
Sildenafil Cream	Sildenafil Cream, 3.6%
Talphera	Talphera, Inc. (formerly AcelRx Pharmaceuticals, Inc. or "AcelRx")
Twist	Twist Bioscience Corporation
Twist RPA	The Company's Royalty Purchase Agreement with Twist dated October 21, 2024
VABYSMO®	faricimab-svoa
Viracta	Viracta Therapeutics, Inc. (successor-in-interest to Sunesis Pharmaceuticals, Inc.)
Viracta Assignment Agreements	Assignment and Novation Agreement by and among Viracta, the Company, and Day One dated December 3, 2024 and Intellectual Property Assignment between Viracta and the Company dated December 3, 2024
Viracta RPA	The Company's Royalty Purchase Agreement with Viracta dated March 22, 2021, as amended March 4, 2024
XACIATO™	Clindamycin phosphate vaginal gel 2%
Zevra	Zevra Therapeutics, Inc. (formerly KemPharm Denmark A/S)
Zevra APA	Asset Purchase Agreement dated May 13, 2011 between LadRx and Orphazyme ApS, and assigned to Zevra as of June 1, 2022, related to the sale of arimoclomol from

	LadRx to Zevra (assumed by the Company as part of LadRx AAA)
License, Collaboration, and Other Arrangements:	
BioInvent	BioInvent International AB
BioInvent License Agreement	Cross-Licensing Agreement between the Company and BioInvent dated November 21, 2003, as amended on September 14, 2004, November 13, 2009, and September 6, 2018
BioInvent Agreement	Royalty Purchase Agreement between Meza Royalty 1 LLC (a wholly-owned subsidiary of the Company) and BioInvent dated May 27, 2025, related to the acquisition of BioInvent's remaining rights to milestone payments and royalties under the BioInvent License Agreement
Engager Bio	Engager Bio B.V.
Engager Bio License Agreement	Out-license agreement between the Company and Engager Bio dated April 10, 2026
Janssen	Janssen Biotech, Inc.
Mezagitamab	TAK-079, a fully human monoclonal antibody targeting CD38 being developed by Takeda for the treatment of IgA nephropathy and other indications
Organon	Organon International GmbH
Repare	Repare Therapeutics, Inc.
Rezolute	Rezolute, Inc., formerly Antria Bio, Inc.
Rezolute License Agreement	The Company's License Agreement with Rezolute dated December 6, 2017, as amended in March 2018, January 2019 and March 2020
Takeda	Takeda Pharmaceutical Company Limited
Takeda Collaboration Agreement	The Company's Collaboration Agreement by and between XOMA (US) LLC and Takeda dated November 1, 2006, as amended in February 2007, February 2009 and December 2025
Takeda Revenue Share Agreement	Revenue Share Agreement by and between XOMA (US) LLC and Takeda dated December 29, 2025
XenoTherapeutics, Inc., or Xeno	XenoTherapeutics, Inc. and Xeno Acquisition Corp.
Acquisitions and Related Arrangements:	
Binney Lease	The Lease Agreement between Generation Bio and BMR-Rogers Street, LLC dated August 2, 2018
Boston Lease	The Lease Agreement between HilleVax and Harrison dated March 14, 2022
CVR	Contingent value right
Flex Merger Sub	Flex Merger Sub, Inc., a wholly-owned subsidiary of Ligand
Fortis	Fortis Advisors LLC, representative of the Kinnate CVR holders under the Kinnate CVR Agreement
Generation Bio	Generation Bio Co.
Generation Bio CVR Agreement	The Contingent Value Rights Agreement by and between the Company, Broadridge, and XRA 7 dated February 9, 2026
Generation Bio Merger Agreement	The Agreement and Plan of Merger by and among the Company, XRA 7, and Generation Bio dated December 15, 2025.
Generation Bio Merger Closing Date	February 9, 2026
Gossamer Bio	Gossamer Bio, Inc.
Harrison	B9 LS Harrison & Washington LLC

HilleVax	HilleVax, Inc.
HilleVax CVR Agreement	The Contingent Value Rights Agreement by and among the Company, Broadridge, and Dr. Robert Hershberg dated September 17, 2025
HilleVax Merger Closing Date	September 17, 2025
J&J	Johnson & Johnson, formerly Janssen
Kinnate	Kinnate Biopharma Inc.
Kinnate CVR Agreement	The Contingent Value Rights Agreement by and between the Company, Broadridge, and Fortis dated April 3, 2024
LAVA	LAVA Therapeutics N.V.
LAVA CVR Agreement	The Contingent Value Rights Agreement by and among the Company, Broadridge, and Fortis dated November 17, 2025
LAVA Purchase Agreement	The Share Purchase Agreement between the Company and LAVA dated August 3, 2025, related to the acquisition of the issued and outstanding ordinary shares of LAVA.
Ligand	Ligand Pharmaceuticals Incorporated
Ligand Merger Agreement	The Agreement and Plan of Merger, by and among the Company, Flex Merger Sub, and Ligand dated April 27, 2026
Moderna	Modernatx, Inc.
Moderna Collaboration and License Agreement	Collaboration and License Agreement by and between Generation Bio and Moderna dated March 23, 2023
Mural	Mural Oncology PLC
Pfizer	Pfizer, Inc.
Pierre Fabre	Pierre Fabre Médicament, SAS
Pulmokine	Pulmokine, Inc.
Swiss Lease	The Lease Agreement between HilleVax and Anlagestiftung der Migros-Pensionskasse dated August 17, 2021
Turnstone	Turnstone Biologics Corp.
Turnstone CVR Agreement	The Contingent Value Rights Agreement by and between the Company, Broadridge, and WT dated August 11, 2025
WT	WT Representative LLC, representative of the Turnstone CVR holders under the Turnstone CVR Agreement
XRA 7	XRA 7 Corp., a wholly-owned subsidiary of the Company

PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

XOMA ROYALTY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2026	December 31, 2025
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 85,600	$ 82,908
Short-term restricted cash	8,862	5,441
Investment in equity securities	494	382
Trade and other receivables, net	4,595	4,896
Short-term royalty and commercial payment receivables under the EIR method	18,724	22,780
Prepaid expenses and other current assets	473	852
Total current assets	118,748	117,259
Long-term restricted cash	44,281	45,361
Property and equipment, net	18	21
Operating lease right-of-use assets	239	256
Long-term royalty and commercial payment receivables under the EIR method	4,235	4,433
Long-term royalty and commercial payment receivables under the cost recovery method	55,886	55,888
Exarafenib milestone asset (Note 6)	3,704	3,600
Investment in warrants	709	697
Intangible assets, net	43,864	44,756
Other assets - long term	174	427
Total assets	$ 271,858	$ 272,698
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,534	$ 2,208
Accrued and other current liabilities	3,211	9,885
Operating lease liabilities	2,392	2,464
Unearned revenue recognized under units-of-revenue method	1,291	1,268
Preferred stock dividend accrual	1,452	1,424
Current portion of long-term debt	14,013	12,526
Contingent value rights liabilities - current portion	7,184	5,045
Total current liabilities	33,077	34,820
Unearned revenue recognized under units-of-revenue method – long-term	2,860	3,193
Exarafenib milestone contingent consideration (Note 6)	3,704	3,600
Long-term operating lease liabilities	19,502	20,114
Long-term debt	88,825	96,451
Contingent value rights liabilities – long-term	10,892	10,457
Deferred tax liability	103	103
Total liabilities	158,963	168,738
Commitments and Contingencies (Note 11)		
Convertible preferred stock, $0.05 par value, 5,003 shares authorized, issued and outstanding as of March 31, 2026 and December 31, 2025	20,019	20,019
Stockholders' equity:		
8.625% Series A cumulative, perpetual preferred stock, $0.05 par value, 984,000 shares authorized, issued and outstanding as of March 31, 2026 and December 31, 2025	49	49
8.375% Series B cumulative, perpetual preferred stock, $0.05 par value, 3,600 shares authorized, 1,760.5 issued and outstanding as of March 31, 2026 and December 31, 2025	—	—
Common stock, $0.0075 par value, 277,333,332 shares authorized, 11,909,854 and 11,858,955 shares issued and outstanding as of March 31, 2026 and December 31, 2025, respectively	89	89
Additional paid-in capital	1,309,868	1,305,200
Accumulated other comprehensive income	119	53
Accumulated deficit	(1,217,249)	(1,221,450)
Total stockholders' equity	92,876	83,941
Total liabilities, convertible preferred stock and stockholders' equity	$ 271,858	$ 272,698

The accompanying notes are an integral part of these condensed consolidated financial statements.

XOMA ROYALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2026	**2025**
Income and revenues:		
Income from purchased receivables under the EIR method	$ 9,239	$ 6,070
Income from purchased receivables under the cost recovery method	2,769	5,525
Revenue from contracts with customers	—	4,000
Revenue recognized under units-of-revenue method	310	317
Total income and revenues	12,318	15,912
Operating expenses:		
Research and development	49	1,293
General and administrative	11,857	8,146
Amortization of intangible assets	892	544
Total operating expenses	12,798	9,983
Income (loss) from operations	(480)	5,929
Other income (expense), net:		
Gains on acquisitions	3,545	—
Interest expense	(3,359)	(3,467)
Other income (expense), net	4,760	(95)
Net income before tax	4,466	2,367
Income tax expense	(1)	—
Net income	$ 4,465	$ 2,367
Net income available to common stockholders (Note 3):		
Basic	$ 2,121	$ 705
Diluted	$ 3,013	$ 999
Net income per share available to common stockholders:		
Basic	$ 0.18	$ 0.06
Diluted	$ 0.17	$ 0.06
Weighted-average shares used in computing net income per share available to common stockholders:		
Basic	11,894	11,969
Diluted	17,417	17,781

The accompanying notes are an integral part of these condensed consolidated financial statements.

XOMA ROYALTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in thousands)

	Three Months Ended March 31,	
	2026	**2025**
Net income	$ 4,465	$ 2,367
Net unrealized gain on available-for-sale debt securities	66	45
Comprehensive income	$ 4,531	$ 2,412

The accompanying notes are an integral part of these condensed consolidated financial statements.

XOMA ROYALTY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
(unaudited)
(in thousands)

	Convertible Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2025	5	$ 20,019	984	$ 49	2	$ —	11,859	$ 89	$1,305,200	$ 53	$ (1,221,450)	$ 83,941
Exercise of stock options	—	—	—	—	—	—	33	—	518	—	—	518
Stock-based compensation expense - equity-classified	—	—	—	—	—	—	—	—	1,969	—	—	1,969
Issuance of common stock related to 401(k) contribution and ESPP	—	—	—	—	—	—	5	—	124	—	—	124
Issuance of common stock related to PSUs	—	—	—	—	—	—	24	—	—	—	—	—
Repurchase of common stock	—	—	—	—	—	—	(11)	—	—	—	(264)	(264)
Reclassification of liability classified awards to equity classified awards	—	—	—	—	—	—	—	—	3,509	—	—	3,509
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,452)	—	—	(1,452)
Net unrealized gain on available-for-sale debt securities	—	—	—	—	—	—	—	—	—	66	—	66
Net income	—	—	—	—	—	—	—	—	—	—	4,465	4,465
Balance, March 31, 2026	5	$ 20,019	984	$ 49	2	$ —	11,910	$ 89	$1,309,868	$ 119	$ (1,217,249)	$ 92,876

	Convertible Preferred Stock		Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2024	5	$ 20,019	984	$ 49	2	$ —	11,952	$ 90	$1,298,747	$ 73	$ (1,237,057)	$ 61,902
Exercise of stock options	—	—	—	—	—	—	21	—	85	—	—	85
Issuance of common stock related to 401(k) contribution	—	—	—	—	—	—	5	—	141	—	—	141
Stock-based compensation expense	—	—	—	—	—	—	—	—	1,983	—	—	1,983
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,368)	—	—	(1,368)
Repurchase of common stock	—	—	—	—	—	—	(25)	—	—	—	(545)	(545)
Net unrealized gain on available-for-sale debt securities	—	—	—	—	—	—	—	—	—	45	—	45
Net income	—	—	—	—	—	—	—	—	—	—	2,367	2,367
Balance, March 31, 2025	5	$ 20,019	984	$ 49	2	$ —	11,953	$ 90	$1,299,588	$ 118	$ (1,235,235)	$ 64,610

The accompanying notes are an integral part of these condensed consolidated financial statements.

XOMA ROYALTY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2026	2025
Cash flows from operating activities:		
Net income	$ 4,465	$ 2,367
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Adjustment for income from EIR method purchased receivables	4,021	1,743
Stock-based compensation expense	2,281	1,983
Gains on acquisitions	(3,545)	—
Gain on lease termination	(27)	—
Income tax expense	1	—
Common stock contribution to 401(k)	124	141
Amortization of intangible assets	892	544
Depreciation	3	3
Accretion of long-term debt discount and debt issuance costs	332	427
Non-cash lease expense	17	17
Change in fair value of equity securities	(112)	1,147
Change in fair value of available-for-sale debt securities classified as cash equivalents	66	45
Change in fair value of derivatives	(12)	—
CVR liability working capital adjustment	131	—
Changes in assets and liabilities:		
Trade and other receivables, net	325	(3,705)
Prepaid expenses and other assets	753	1,176
Accounts payable and accrued liabilities	(2,628)	(3,265)
Operating lease liabilities	(656)	(108)
Unearned revenue recognized under units-of-revenue method	(310)	(317)
Net cash provided by operating activities	6,121	2,198
Cash flows from investing activities:		
Net cash, cash equivalents, and restricted cash acquired in Generation Bio acquisition	8,458	—
Payment of contingent consideration related to LAVA CVR	(2,141)	—
Payments of consideration under RPAs, AAAs, and CPPAs	—	(8,000)
Receipts under RPAs, AAAs, and CPPAs	235	1,307
Net cash provided by (used in) investing activities	6,552	(6,693)
Cash flows from financing activities:		
Principal payments – debt	(6,391)	(5,066)
Debt issuance costs and loan fees paid in connection with long-term debt	(80)	—
Payment of preferred stock dividends	(1,424)	(1,368)
Repurchases of common stock	(264)	(545)
Proceeds from exercise of options and other share-based compensation	565	325
Taxes paid related to net share settlement of equity awards	(46)	(240)
Net cash used in financing activities	(7,640)	(6,894)
Net increase (decrease) in cash, cash equivalents, and restricted cash	5,033	(11,389)
Cash, cash equivalents, and restricted cash as of the beginning of the period	133,710	106,416
Cash, cash equivalents, and restricted cash as of the end of the period	$ 138,743	$ 95,027
Supplemental cash flow information:		
Cash paid for interest	$ 5,555	$ 6,078
Cash paid for taxes	$ —	$ 277
Non-cash investing and financing activities:		
Accrual of contingent value rights liability in the Generation Bio acquisition	$ 4,583	$ —
Transaction costs in connection with Generation Bio acquisition included in accounts payable and accrued expenses	$ 35	$ —
Adjustment to the contingent value rights liability soon after the acquisitions	$ 229	$ —
Reclassification of liability awards to equity classified	$ 3,509	$ —
Preferred stock dividend accrual	$ 1,452	$ 1,368

The accompanying notes are an integral part of these condensed consolidated financial statements.

XOMA ROYALTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Description of Business

XOMA Royalty Corporation, a Nevada corporation, is a royalty aggregator with a sizable portfolio of economic rights to future potential milestone and royalty payments associated with commercial and pre-commercial therapeutic candidates. The Company was reincorporated from Delaware to Nevada in May 2025. The Company's portfolio was built through the acquisition of rights to future milestone payments, royalties, and commercial payments, since its royalty aggregator business model was implemented in 2017. These acquisitions build upon out-licensing agreements for proprietary products and platforms held within the Company's portfolio. The Company's drug royalty aggregator business is primarily focused on acquisition of early to mid-stage clinical assets in Phase 1 and 2 development, which the Company believes have significant commercial sales potential and that are licensed to well-funded partners with established expertise in developing and commercializing drugs. The Company also acquires milestone and royalty revenue streams on late-stage or commercial assets that are designed to address unmet markets or have a therapeutic advantage over other treatment options, and have long duration of market exclusivity. The Company expects most of its future income and revenue to be based on payments the Company may receive for milestones and royalties associated with these assets as well as the periodic recognition of income under the EIR method.

Liquidity and Financial Condition

The Company has incurred significant operating losses and negative cash flows from operations since its inception. As of March 31, 2026, the Company had cash, cash equivalents, and restricted cash of $138.7 million.

Based on the Company's current cash balance and its planned spending, such as on royalties and other acquisitions, the Company has evaluated and concluded its financial condition is sufficient to fund its planned operations, commitments, and contractual obligations for a period of at least one year following the date that these unaudited condensed consolidated financial statements are issued.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions among consolidated entities were eliminated upon consolidation. The unaudited condensed consolidated financial statements were prepared in accordance with U.S. GAAP for financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial reporting. As permitted under those rules, certain footnotes or other financial information can be condensed or omitted. These unaudited condensed consolidated financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 18, 2026.

These unaudited condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal and recurring adjustments that are necessary for a fair statement of the Company's consolidated financial information. The interim results of operations are not necessarily indicative of the results that may be expected for the full year, or for any other future annual or interim period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, revenue and expenses, and related disclosures. Management routinely evaluates its estimates including, but not limited to, those related to projected cash flows associated with income from purchased receivables under the EIR method, income from purchased receivables under the cost recovery method, revenue from contracts with customers, revenue recognized under the units-of-revenue method, royalty and commercial payment receivables, fair value and useful life of intangible assets acquired in asset acquisitions, contingent consideration for asset acquisitions, the Exarafenib milestone asset and contingent consideration, contingent consideration for purchased receivables, fair value and amortization of the Blue Owl Loan, accrued expenses, stock-based compensation, share-based liability, and warrants to purchase shares of third party stock. The Company bases its estimates on historical experience and on various other market-specific and other relevant assumptions that are believed to be 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.

Actual results may differ significantly from these estimates, including estimates such as the Company's income from purchased receivables under the EIR method, income from purchased receivables under the cost recovery method, and amortization of the deferred revenue from the HCRP arrangement recognized under the units-of-revenue method, and amortization of the Blue Owl Loan. Estimates related to income from purchased receivables under the EIR method are from commercial products that the Company has assessed to have reliably estimable cash flows based on the best information available from its partners or other third parties and from changes in expected cash flows for royalty and commercial receivables. Estimates related to income from purchased receivables under the cost recovery method may be based on the best information available to the Company from its partners or other third parties. Any changes to the estimated payments made by partners or third parties can result in a material adjustment to income reported. Under the contracts with HCRP, the amortization for the reporting period is calculated based on the payments expected to be made by the licensees to HCRP over the term of the arrangement. Any changes to the estimated payments by the licensees to HCRP can result in a material adjustment to revenue previously reported. The Company's amortization of the Blue Owl Loan is calculated based on the commercial payments expected to be received from Roche for VABYSMO under the Affitech CPPA. Any changes to the estimated commercial payments from Roche can result in a material adjustment to the interest expense and term loan balance reported.

Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated statements of cash flows (in thousands):

	March 31, 2026	December 31, 2025
Unrestricted cash	$ 10,260	$ 34,768
Unrestricted cash equivalents	75,340	48,140
Total unrestricted cash and cash equivalents	$ 85,600	$ 82,908
Short-term restricted cash	8,862	5,441
Long-term restricted cash	44,281	45,361
Total restricted cash	$ 53,143	$ 50,802
Total unrestricted and restricted cash and cash equivalents	$ 138,743	$ 133,710

Cash and Cash Equivalents

Cash consists of bank deposits held in business checking and interest-bearing deposit accounts. Cash equivalent balances are defined as highly liquid financial instruments with an original maturity of three months or less that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents held by the Company are in money market funds and U.S. treasury bills, and are classified as available-for-sale.

Allowance for credit losses is recorded for available-for-sale debt securities with unrealized losses. The amount of credit losses that can be recognized for available-for-sale debt securities is limited to the amount by which carrying value exceeds fair value, and previously recognized credit losses are reversed if the fair value increases.

As of March 31, 2026, all investments in debt securities were held in U.S. treasury bills and classified as available-for-sale. There was no allowance for credit losses on investments in debt securities as of March 31, 2026. The Company redeemed upon maturity $20.3 million and $20.5 million of available-for-sale debt securities during the three months ended March 31, 2026 and 2025, respectively. During the three months ended March 31, 2026 and 2025, the Company realized gains of $0.1 million and $0.2 million from those redemptions, respectively.

Cash equivalents classified as available-for-sale debt securities consisted of the following (in thousands):

	March 31, 2026			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. treasury bills	$ 25,386	$ 119	$ —	$ 25,505
Total debt securities	$ 25,386	$ 119	$ —	$ 25,505

	December 31, 2025			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. treasury bills	$ 6,277	$ 53	$ —	$ 6,330
Total debt securities	$ 6,277	$ 53	$ —	$ 6,330

Restricted Cash

Cash accounts with any type of restriction are classified as restricted cash. If restrictions are expected to be lifted or to be used to pay a third party in the next twelve months, the restricted cash account is classified as current.

The restricted cash balance may only be used to pay certain expenses and amounts pursuant to the Generation Bio Merger Agreement and Generation Bio CVR Agreement, pay lease payments pursuant to the Boston Lease, tax reserve matter expenses and additional closing net cash amount pursuant to the LAVA Purchase Agreement and LAVA CVR Agreement, and interest expense, administrative fees, and other allowable expenses pursuant to the Blue Owl Loan. On December 15, 2023, XRL deposited $6.3 million into reserve accounts in connection with the funding of the Blue Owl Loan (see Note 9), of which $5.8 million was deposited into a reserve account for interest and administrative fees and $0.5 million was deposited into an operating reserve account to cover operating expenses of XRL. Since the inception of the Blue Owl Loan, $3.8 million has been released from restricted cash to unrestricted cash pursuant to the terms of the Blue Owl Loan Agreement.

Payments of interest under the Blue Owl Loan Agreement are made semi-annually using commercial payments received since the immediately preceding interest payment date under the Affitech CPPA. On each interest payment date, if the commercial payments received are less than the total interest due for the respective quarter, the shortfall in interest payment would be paid from the reserve account.

Payments of administrative fees under the Blue Owl Loan Agreement are made semi-annually on January 1 and July 1 of each year from the reserve account. XOMA will be required to fund an additional $0.8 million into the administrative fee escrow account on July 1, 2027.

Restricted cash consisted of the following (in thousands):

	March 31, 2026	December 31, 2025
Short-term restricted cash held for Blue Owl Loan	$ 1,410	$ 160
Short-term restricted cash held for Boston Lease payments	5,320	5,281
Short-term restricted cash held for Binney Lease security deposit	2,051	—
Short-term restricted cash held for Generation Bio post-closing expenses	81	—
Total short-term restricted cash	$ 8,862	$ 5,441
Long-term restricted cash held for Blue Owl Loan	680	2,011
Long-term restricted cash held for Boston Lease security deposit	1,631	1,631
Long-term restricted cash held for Boston Lease payments	34,866	35,386
Long-term restricted cash held for LAVA CVR payments	6,744	6,333
Long-term restricted cash held for Generation Bio post-closing expenses	360	—
Total long-term restricted cash	$ 44,281	$ 45,361
Total restricted cash	$ 53,143	$ 50,802

Concentration of Risk

Cash, cash equivalents, restricted cash, and receivables are financial instruments which potentially subject the Company to concentrations of credit risk, as well as liquidity risk.

The Company maintains cash balances at commercial banks. Balances commonly exceed the amount insured by the FDIC. The Company has not experienced any losses in such accounts.

The Company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business but does not generally require collateral on receivables.

For the three months ended March 31, 2026, three partners represented 54%, 22% and 19% of total income and revenues, respectively. For the three months ended March 31, 2025, three partners represented 35%, 37% and 25% of total income and revenues, respectively. Two partners represented 61% and 22% of trade and other receivables, net balance, respectively, as of March 31, 2026. Two partners represented 53% and 21% of the trade and other receivables, net balance, respectively, as of December 31, 2025.

Purchase of Rights to Future Milestones, Royalties, and Commercial Payments

The Company has purchased rights to receive a portion of certain future developmental, regulatory and commercial sales milestones, royalties, and option fees on sales of products currently in clinical development or recently commercialized. Agreements to purchase such rights do not have contractual terms typical of loans (such as contractual principal and interest amounts). As U.S. GAAP does not provide specific authoritative guidance covering such agreements, the Company has analogized and accounted for the amounts paid for these rights as a financial asset that is akin to a loan in accordance with ASC 310 as the Company believes they most closely resemble that of loans under royalty and commercial payment receivables (see Note 4). In addition, the Company may be obligated to make contingent payments related to certain product development milestones and sales-based milestones.

Under the EIR method, the amount and timing of contingent payments are included in the forecasted expected cash flows used to estimate royalty and commercial payment receivables and income from purchased receivables.

Under the cost recovery method, the contingent payments are evaluated to determine if they are subject to the provisions of ASC 815. Contingent payments subject to the scope of ASC 815 are measured at fair value at the inception of the arrangement, and subject to remeasurement to fair value during each reporting period. Any changes in the estimated fair value are recorded in the condensed consolidated statements of operations. Contingent consideration payments that do

not fall within the scope of ASC 815 are recognized when the amounts are probable and reasonably estimable according to ASC 450.

Effective Interest Rate Method

The Company accounts for rights to future milestones, royalties, and commercial payments related to commercial products with future cash flows that can be reliably estimated at amortized cost under the prospective EIR method in accordance with ASC 835-30. The EIR is calculated by forecasting the expected cash flows to be received and paid over the life of the asset relative to the receivable's carrying amount at the time when the Company determines that there are reliable cash flows. The carrying amount of a receivable is made up of the opening balance, which is increased by accrued income and expected cash payments and decreased by cash receipts in the period to arrive at the ending balance. The EIR is recalculated at each reporting period as differences between expected cash flows and actual cash flows are realized and as there are changes to the expected future cash flows. If the EIR for the current period is lower than the prior period and if the gross cash flows have declined (expected and collected), the Company may record an allowance for the change in expected cash flows. Receivables related to income from purchased receivables under the EIR method totaled $23.0 million and $27.2 million as of March 31, 2026 and December 31, 2025, respectively.

For income from purchased receivables under the EIR method, the accretable yield is recognized as income at the effective rate of return over the expected life of the royalty and commercial payment receivable. The amounts and duration of forecasted expected future cash flows used to calculate and measure income are largely impacted by research analyst coverage, commercial performance of the product, and contract or patent duration.

The prospective application of the EIR method to measure royalty and commercial payment receivables requires judgment in forecasting future expected cash flows and reliance on third-party information. The Company forecasts expected sales based on sales projections of the underlying commercial products that are published in research analyst reports over the periods that the Company is entitled to rights to cash flows from royalties or milestones. Market research is generally based on analysis of factors such as commercial product growth in global economies, industry trends, and product life cycles. The Company considers commercial performance updates on regulatory approval for new indications or geographic areas or discontinuation of certain indications or geographic areas in the forecasting of future expected cash flows. The Company also considers royalty duration of the commercial products, which may be based on factors including but not limited to regulatory and marketing approval dates, patent expiration dates, first commercial sale, and generic sales. Loss of regulatory exclusivity, patent protection, or other additional factors that may be communicated to the Company by its partners or through third-party information may impact the royalty duration that the Company uses in forecasting future expected cash flows.

Cost Recovery Method

When the purchase of rights to future milestones, royalties, and commercial payments involves future cash flows which cannot be reliably estimated, the Company accounts for such rights on a non-accrual basis using the cost recovery method. The Company's assessment of whether cash flows can be reliably estimated depends on a number of factors. For example, the Company has generally determined that rights related to programs in preclinical or clinical stages of development or that have had a very short commercialization period during which payments have not yet been received, generally have cash flows that cannot be reliably estimated and therefore are accounted for under the cost recovery method. The related royalty and commercial payment receivable balance is classified as noncurrent or current based on whether payments are probable and reasonably expected to be received in the next twelve months. Under the cost recovery method, any milestone, royalty, or commercial payment received is recorded as a direct reduction of the recorded receivable balance. Under the cost recovery method, the Company does not recognize any income in accordance with ASC 835-30 and does not have any deferred fees or costs.

When the recorded royalty and commercial payment receivables balance has been fully collected, any additional amounts collected are recognized as income from purchased receivables under the cost recovery method. Receivables from such income from purchased receivables are included in trade and other receivables, net on the condensed consolidated balance sheet and totaled $2.8 million and $2.6 million as of March 31, 2026 and December 31, 2025, respectively.

Income from purchased receivables under the cost recovery method includes income from milestone and royalty payments related to royalty and commercial payment transactions for which the cost has been fully recovered or impaired. The excess milestone and royalty payment received over a remaining receivable balance is recognized as income. If the information upon which such income amounts are derived is provided to the Company from partners or other third parties in arrears, the Company estimates the income earned during the period based upon the best information available such that the income recognized is not probable to be subsequently reversed in future periods.

Allowance for Current Expected Credit Losses

The Company evaluates the royalty and commercial payment receivables on a collective (i.e., pool) basis if they share similar risk characteristics. The Company evaluates a royalty and commercial payment receivable individually if its risk characteristics are not similar to other royalty and commercial payment receivables. The Company regularly reviews public information on clinical trials, press releases, and updates from its partners to identify any indicators that challenge the expected recovery of the royalty and commercial payment receivables.

Effective Interest Rate Method

At each reporting date, the Company evaluates royalty and commercial payment receivables under the EIR method by comparing the EIR at each reporting date to that of the prior period. If the EIR for the current period is lower than the prior period and if the gross cash flows have declined (expected and collected), the Company may record an allowance for the change in expected cash flows. The allowance is measured as the difference between the royalty and commercial payment receivables' amortized cost basis and the net present value of the expected future cash flows, calculated based on the prior period's EIR. The amount is recognized as credit losses on purchased receivables expense that increases the royalty and commercial payment receivable asset's cumulative allowance, which reduces the net carrying value of the royalty and commercial payment receivable asset.

Cost Recovery Method

At each reporting date, for royalty and commercial payment receivables under the cost recovery method, if the Company determines expected future cash flows discounted to the current period are less than the carrying value of the asset, the Company will record a credit loss charge. The credit loss charge will be recognized as credit losses on purchased receivables expense that increases the royalty and commercial payment receivable asset's cumulative allowance, which reduces the net carrying value of the royalty and commercial payment receivable asset. In a subsequent period, if there is an increase in expected future cash flows, or if the actual cash flows are greater than previously expected, the Company will reduce the previously established cumulative allowance. Amounts not expected to be collected are written off against the allowance at the time that such a determination is made.

Revenue from Contracts with Customers

The Company recognizes revenue from all contracts with customers according to ASC 606, except for contracts that are within the scope of other standards, such as leases and financial instruments. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract on whether each promised good or service is distinct to determine those that are performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation based on relative fair values, when (or as) the performance obligation is satisfied.

The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

The Company recognizes revenue from its license arrangements. The terms of the arrangements generally include payment to the Company of one or more of the following: non-refundable, upfront license fees, development, regulatory and commercial milestone payments, and royalties on net sales of licensed products.

License of Intellectual Property

If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, upfront fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses that are bundled with other promises, such as transfer of related materials, process, and know-how, the Company utilizes judgement to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. Under the Company's license agreements, the nature of the combined performance obligation is the granting of licenses to the customers as the other promises are not separately identifiable in the context of the arrangement. Since the Company grants the license to a customer as it exists at the point of transfer and is not involved in any future development or commercialization of the products related to the license, the nature of the license is a right to use the Company's intellectual property as transferred. As such, the Company recognizes revenue related to the combined performance obligation upon completion of the delivery of the related materials, process, and know-how (i.e., at a point in time).

Deferred revenue is recorded when upfront payments and fees are received prior to the satisfaction of performance obligations. Trade and other receivables, net is recorded when the Company has an unconditional right to consideration.

Milestone Payments

At the inception of each arrangement that includes development and regulatory milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price. ASC 606 suggests two alternatives to use when estimating the amount of variable consideration: the expected value method and the most likely amount method. Under the expected value method, an entity considers the sum of probability-weighted amounts in a range of possible consideration amounts. Under the most likely amount method, an entity considers the single most likely amount in a range of possible consideration amounts. The Company uses the most likely amount method for development and regulatory milestone payments.

If it is probable that a significant cumulative revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within the control of the Company or the licensee, such as regulatory approvals, are not considered probable of being achieved until those approvals are received. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis. The Company recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Company re-evaluates the probability or achievement of each such milestone and any related constraint, and if necessary, adjusts its estimates of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenue and earnings in the period of adjustment.

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, where the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Revenue Recognized under Units-of-Revenue Method

The Company has sold its rights to receive certain milestones and royalties on product sales. In the circumstance where the Company has sold its rights to future milestones and royalties under a license agreement and also maintains limited continuing involvement in the arrangement (but not significant continuing involvement in the generation of the cash flows that are due to the purchaser), the Company defers recognition of the proceeds it receives for the sale of milestone or royalty streams and recognizes such unearned revenue as revenue under the units-of-revenue method over the life of the underlying license agreement. Under the units-of-revenue method, amortization for a reporting period is calculated by computing a ratio of the proceeds received from the purchaser to the total payments expected to be made to the purchaser over the term of the agreement, and then applying that ratio to the period's cash payment.

Estimating the total payments expected to be received by the purchaser over the term of such arrangements requires management to use subjective estimates and assumptions. Changes to the Company's estimate of the payments expected to be made to the purchaser over the term of such arrangements could have a material effect on the amount of revenues recognized in any particular period.

Stock-Based Compensation

The Company recognizes compensation expense for all stock-based payment awards made to the Company's employees, consultants, and directors that are expected to vest based on estimated fair values. The valuation of stock option awards without performance conditions is determined using the Black-Scholes Model. The Black-Scholes Model requires inputs such as the expected term of the option, expected volatility, and risk-free interest rate. To establish an estimate of the expected term, the Company considers the vesting period and contractual period of the award and its historical experience of stock option exercises, post-vesting cancellations, and volatility. The estimate of expected volatility is based on the Company's historical volatility. The risk-free rate is based on the yield available on U.S. Treasury zero-coupon issues corresponding to the expected term of the award. The Company records forfeitures when they occur.

The valuation of RSUs is determined at the date of grant using the Company's closing stock price.

For equity-classified awards, total compensation cost is based on the grant date fair value. The Company records compensation expense for service-based awards on a straight-line basis over the requisite service period, which is generally the vesting period of the award, or to the date on which retirement eligibility is achieved, if shorter. For liability-classified awards, total compensation cost is based on the fair value of the award on the date the award is granted and is subsequently re-measured at each reporting date until settlement.

The grant date fair value of PSUs with market conditions is determined using the Monte Carlo valuation model. The Company records compensation expenses for PSUs based on graded expense attribution over the requisite service periods.

Investment in Equity Securities

The Company holds equity securities in publicly traded companies. Equity investments in publicly traded companies are classified in the condensed consolidated balance sheets as investment in equity securities. Equity securities are measured at fair value, with changes in fair value recorded in the other income, net line item of the condensed consolidated statement of operations at each reporting period. The Company remeasures its equity investments at each reporting period until such time that the investment is sold or disposed of. If the Company sells an investment, any realized gains and losses on the sale of the securities will be recognized in the condensed consolidated statement of operations in the period of sale.

Investment in Warrants

The Company may obtain warrants pursuant to which it has the right to acquire stock in companies. The warrants are accounted for as derivatives when they contain net settlement terms and other qualifying criteria under ASC 815. In

general, the warrants entitle the Company to buy a specific number of shares of stock at a specific price within a specific time period.

Investment in warrants are recorded at fair value and are revalued at each reporting period. The Company values warrants using the Black-Scholes Model. Any changes in fair value from the grant date fair value of warrants will be recognized as increases or decreases to investments on the condensed consolidated balance sheets and as a component of other income, net on the condensed consolidated statements of operations.

Asset Acquisitions

As a first step, for each acquisition, the Company determines if it is an acquisition of a business or an asset acquisition under ASC 805. The guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If the screen test is not met, the Company then further evaluates whether the assets or group of assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Acquisitions of assets or a group of assets that do not meet the definition of a business are accounted for as asset acquisitions under ASC 805-50, using the cost accumulation method, whereby the cost of the acquisition, including certain transaction costs, is allocated to the assets acquired on the basis of relative fair values. If the fair value of net assets acquired, after allocating the excess of the fair value of net assets acquired to certain qualifying assets, exceeds the total cost of the acquisition, a bargain purchase gain is recognized in gain on acquisitions within other income (expense), net in the condensed consolidated statements of operations.

Contingent payments in asset acquisitions are evaluated whether they are freestanding instruments or embedded derivatives. If the contingent payments fall within the scope of ASC 815, the contingent payments are measured at fair value at the acquisition date and are subject to remeasurement to fair value each reporting period. The estimated fair value at the acquisition date is included in the cost of the acquired assets. Any subsequent changes in the estimated fair value are recorded in the condensed consolidated statements of operations. Contingent consideration payments that are related to IPR&D assets are expensed as incurred until the underlying licensed products receive FDA approval. Contingent consideration payments that do not fall within the scope of ASC 815 are recognized when the amount is probable and estimable according to ASC 450.

Cash payments related to acquired assets and made soon after the acquisition are reflected as investing cash flows, and as financing activities thereafter, in the Company’s condensed consolidated statements of cash flows.

Intangible Assets

Intangible assets are amortized based on the Company’s best estimate of the distribution of the economic value of the respective intangible assets. Intangible assets are carried at cost less accumulated amortization. Amortization is included in amortization of intangible assets in the condensed consolidated statements of operations.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount of an asset group to the future net undiscounted cash flows that the assets are expected to generate. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized. Any impairment charge should not reduce the carrying amount of an individual intangible asset below its fair value.

Leases

The Company determines the initial classification and measurement of its right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. The lease term includes any renewal options and termination options that the Company is reasonably certain to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease if that rate is readily determinable; otherwise, the Company uses its incremental borrowing rate. The incremental borrowing rate is determined by using the rate of interest that the Company would pay to borrow on a collateralized basis an amount equal to the lease payments for a similar term and in a similar economic

environment. The Company estimated its incremental borrowing rate by adjusting the interest rate on its fully collateralized debt for the lease term length.

Rent expense for the operating lease is recognized on a straight-line basis over the reasonably assured lease term based on total lease payments and is included in G&A expenses in the condensed consolidated statements of operations. After an impairment or adjustment to the right-of-use assets, the remaining right-of-use assets will be amortized on a straight-line basis over the remaining lease term. The operating lease would no longer qualify for the straight-line treatment of total lease expense, but the right-of-use assets reduction and interest accretion related to the operating lease liability will continue to be combined as a single lease expense.

The Company has elected the practical expedient to not separate lease and non-lease components. The Company's non-lease components are primarily related to property maintenance. Variable non-lease components are recognized in rent expense when incurred.

The Company has also elected not to record on the condensed consolidated balance sheets a lease for which the term is 12 months or less and does not include a purchase option that the Company is reasonably certain to exercise.

Long-Term Debt

Long-term debt represents the Company's term loan under the Blue Owl Loan Agreement, which the Company has accounted for as a debt financing arrangement. Interest expense is accrued using the EIR method over the estimated period the loan will be repaid. The allocated debt discount and debt issuance costs have been recorded as a direct deduction from the carrying amount of the related debt in the condensed consolidated balance sheets and are being amortized and recorded as interest expense throughout the expected life of the Blue Owl Loan using the EIR method. The Company considered whether there were any embedded features in the Blue Owl Loan Agreement that require bifurcation and separate accounting as derivative financial instruments pursuant to ASC 815. See Note 9.

Warrants Issued

The Company has issued warrants to purchase shares of its common stock in connection with its financing activities. The Company classified these warrants as equity and recorded the warrants at fair value as of the date of issuance on the Company's condensed consolidated balance sheet with no subsequent remeasurement. The issuance date fair value of the outstanding warrants was estimated using the Black-Scholes Model. The Black-Scholes Model required inputs such as the expected term of the warrants, expected volatility, and risk-free interest rate. These inputs were subjective and required significant analysis and judgment. For the estimate of the expected term, the Company used the full remaining contractual term of the warrant. The estimate of expected volatility assumption is based on the historical price volatility observed on the Company's common stock. The risk-free rate is based on the yield available on U.S. Treasury zero-coupon issues corresponding to the expected term of the warrants.

Income Taxes

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount which is more likely than not to be realizable.

The recognition, derecognition, and measurement of a tax position is based on management's best judgment given the facts, circumstances, and information available at each reporting date. The Company's policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Net Income (Loss) per Share Available to (Attributable to) Common Stockholders

The Company calculates basic and diluted net income (loss) per share available to (attributable to) common stockholders using the two-class method. The Company's convertible Series X Preferred Stock participate in any dividends declared by the Company on its common stock and are therefore considered to be participating securities. The Company's Series A and Series B Preferred Stock do not participate in any dividends or distribution by the Company on its common stock and are therefore not considered to be participating securities.

Under the two-class method, net income, as adjusted for any accumulated dividends on Series A and Series B Preferred Stock for the period, is allocated to each class of common stock and participating security as if all of the net income for the period had been distributed. Undistributed earnings allocated to participating securities are subtracted from net income in determining net income available to common stockholders. During periods of loss, the Company allocates no loss to participating securities because they have no contractual obligation to share in the losses of the Company. Basic net income (loss) per share available to (attributable to) common stockholders is then calculated by dividing the net income (loss) available to (attributable to) common stockholders by the weighted-average number of shares of common stock outstanding during the period. All participating securities are excluded from the basic weighted-average number of shares of common stock outstanding.

Diluted net income (loss) per share available to (attributable to) common stockholders is based on the weighted-average number of shares outstanding during the period, adjusted to include the assumed vesting of RSUs and PSUs, as well as the assumed exercise of certain stock options and warrants for common stock using the treasury method, if dilutive. The calculation assumes that any proceeds that could be obtained upon exercise of options and warrants would be used to purchase common stock at the average market price during the period. Adjustments to the denominator are required to reflect the related dilutive shares. The Company's Series A and Series B Preferred Stock become convertible upon the occurrence of specific events other than a change in the Company's share price and, therefore, are not included in the diluted shares until the contingency is resolved.

Share Repurchases

The Company has a stock repurchase program that is executed through purchases made from time to time, including in the open market. The Company retires repurchased shares of common stock, reducing common stock with any excess of cost over par value recorded to accumulated deficit. Issued and outstanding shares of common stock are reduced by the number of shares repurchased. No treasury stock is recognized in the condensed consolidated financial statements. In August 2022, the IRA enacted a 1% excise tax on net share repurchases after December 31, 2022. The tax applies if the aggregate fair market value of repurchased stock during the taxable year exceeds $1.0 million. Any excise tax incurred on share repurchases is recognized as part of the cost basis of the shares acquired.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of two components: net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to gains and losses that are recorded as an element of stockholders' equity but are excluded from net income (loss) under U.S. GAAP.

Convertible Preferred Stock

The Company records Series X Convertible Preferred Stock at its relative fair value, net of issuance costs on the date of issuance, which represents the carrying value. Convertible preferred stock is classified outside of stockholders' equity on the accompanying condensed consolidated balance sheets as the shares are redeemable for cash or other assets upon the occurrence of certain event that is not solely within control of the Company.

Functional Currency

The functional and reporting currency of the Company and its subsidiaries is the U.S. dollar. Certain acquired companies had operations that reported in a functional currency other than the U.S. dollar. Following the acquisitions,

the Company plans to manage the net assets acquired in aggregate and centrally in the U.S. As such, the acquired companies' functional currency will become the U.S. dollar upon completion of the post-acquisition integration.

Accounting Pronouncements Recently Adopted

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets,* which provides a practical expedient that allows entities to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. ASU 2025-05 is effective for annual periods beginning after December 15, 2025, and interim periods within those annual reporting periods. The Company adopted ASU 2025-05 and related updates on January 1, 2026. The adoption of ASU 2025-05 had no impact on the condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the Securities and Exchange Commission's Disclosure Update and Simplification Initiative*. ASU 2023-06 incorporates 14 of the 27 disclosure requirements published in SEC Release No. 33-10532: Disclosure Update and Simplification into various topics within the ASC. ASU 2023-06's amendments represent clarifications to, or technical corrections of, current requirements. For SEC registrants, the effective date for each amendment will be the date on which the SEC removes that related disclosure from its rules. Early adoption is prohibited. The Company does not expect the standard to have a material impact on its consolidated financial statements and disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. ASU 2024-03 requires public companies to disclose in the notes to the financial statements specific information about certain costs and expenses at each interim and annual reporting period. This includes disclosing amounts related to employee compensation, depreciation, and intangible asset amortization. In addition, public companies will need to provide a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU 2024-03 is effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Implementation of ASU 2024-03 may be applied prospectively or retrospectively. The Company is currently evaluating the impact that the standard will have on its financial statement disclosures.

In May 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*. ASU 2025-03 changes how companies determine the accounting acquirer in certain business combinations involving variable interest entities. The new guidance requires companies to consider the factors used for other acquisition transactions to assess which party is the accounting acquirer. ASU 2025-03 is effective for annual reporting periods beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

In May 2025, the FASB issued ASU 2025-04, *Compensation – Stock Compensation (Topic 718) and Revenue from Contracts With Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer*. ASU 2025-04 revises the definition of a performance condition, eliminates the forfeiture policy election for service conditions, and clarifies that the variable consideration constraint in ASC 606 does not apply to share-based consideration payable to customers. The new guidance requires entities to consistently account for share-based awards granted to customers by clarifying the treatment of vesting conditions and ensuring alignment with ASC 606 and ASC 718. ASU 2025-04 is effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606),* which refines the scope of derivative accounting to exclude certain non-exchange-traded contracts with underlyings based on the operations or activities specific to one of the parties to the contract and

clarifies the accounting for share-based noncash consideration in revenue contracts under ASC 606. ASU 2025-07 is effective for annual periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted. Transition can be applied prospectively to new contracts or on a modified retrospective basis. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

In November 2025, the FASB issued ASU 2025-08, *Financial Instruments—Credit Losses (Topic 326): Purchased Loans*, which introduces the concept of Purchased Seasoned Loans (PSLs) and requires these loans to be accounted for using the gross-up approach. The ASU also permits a policy election to measure expected credit losses using amortized cost rather than the unpaid principal balance for PSLs. ASU 2025-08 is effective for annual periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which makes narrow-scope improvements to clarify the applicability and enhance the navigability of interim reporting guidance. The ASU consolidates existing interim disclosure requirements from other ASC topics, and introduces a principle requiring disclosure of events and changes since the end of the last annual reporting period that have a material impact on the entity. ASU 2025-11 is effective for interim periods within fiscal years beginning after December 15, 2027, for public business entities, and for interim periods within fiscal years beginning after December 15, 2028 for other entities. Early adoption is permitted. Transition may be applied prospectively or retrospectively. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which addresses suggestions received from stakeholders regarding the ASC and makes other incremental improvements to U.S. GAAP. The update represents changes to the codification that clarify, correct errors in or make other improvements to a variety of topics that are intended to make it easier to understand and apply. ASU 2025-12 is effective for fiscal years beginning after December 15, 2026 and interim periods within those fiscal years. Entities are required to apply the amendments to ASC 260 retrospectively. All other amendments may be applied prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its financial statements and related disclosures.

3. Condensed Consolidated Financial Statements Details

Investment in Equity Securities

As of March 31, 2026 and December 31, 2025, investment in equity securities was $0.5 million and $0.4 million, respectively. For the three months ended March 31, 2026 and 2025, the Company recognized an unrealized gain of $0.1 million and unrealized loss of $1.1 million, respectively, due to the change in fair value of its investment in equity securities in the other income (expense), net line item of the condensed consolidated statements of operations.

Intangible Assets, Net

The following table summarizes the cost, accumulated amortization, and net carrying value of the Company's intangible assets as of March 31, 2026 (in thousands):

	Cost	Accumulated Amortization	Net Carrying Value
As of March 31, 2026			
Pulmokine - Seralutinib IP (Note 6)	$ 26,115	$ 2,926	$ 23,189
BioInvent - Contract-based Intangible Asset (Note 5)	20,725	1,115	19,610
LAVA - Partnered Program IPs (Note 6)	934	16	918
LAVA-1266 IP (Note 6)	149	2	147
Total intangible assets	$ 47,923	$ 4,059	$ 43,864

The following table summarizes the cost, accumulated amortization, and net carrying value of the Company's intangible assets as of December 31, 2025 (in thousands):

	Cost	Accumulated Amortization	Net Carrying Value
As of December 31, 2025			
Pulmokine - Seralutinib IP (Note 6)	$ 26,115	$ 2,383	$ 23,732
BioInvent - Contract-based Intangible Asset (Note 5)	20,725	780	19,945
LAVA - Partnered Program IPs (Note 6)	934	3	931
LAVA-1266 IP (Note 6)	149	1	148
Total intangible assets	$ 47,923	$ 3,167	$ 44,756

The estimated remaining life of the intangible assets ranges from 10.7 years to 19.7 years. The following table presents the projected future amortization expense (in thousands):

	Intangible Asset Amortization
2026 (excluding the three months ended March 31, 2026)	$ 2,676
2027	3,567
2028	3,567
2029	3,567
2030	3,567
Thereafter	26,920
Total	$ 43,864

Net Income Per Share Available to Common Stockholders

The following table includes the computation of basic and diluted net income per share available to common stockholders (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2026	2025
Numerator		
Net income	$ 4,465	$ 2,367
Less: Series A accumulated dividends	(530)	(530)
Less: Series B accumulated dividends	(922)	(838)
Less: Allocation of undistributed earnings to participating securities	(892)	(294)
Net income available to common stockholders, basic	$ 2,121	$ 705
Add: Adjustments to undistributed earnings allocated to participating securities	892	294
Net income available to common stockholders, diluted	$ 3,013	$ 999
Denominator		
Weighted-average shares used in computing net income per share available to common stockholders, basic	11,894	11,969
Effect of dilutive Series X Preferred Stock	5,003	5,003
Effect of dilutive warrants for common stock	3	2
Effect of dilutive PSUs	—	273
Effect of dilutive common stock options	517	534
Weighted-average shares used in computing net income per share available to common stockholders, diluted	17,417	17,781
Net income per share available to common stockholders, basic	$ 0.18	$ 0.06
Net income per share available to common stockholders, diluted	$ 0.17	$ 0.06

Potentially dilutive securities are excluded from the calculation of diluted net income per share available to common stockholders if their inclusion is anti-dilutive.

The following table shows the shares from outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net income per share available to common stockholders (in thousands):

	Three Months Ended March 31,	
	2026	2025
Common stock options	641	1,094
Contingently issuable PSUs	164	—
Warrants for common stock	120	120
Unvested RSUs	102	—
Total	1,027	1,214

For PSUs with market conditions, if the market conditions have not been satisfied by the end of the reporting period, the number of shares that would be issuable is based on the market price at the end of the reporting period. This approach treats the end of the reporting period as if it were the end of the contingency period for calculating diluted earnings per share. For PSUs with market conditions that have not yet been satisfied, no shares would be issuable for calculating diluted earnings per share for the three months ended March 31, 2026, based on the 30-day average market price of $27.97 per share.

For PSUs that have satisfied the market conditions but have not satisfied service conditions by the end of the reporting period, the number of shares issuable is included in the calculation of diluted earnings per share if the effect is

dilutive. This includes PSUs that achieved the $30.00 stock price hurdle in November 2024 and the $35.00 stock price hurdle in September 2025, respectively, but still have remaining time-based vesting requirements.

Accrued and Other Liabilities

Accrued and other liabilities consisted of the following (in thousands):

	March 31, 2026	December 31, 2025
Accrued legal and accounting fees	$ 1,435	$ 1,765
Accrued incentive compensation	503	1,645
Accrued severance	378	—
Accrued payroll and benefits	148	394
Share-based liability	—	3,197
Accrued short-term interest payable	—	2,777
Other accrued liabilities	747	107
Total	$ 3,211	$ 9,885

Other Income (Expense), Net

Other income (expense), net for the three months ended March 31, 2026 and 2025 was as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
Other income (expense), net		
Arranger fee from Repare transaction	$ 3,000	$ —
Investment income	933	927
Sublease income	546	103
HilleVax CVR adjustment[1]	(360)	—
LAVA CVR adjustment[2]	230	—
Unrealized gain (loss) from change in fair value of equity securities	112	(1,147)
Other miscellaneous income, net	299	22
Total other income (expense), net	$ 4,760	$ (95)

1) This adjustment represented a $0.4 million addition to the estimated HilleVax CVR liability for interest earned on the related reserve account.

2) This adjustment represented a $0.6 million difference between the LAVA CVR liability accrued as of December 31, 2025 and the actual amount paid in March 2026 for excess closing net cash, partially offset by a $0.4 million additional expense accrued for future LAVA CVR distributions. (see Note 6).

4. Royalty and Commercial Payment Purchase Agreements

The Company recognizes receivables from RPAs under two methods, the cost recovery method and the EIR method.

The following table summarizes the royalty and commercial payment receivable activities under the cost recovery method during the three months ended March 31, 2026 (in thousands):

	Balance as of January 1, 2026	Receipt of Royalty and Commercial Payments	Balance as of March 31, 2026
Twist	$ 15,000	$ —	$ 15,000
Daré (XACIATO)	21,993	(2)	21,991
Palobiofarma	10,000	—	10,000
Kuros	4,500	—	4,500
Castle Creek	4,395	—	4,395
Total	$ 55,888	$ (2)	$ 55,886

The following table summarizes the royalty and commercial payment receivable activities under the cost recovery method during the three months ended March 31, 2025 (in thousands):

	Balance as of January 1, 2025	Acquisition of Royalty and Commercial Payment Receivables	Receipt of Royalty and Commercial Payments	Balance as of March 31, 2025
Twist	$ 15,000	$ —	$ —	$ 15,000
Daré (XACIATO)	21,999	—	(2)	21,997
LadRx (MIPLYFFA)	4,850	—	(413)	4,437
Palobiofarma	10,000	—	—	10,000
Kuros	4,500	—	—	4,500
Castle Creek	—	4,395	—	4,395
Total	$ 56,349	$ 4,395	$ (415)	$ 60,329

The following table summarizes the royalty and commercial payment receivable activities under the EIR method during the three months ended March 31, 2026 (in thousands):

	Balance as of January 1, 2026	Income from Purchased Receivables Under the EIR Method	Receipt of Royalty and Commercial Payments	Balance as of March 31, 2026
Affitech (VABYSMO)	$ 17,555	$ 6,696	$ (11,945)	$ 12,306
LadRx (MIPLYFFA)	3,765	2,297	(1,069)	4,993
Aptevo (IXINITY)	5,893	246	(479)	5,660
Total	$ 27,213	$ 9,239	$ (13,493)	$ 22,959

The following table summarizes the royalty and commercial payment receivable activities under the EIR method during three months ended March 31, 2025 (in thousands):

	Balance as of January 1, 2025	Income from Purchased Receivables Under the EIR Method	Receipt of Royalty and Commercial Payments	Payment of Sales-Based Milestone	Balance as of March 31, 2025
Affitech (VABYSMO)	$ 13,105	$ 5,817	$ (11,145)	$ 3,000	$ 10,777
Aptevo (IXINITY)	6,628	253	(561)	—	6,320
Total	$ 19,733	$ 6,070	$ (11,706)	$ 3,000	$ 17,097

The following table summarizes income recognized from purchased receivables under the EIR method and cost recovery method during the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
	2026	2025
Affitech (VABYSMO)	$ 6,696	$ 5,817
LadRx (MIPLYFFA)	2,297	—
Aptevo (IXINITY)	246	253
Total income from purchased receivables under the EIR method	$ 9,239	$ 6,070
Viracta (OJEMDA)	$ 2,769	$ 5,525
Total income from purchased receivables under the cost recovery method	$ 2,769	$ 5,525

Fully Recovered Royalty and Commercial Payment Purchase Agreements Under the Cost Recovery Method

Viracta Royalty Purchase Agreement

In March 2021, the Company entered into the Viracta RPA, as amended in March 2024, pursuant to which the Company acquired the right to receive future royalties, milestone payments, and other payments related to two clinical-stage drug candidates for an upfront payment of $13.5 million. The first candidate, tovorafenib (DAY101) (the first and only type II RAF inhibitor now marketed as OJEMDA), is developed by Day One, and the second candidate, vosaroxin (a topoisomerase II inhibitor), is being developed by Denovo Biopharma LLC. The Company acquired the right to receive (i) up to $54.0 million in potential milestone payments, potential royalties on sales, if approved, and a portion of potential other payments related to DAY101, excluding up to $5.0 million retained by Viracta, and (ii) up to $57.0 million in potential regulatory and commercial milestones and high single-digit royalties on sales related to vosaroxin, if approved. In December 2024, the Company entered into the Viracta Assignment Agreements with Viracta through which the Company became the patent holder of the IP and know-how related to OJEMDA that was out-licensed to Day One and where Viracta assigned to the Company all its rights, title, and interest in the Day One License Agreement. The Company did not acquire new rights to additional milestone and royalty payments as a result of the execution of the Viracta Assignment Agreements that were not acquired under the Viracta RPA. On April 23, 2026, Servier completed its acquisition of Day One.

As of March 31, 2026 and December 31, 2025, there was $2.8 million and $2.6 million in trade and other receivables, net related to this agreement, respectively. The Company recognized $2.8 million in income from purchased receivables under the cost recovery method related to this agreement during the three months ended March 31, 2026. The Company recognized $5.5 million in income from purchased receivables under the cost recovery method related to this arrangement during the three months ended March 31, 2025, which included a $4.0 million milestone related to Day One's MAA filing with the EMA and $1.5 million in estimated royalties.

Royalty and Commercial Payment Purchase Agreements Under the EIR Method

Short-term royalty and commercial payment receivables under the EIR method were $18.7 million and $22.8 million as of March 31, 2026 and December 31, 2025, respectively. Long-term royalty and commercial payment receivables under the EIR method were $4.2 million and $4.4 million as of March 31, 2026 and December 31, 2025, respectively.

Affitech Commercial Payment Purchase Agreement

In October 2021, the Company entered into the Affitech CPPA, pursuant to which, the Company purchased a future stream of commercial payment rights to Roche's faricimab from Affitech for an upfront payment of $6.0 million. The Company is eligible to receive 0.5% of future net sales of faricimab for a ten-year period following the first commercial sales in each applicable jurisdiction.

In January 2022, Roche received approval from the FDA to commercialize VABYSMO (faricimab-svoa) for the treatment of wet, or neovascular, age-related macular degeneration and diabetic macular edema. In September 2022, Roche received approval from the European Commission to commercialize VABYSMO for the treatment of wet, or neovascular, age-related macular degeneration and visual impairment due to diabetic macular edema. Commercial payments are due from Roche to the Company within 60 days of December 31 and June 30 of each year.

In March 2025, the Company paid $6.0 million to Affitech, which included $3.0 million for the third sales milestone liability that was recorded in the first quarter of 2024 and an additional $3.0 million for the fourth sales milestone. With this payment, all milestone payments to Affitech under the Affitech CPPA have been fully paid.

The Company recognized $6.7 million and $5.8 million in income from purchased receivables under the EIR method during the three months ended March 31, 2026 and 2025, respectively.

During the three months ended March 31, 2026 and 2025, the Company received commercial payments pursuant to the Affitech CPPA of $11.9 million and $11.1 million, respectively.

No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

Aptevo Commercial Payment Purchase Agreement

In March 2023, the Company entered into the Aptevo CPPA, pursuant to which the Company acquired from Aptevo a portion of its milestone and commercial payment rights under a sale agreement dated February 28, 2020 between Aptevo and Medexus, related to IXINITY, which is marketed by Medexus for the control and prevention of bleeding episodes and postoperative management in people with Hemophilia B.

The Company is eligible to receive a mid-single digit percentage of all IXINITY quarterly net sales from January 1, 2023 until the first quarter of 2035, and will be entitled to milestone payments of up to $5.3 million.

The Company recognized $0.2 million and $0.3 million in income from purchased receivables under the EIR method during the three months ended March 31, 2026 and 2025, respectively. During the three months ended March 31, 2026 and 2025, the Company received commercial payments pursuant to the Aptevo CPPA of $0.5 million and $0.6 million, respectively.

No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

LadRx Agreements

In June 2023, the Company entered into the LadRx AAA pursuant to which the Company acquired from LadRx all of its rights, title, and interest related to MIPLYFFA under the Zevra APA between Zevra and LadRx. The Company also entered into the LadRx RPA, pursuant to which the Company acquired the right to receive all of the future royalties, regulatory, and commercial milestone payments as well as other related payments due to LadRx from ImmunityBio related to aldoxorubicin under the ImmunityBio License Agreement between ImmunityBio and LadRx.

In June 2024, the ImmunityBio License Agreement was terminated and the Company entered into an amendment to the LadRx RPA. Under the LadRx RPA, as amended, the Company is eligible to receive potential low single-digit percentage royalty payments on aggregate net sales of aldoxorubicin. If LadRx licenses aldoxorubicin to an applicable third party, the Company is eligible to receive potential high single-digit percentage royalty payments on aggregate net sales of aldoxorubicin and a portion of any potential future milestone payments.

Historically, the Company was unable to reliably estimate its commercial payment stream from future net sales and the related commercial payments to be received under the LadRx Agreements. However, during the fourth quarter of 2025, Zevra's periodically reported MIPLYFFA sales data, available third-party sales projections, and the Company's history of receipts of commercial payments related to MIPLYFFA provided the Company with a greater ability to estimate future net sales and the commercial payments to be received under the LadRx AAA.

As of October 1, 2025, when the Company assessed it was able to reliably estimate cash flows, the Company reclassified $2.9 million of royalty and commercial payment receivables under the cost recovery method to royalty and commercial payment receivables under the EIR method. The Company recognized $2.3 million in income from purchased receivables under the EIR method during the three months ended March 31, 2026.

During the three months ended March 31, 2026, the Company received commercial payments pursuant to the LadRx Agreements of $1.1 million.

No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

Royalty and Commercial Payment Purchase Agreements Under the Cost Recovery Method

Short-term royalty and commercial payment receivables under the cost recovery method were zero as of March 31, 2026 and December 31, 2025. Long-term royalty and commercial payment receivables under the cost recovery method were $55.9 million as of March 31, 2026 and December 31, 2025.

Castle Creek Royalty Financing

In February 2025, the Company entered into a royalty financing transaction with Castle Creek, pursuant to which the Company acquired the rights to receive (a) 6.7% of the greater of (i) 8.75% of net sales in the United States or (ii) 8.00% of worldwide net sales of D-Fi (dabocemagene autoficel, also known as FCX-007), and (b) 6.7% of 20% of proceeds from a potential Priority Review Voucher if Castle Creek obtains and sells a PRV. The Company also received warrants to purchase 10,464 shares of Castle Creek's Series D-1 Preferred Stock at an exercise price of $215.03 per share, exercisable for a ten-year period expiring on February 24, 2035.

Upon the closing of the transaction, the Company paid Castle Creek an upfront payment of $5.0 million and recorded $4.4 million as long-term royalty and commercial payment receivables in its condensed consolidated balance sheet. The Company concluded that the Castle Creek PRV Interest met the definition of a derivative under ASC 815 and should be accounted for at fair value and recorded as a current liability at the inception of the transaction. The fair value of the Castle Creek PRV Interest was determined to have nominal value prior to FDA approval of D-Fi. The Company also concluded that the warrants met the definition of a derivative under ASC 815 and should be accounted for at fair value. As of March 31, 2026, the fair value of the warrants was estimated to be $0.7 million using a Black-Scholes Model with a volatility of 126.6% and risk-free rate of 3.88%. The warrants have an expected term of 4.25 years and an underlying share price of $215.03.

As of March 31, 2026, no payments were probable to be received under the Castle Creek royalty financing in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties, milestone payments, and other payments until the purchase price has been fully collected. No allowance for credit losses was recorded as of March 31, 2026.

Kuros Royalty Purchase Agreement

In July 2021, the Company entered into the Kuros RPA, pursuant to which the Company acquired the rights to 100% of the potential future royalties from commercial sales, which are tiered from high-single-digit to low-double-digits, and up to $25.5 million in pre-commercial milestone payments associated with an existing license agreement related to Checkmate Pharmaceuticals' vidutolimod (CMP-001), a Toll-like receptor 9 agonist, packaged in a virus-like particle, for an upfront payment of $7.0 million. The Company may pay up to an additional $142.5 million to Kuros in sales-based milestone payments.

At the inception of the Kuros RPA, the Company recorded $7.0 million as long-term royalty and commercial payment receivables under the cost recovery method in its consolidated balance sheet.

In May 2022, Regeneron completed its acquisition of Checkmate Pharmaceuticals, Inc. resulting in a $5.0 million milestone payment to Kuros. Pursuant to the Kuros RPA, the Company is entitled to 50% of the milestone payment, which was received by XOMA in July 2022. In accordance with the cost recovery method, the $2.5 million milestone received was recorded as a direct reduction of the recorded long-term royalty receivables balance.

As of March 31, 2026, no payments were probable to be received under the Kuros RPA in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties, milestone payments, and other payments until the purchase price has been fully collected. No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

Palobiofarma Royalty Purchase Agreement

In September 2019, the Company entered into the Palo RPA, pursuant to which the Company acquired the rights to potential royalty payments in low single-digit percentages of aggregate net sales associated with six product candidates in various clinical development stages, targeting the adenosine pathway with potential applications in solid tumors, non-Hodgkin's lymphoma, asthma/chronic obstructive pulmonary disease, ulcerative colitis, idiopathic pulmonary fibrosis, lung cancer, psoriasis, and nonalcoholic steatohepatitis and other indications that are being developed by Palo.

Under the terms of the Palo RPA, the Company paid Palo an upfront payment of $10.0 million payment at the close of the transaction, which occurred simultaneously upon parties' entry into the Palo RPA in September 2019. At the inception of the agreement, the Company recorded $10.0 million as long-term royalty and commercial payment receivables under the cost recovery method in its consolidated balance sheet.

As of March 31, 2026, no payments were probable to be received under the Palo RPA in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties received until the purchase price has been fully collected. No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

Twist Bioscience Royalty Purchase Agreement

In October 2024, the Company entered into the Twist RPA. Under the terms of the Twist RPA, the Company acquired 50% of certain contingent payments (including royalties, milestone payments, sublicense income, and option exercise payments) related to Twist's 60-plus early-stage programs across over 30 partners for a $15.0 million upfront payment. The Company is eligible to receive up to $0.5 billion in milestone payments and a 50% share of up to low-single-digit royalties on future commercial sales.

Upon closing of the transaction, the Company paid Twist an upfront payment of $15.0 million which was recorded as long-term royalty and commercial payment receivables under the cost recovery method in its consolidated balance sheet.

Given the limited available information and early stage of the programs, the Company was unable to reasonably estimate future milestone payments or net sales and the royalty payments to be received over the twelve-month period following the condensed consolidated balance sheet date of March 31, 2026 and, as such, no amounts were reflected as short-term royalty and commercial payment receivables under the cost recovery method as of March 31, 2026.

As of March 31, 2026, no payments were probable to be received under Twist RPA in the near term. Under the cost recovery method, the Company does not expect to recognize any income related to royalties, milestone payments and other payments until the purchase price has been fully collected. No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

Daré Royalty Purchase Agreements

In April 2024, the Company entered into the Daré RPAs. Pursuant to the terms of the Daré RPAs, the Company paid $22.0 million in cash to Daré in consideration for the sale of (a) 100% of all remaining royalties related to XACIATO not already subject to the royalty-backed financing agreement Daré entered into in December 2023 and net of payments owed by Daré to upstream licensors, which equates to royalties ranging from low to high single digits, and all potential commercial milestones related to XACIATO that are payable to Daré under the Daré Organon License Agreement; and (b) a 4% synthetic royalty on net sales of OVAPRENE and a 2% synthetic royalty on net sales of DARE to PLAY™ (Sildenafil Cream), which will decrease to 2.5% and 1.25%, respectively, upon the Company achieving a pre-specified return threshold. The Daré RPAs also provide for milestone payments to Daré of $11.0 million for each successive $22.0 million received by the Company under the Daré RPAs after achievement of a return threshold of $88.0 million.

Upon closing of the transaction, the Company paid Daré an upfront payment of $22.0 million which was recorded as long-term royalty and commercial payment receivables in the condensed consolidated balance sheet. The Company concluded that the milestone payments to Daré did not meet the definition of a derivative under ASC 815 and expects to recognize the milestone payments as liabilities when probable and reasonably estimable.

Given the limited available information, the Company was unable to reasonably estimate future net sales and the commercial payments to be received over the twelve-month period following the condensed consolidated balance sheet date of March 31, 2026 and, as such, no amounts were reflected as short-term royalty and commercial payment receivables as of March 31, 2026.

During the three months ended March 31, 2026, the Company received de minimis commercial payments pursuant to the Daré RPAs. In accordance with the cost recovery method, the cash received was recorded as a direct reduction of the long-term royalty and commercial payment receivables under the cost recovery method.

Under the cost recovery method, the Company does not expect to recognize any income related to milestones and commercial payments received until the purchase price has been fully collected. No allowance for credit losses was recorded as of March 31, 2026 and December 31, 2025.

5. License, Collaboration, and Other Arrangements

License and Collaboration Arrangements

Rezolute License Agreement

In December 2017, the Company entered into the Rezolute License Agreement for the development and commercialization of ersodetug (RZ358), which was subsequently amended in 2018, 2019, and 2020. Under the license agreement, the Company may receive development and commercial milestone payments of up to an aggregate of $232.0 million based on achievement of pre-specified criteria and royalties ranging from the high single-digits to the mid-teens based on annual net sales.

The Company has earned three milestone payments under this agreement: (i) $2.0 million in January 2022 when Rezolute dosed the last patient in its Phase 2b clinical trial for ersodetug (RZ358), (ii) $5.0 million in April 2024 when Rezolute dosed the first patient in its Phase 3 clinical trial of ersodetug (RZ358), and (iii) $5.0 million in May 2025 when Rezolute dosed the last patient in its Phase 3 trial of ersodetug (RZ358).

In December 2025, Rezolute announced the Phase 3 clinical trial of ersodetug (RZ358) for congenital hyperinsulinism did not meet its primary and key secondary endpoints.

As of March 31, 2026 and December 31, 2025, there were no contract assets or contract liabilities related to this agreement. None of the costs to obtain or fulfill the contract were capitalized. The Company recognized zero in revenue from contracts with customers related to this agreement for the three months ended March 31, 2026 and 2025, respectively.

Takeda Collaboration Agreement and Takeda Revenue Share Agreement

In 2006, the Company entered into the Takeda Collaboration Agreement to discover and optimize therapeutic antibodies against multiple targets. Under this agreement, the Company may receive milestone payments and royalties on future product sales.

In December 2025, the Company entered into the Takeda Revenue Share Agreement with Takeda and amended the Takeda Collaboration Agreement to exchange a portion of its rights to future royalties and certain expense reimbursements on mezagitamab under the Takeda Collaboration Agreement for rights to share future milestone payments and royalties that Takeda receives from a basket of Takeda's clinical development programs. The Company accounted for the transaction as a contract modification and updated the transaction price for the Takeda Collaboration Agreement, as amended. Changes in transaction price are recognized on a cumulative catch-up basis. No revenue adjustment was made as a result of this modification since all replacement variable consideration was fully constrained.

The Company has received $7.8 million of milestone payments since the inception of the Takeda Collaboration Agreement and is eligible to receive reduced remaining milestone payments of up to $13.0 million and reduced low-single-digit royalties relating to mezagitamab under the Takeda Collaboration Agreement as amended.

As of March 31, 2026 and December 31, 2025, there were no contract assets or contract liabilities related to this agreement and none of the costs to obtain or fulfill the contract were capitalized. The Company recognized zero and $4.0 million in revenue related to this agreement during the three months ended March 31, 2026 and 2025, respectively.

BioInvent License Agreement

In 2003, BioInvent granted the Company a non-exclusive license to BioInvent's product patents and know-how in exchange for future milestones and royalty payments from the Company under the BioInvent License Agreement. In 2006, the Company and Takeda collaborated to discover and develop antibodies, leading to the joint development of mezagitamab (TAK-079), which leveraged BioInvent's patents and know-how under the BioInvent License Agreement.

In May 2025, the Company, through its newly established wholly-owned subsidiary Meza Royalty 1 LLC, entered into the BioInvent Agreement to acquire all of BioInvent's remaining rights to milestone payments and royalties owed by the Company under the BioInvent License Agreement. The Company paid BioInvent $20.0 million at closing and is obligated to make an additional $10.0 million contingent payment upon FDA approval of mezagitamab.

The Company assessed the transaction and determined that it represented a modification of the existing BioInvent License Agreement. As the Company and BioInvent are no longer actively involved in the development of mezagitamab, the $20.0 million upfront payment and direct and incremental transaction costs of $0.7 million were capitalized as a contract-based intangible asset that amortizes over 15.5 years. The $10.0 million contingent payment will be capitalized if FDA approval of mezagitamab becomes probable.

The Company recognized $0.3 million of amortization expense for the three months ended March 31, 2026. No impairment was recorded during the three months ended March 31, 2026.

Other Arrangements

Repare Acquisition and XenoTherapeutics Arranger Letter

In January 2026, the Company acted as structuring agent in connection with the acquisition of Repare's issued and outstanding common shares by Xeno. Xeno paid the Company an arranger fee of $3.0 million following the closing of the Repare acquisition for the services rendered, which was received in January 2026. BVF, a related party of the Company, owned approximately 24.0% of Repare before its acquisition by Xeno. Subsequent to the Repare acquisition, Mr. Owen Hughes, the Company's Chief Executive Officer and board member, and Mr. Brad Sitko, the Company's Chief Investment Officer, were nominated by Xeno to serve as independent directors on the board of directors of Repare in order to satisfy local law independence requirements applicable to Canadian reporting issuers. Mr. Hughes and Mr. Sitko

subsequently resigned from the board of directors of Repare following Repare's cessation as a reporting issuer under local law.

Sale of Future Revenue Streams

In December 2016, the Company entered into two royalty interest sale agreements (together, the "Royalty Sale Agreements") with HCRP. Under the first Royalty Sale Agreement, the Company sold its right to receive milestone payments and royalties on future sales of products subject to a License Agreement, dated August 18, 2005, between XOMA and Wyeth Pharmaceuticals (subsequently acquired by Pfizer) for an upfront cash payment of $6.5 million, plus potential additional payments totaling $4.0 million in the event three specified net sales milestones were met in 2017, 2018, and 2019. Based on actual sales, 2017, 2018, and 2019 sales milestones were not achieved. Under the second Royalty Sale Agreement entered into in December 2016, the Company sold its right to receive certain royalties under an Amended and Restated License Agreement dated October 27, 2006 between XOMA and Dyax Corp. for a cash payment of $11.5 million. The Company recorded the total proceeds of $18.0 million as unearned revenue recognized under the units-of-revenue method as the Royalty Sale Agreements were structured as a non-cancellable sale, in which the Company does not have significant continuing involvement in the generation of the cash flows due to HCRP and there are no guaranteed rates of return to HCRP.

The Company allocated the total proceeds between the two Royalty Sale Agreements based on the relative fair value of expected payments to be made to HCRP under the license agreements. Under the units-of-revenue method, amortization for a reporting period is calculated by computing a ratio of the allocated proceeds received from HCRP to the payments expected to be made by the licensees to HCRP over the term of the Royalty Sale Agreements, and then applying that ratio to the period's cash payment. During the third quarter of 2018, the Shire product underlying the Dyax Corp. license agreement was approved, and the Company began recognizing revenue under the units-of-revenue method due to sales of the approved product.

The Company recognized $0.3 million and $0.3 million in revenue under the units-of-revenue method under these agreements during the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, the current and non-current portions of the remaining unearned revenue recognized under the units-of-revenue method were $1.3 million and $2.9 million, respectively. As of December 31, 2025, the Company classified $1.3 million and $3.2 million as current and non-current unearned revenue recognized under the units-of-revenue method, respectively.

6. Acquisitions

Generation Bio Acquisition

On December 15, 2025, the Company entered into the Generation Bio Merger Agreement, pursuant to which the Company acquired Generation Bio through a tender offer for (i) $4.2913 in cash per share of Generation Bio common stock and (ii) one non-transferable CVR per share of Generation Bio common stock. In-the-money Generation Bio options were vested immediately upon closing of the tender offer and were entitled to $4.2913 less the exercise price per Generation Bio option in cash. The merger closed on February 9, 2026, and XRA 7 merged with and into Generation Bio. Following the merger, Generation Bio continued as the surviving entity and became a wholly-owned subsidiary of the Company.

Under the Generation Bio CVR Agreement, CVR holders are entitled to a portion of the net proceeds from the sale, transfer, license or other disposition or monetization of any or all of Generation Bio's legacy IP rights and patents for ten years following the Generation Bio Merger Closing Date, if such transactions occur within five years following such date. CVR holders are entitled to receive 70% of these net proceeds during years one through two, 60% during years three through four, 50% during years five through six, and 30% during years seven through ten following the Generation Bio Merger Closing Date.

CVR holders are also entitled to receive a portion of the net proceeds related to the Moderna Collaboration and License Agreement (as discussed below), including 90% of the net proceeds during years one through three, 80% during

years four through five, 70% during years six through seven, and 50% during years eight through ten following the Generation Bio Merger Closing Date.

Additionally, CVR holders are entitled to receipts associated with the Binney Lease (as discussed below), including the return of the Binney Lease security deposit of approximately $2.1 million, any interest accrued on the bank account associated with the Binney Lease, and a portion of the excess of any savings realized against estimates in connection with the Binney Lease payment obligations.

The Company concluded that each of these CVR elements are contingent liabilities under ASC 450 and will be recognized when probable and reasonably estimable.

Under the Generation Bio CVR Agreement, the CVR payments are adjusted for the excess and shortfall in the closing net cash, which is accounted for as a working capital adjustment to the purchase price and no contingent liability was recorded as of the acquisition date.

The total purchase consideration for Generation Bio, as of February 9, 2026, was as follows (in thousands):

Closing cash payment[(1)]	$	29,008
CVR consideration adjustment[(2)]		4,583
Transaction costs		823
Total purchase consideration	$	34,414

(1) The closing cash payment was based on the total of 6,753,846 shares of Generation Bio common stock at a price of $4.2913 per share, and the cash payment of $25,000 for 39,860 shares of Generation Bio's in-the-money options.
(2) The probable amount of the additional closing net cash contingent consideration was estimated at $2.5 million and the probable amount of CVR liability related to the Binney Lease security deposit was estimated at $2.1 million.

In August 2018, Generation Bio entered into the Binney Lease for office and laboratory space located in Cambridge, Massachusetts, which was historically classified as an operating lease. The Binney Lease commenced in August 2018, with base rental payments beginning in April 2019 and ending in April 2029. On February 9, 2026, prior to the closing of the merger, the Binney Lease was terminated for a termination fee of $22.4 million.

In March 2023, Generation Bio entered into the Moderna Collaboration and License Agreement, pursuant to which Generation Bio collaborated with Moderna on developing treatments for certain diseases by targeting delivery of nucleic acids to liver cells and certain cells outside of the liver. In April 2023, Moderna made an upfront payment to Generation Bio of $40.0 million, and prepaid research funding of $7.5 million. In addition, Generation Bio was eligible to receive up to $1.8 billion in milestone payments upon the achievement of specified development, regulatory, commercial, and sales milestone events, research term extension fees and exclusivity extension fees. Subject to reductions in specified circumstances, Generation Bio would also be entitled to receive tiered royalties ranging from mid-single-digits to low-double-digits. As part of the Generation Bio acquisition, the Company also acquired the Moderna Collaboration and License Agreement.

The Generation Bio acquisition was accounted for as an asset acquisition under ASC 805 because the assets acquired did not meet the definition of a "business" under ASC 805. As such, the Company recognized the assets acquired and liabilities assumed based on the total purchase consideration on a relative fair value basis. The acquired assets primarily included cash and cash equivalents, restricted cash, receivables, prepaid expenses, and IP assets. The value of the acquired IP assets was reduced to zero because the fair value of the net assets acquired exceeded the initial consideration.

The following table shows the allocation of the purchase consideration based on the relative fair value of assets acquired and liabilities assumed by the Company as of February 9, 2026 (in thousands):

Cash and cash equivalents	$	35,712
Trade and other receivables, net		24
Prepaid expenses and other current assets		122
Short-term restricted cash		2,181
Long-term restricted cash		360
Accounts payable		(165)
Accrued and other current liabilities		(275)
Net assets acquired	$	37,959
Reconciliation of net assets acquired to total purchase consideration:		
Net assets acquired	$	37,959
Less: Gain on the acquisition of Generation Bio		(3,545)
Total purchase consideration	$	34,414

LAVA Acquisition

In November 2025, the Company completed the acquisition of LAVA for (i) $1.04 in cash per LAVA ordinary share and (ii) one non-transferable CVR per share. In-the-money LAVA options vested immediately upon closing of the initial tender offer and were entitled to (i) $1.04 less the exercise price per LAVA option in cash and (ii) one non-transferable CVR per option. Total purchase consideration was approximately $39.0 million as of the acquisition date.

Under the LAVA CVR Agreement, CVR holders are entitled to 75% of the net proceeds from ongoing and future collaborations related to the partnered programs with J&J and Pfizer over a 10-year period. As of March 31, 2026, the Company does not expect to receive any milestone or royalty payments under these partnered programs, and no contingent consideration was considered probable.

Under the LAVA CVR Agreement, CVR holders are also entitled to 75% of the net proceeds from the sale, transfer, license, assignment, or other divestiture of LAVA-1266. As of March 31, 2026, the Company has not yet sold or licensed LAVA-1266 and no contingent consideration was considered probable.

Additionally, CVR holders were entitled to 100% of the amount by which LAVA's closing net cash exceeded the amount of closing net cash as determined by the LAVA Purchase Agreement, minus any permitted deductions. In March 2026, the Company distributed $2.1 million to the LAVA CVR holders representing the excess net cash received in the transaction. CVR holders are also entitled to 100% of the tax reserve in the amount of $6.3 million, plus $0.4 million in receipts after the excess net cash distribution, minus any permitted tax reserve matter expenses. As of March 31, 2026, the total LAVA CVR payment liability was estimated at $6.7 million.

Refer to Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for additional information related to this acquisition.

HilleVax Acquisition

In September 2025, the Company completed the acquisition of HilleVax through a tender offer for (i) $1.95 in cash per share of HilleVax common stock and per RSU, plus (ii) one non-transferable CVR per share of HilleVax common stock and per RSU, resulting in total purchase consideration of approximately $105.3 million as of the acquisition date.

Under the HilleVax CVR Agreement, CVR holders are entitled to 90% of the net proceeds from the subsequent licensing or other disposition of HIL-216, if sold within two years of the merger and 100% of the unused funds in the related expense fund at the end of the two-year period. As of March 31, 2026, the Company has not yet sold or licensed HIL-216 and no contingent consideration under ASC 450 was considered probable.

As part of the HilleVax acquisition, the Company acquired the Boston Lease that expires on December 31, 2032, the Swiss Lease that expires on September 30, 2026 and an executed sublease agreement with a sublessee for a portion of Boston Lease premises. CVR holders are entitled to 100% of security deposit receipts associated with the Boston Lease. As of March 31, 2026, the Company had $40.2 million held in restricted cash to pay the Boston Lease obligations. If the Boston Lease is terminated, assigned, or subleased within twelve months of the HilleVax Merger Closing Date, 100% of the amount received from any subtenant will be distributed to CVR holders; thereafter 90% of the applicable receipts will be distributed to CVR holders. As of March 31, 2026 the CVR liability related to the return of the security deposit and the sublease payments was $5.6 million.

Under the HilleVax CVR Agreement, the CVR payments are adjusted for the excess and shortfall in the closing net cash. In December 2025, the Company recalculated the final closing net cash of HilleVax, and recognized a reduction to the contingent value rights liabilities – long-term in its consolidated balance sheet for the cash shortfall of $0.7 million, with the corresponding income recorded in other income, net in its consolidated statement of operations.

Refer to Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for additional information related to this acquisition.

Turnstone Acquisition

In August 2025, the Company completed the acquisition of Turnstone through a tender offer for (i) $0.34 in cash per share of Turnstone common stock and per RSU, plus (ii) one non-transferable CVR per share of Turnstone common stock and per RSU, resulting in total purchase consideration of approximately $9.6 million as of the acquisition date.

Under the Turnstone CVR Agreement, CVR holders are entitled to up to 100% of the net proceeds from specified legacy Turnstone assets, including tax receivables and a lease security deposit. The consideration to be transferred under the Turnstone CVR Agreement is not contingent on any future event or conditions being met and represents a return of Turnstone's legacy assets to the CVR holders. As a result, the CVR consideration of approximately $1.1 million is accounted for as a working capital adjustment to the purchase price and there is no contingent liability recorded. The Company will recognize any subsequent adjustments to CVR payment amounts in earnings. As of March 31, 2026, no subsequent adjustment was made to the CVR liability.

Refer to Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for additional information related to this acquisition.

Mural Acquisition

In December 2025, the Company completed the acquisition of Mural for a cash price of $2.035 per Mural ordinary share and RSU, resulting in total purchase consideration of approximately $37.6 million as of the acquisition date.

Refer to Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for additional information related to this acquisition.

Kinnate Acquisition

In April 2024, the Company completed the acquisition of Kinnate through a tender offer for $2.5879 per share plus CVRs, for a total purchase consideration of $126.4 million. As part of the merger, the Company acquired an IPR&D asset related to KIN-3248 (a Phase 1 clinical trial candidate) as well as several pre-clinical assets.

Under the Kinnate CVR Agreement, Kinnate CVR holders are entitled to 100% of the net proceeds of the $30.5 million potential milestone related to the sale of exarafenib to Pierre Fabre in February 2024. The Exarafenib milestone contingent consideration is accounted for as a derivative under ASC 815. As of March 31, 2026, the fair value of the Exarafenib milestone contingent consideration was $3.7 million, which had an estimated fair value of $3.6 million as of December 31, 2025.

The Company accounts for potential contingent consideration related to KIN-3248, KIN-8741, KIN-7136, and KIN-2524 as period expenses when incurred. In the second quarter of 2025, the Company sold KIN-3248, KIN-8741 and KIN-7136 to third parties and Kinnate CVR Holders are entitled to 85% of the net proceeds from future milestone and royalty payments associated with these sales. As of March 31, 2026, no contingent consideration associated with these sales were probable.

Pulmokine Acquisition

In November 2024, the Company acquired Pulmokine for $20.5 million to obtain an economic interest in seralutinib, a Phase 3 asset being studied in pulmonary arterial hypertension. The acquisition included an intangible asset related to seralutinib with an estimated useful life of 12 years. The Company recognized $0.5 million and $0.5 million of amortization expense for the three months ended March 31, 2026 and 2025, respectively.

In February 2026, Gossamer Bio announced topline results from the Phase 3 PROSERA clinical trial evaluating seralutinib for the treatment of pulmonary arterial hypertension. The trial did not meet its prespecified primary endpoint. Gossamer Bio plans to engage with regulatory authorities to discuss potential next steps for the seralutinib program. The Company evaluated the impact of this development on its seralutinib-related assets. No impairment indicators were identified and no impairment was recorded during the three months ended March 31, 2026.

Contingent consideration related to the seralutinib asset could be payable subject to certain development and commercial milestones. As of March 31, 2026, there were no contract assets or contract liabilities related to this agreement and no revenue was recognized during the three months ended March 31, 2026 and 2025.

7. Fair Value Measurements

The Company records its financial assets and liabilities at fair value. The carrying amounts of certain of the Company's financial instruments, including cash, trade and other receivables, net, and accounts payable, approximate their fair value due to their short maturities. Fair value is defined as the exchange price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance for fair value establishes a framework for measuring fair value and a fair value hierarchy that prioritizes the inputs used in valuation techniques. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, either directly or indirectly, other than quoted prices in active markets for identical assets or liabilities, such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; therefore, requiring an entity to develop its own valuation techniques and assumptions.

An entity may choose to measure many financial instruments and certain other items at fair value at specified election dates. The Company's Exarafenib milestone asset (Note 6) was carried at fair value, determined according to Level 3 inputs in the fair value hierarchy described above. Any subsequent changes in the estimated fair value of the Exarafenib milestone asset are recorded in the condensed consolidated statements of operations.

The following tables set forth the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as follows (in thousands):

	Fair Value Measurements as of March 31, 2026 using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents:				
Money market funds	$ 49,835	$ —	$ —	$ 49,835
U.S. treasury bills	25,505	—	—	25,505
Total cash equivalents	75,340	—	—	75,340
Exarafenib milestone asset (Note 6)	—	—	3,704	3,704
Investment in equity securities	494	—	—	494
Castle Creek PRV Interest (Note 4)	—	—	—	—
Castle Creek warrants (Note 4)	—	—	709	709
Total financial assets	$ 75,834	$ —	$ 4,413	$ 80,247
Liabilities:				
Exarafenib milestone contingent consideration (Note 6)	$ —	$ —	$ 3,704	$ 3,704
Total financial liabilities	$ —	$ —	$ 3,704	$ 3,704

	Fair Value Measurements as of December 31, 2025 using:			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash equivalents:				
Money market funds	$ 41,810	$ —	$ —	$ 41,810
U.S. treasury bills	6,330	—	—	6,330
Total cash equivalents	48,140	—	—	48,140
Exarafenib milestone asset (Note 6)	—	—	3,600	3,600
Investment in equity securities	382	—	—	382
Castle Creek PRV Interest (Note 4)	—	—	—	—
Castle Creek warrants (Note 4)	—	—	697	697
Total financial assets	$ 48,522	$ —	$ 4,297	$ 52,819
Liabilities:				
Exarafenib milestone contingent consideration (Note 6)	$ —	$ —	$ 3,600	$ 3,600
Share-based liability (Note 12)	—	—	3,197	3,197
Total financial liabilities	$ —	$ —	$ 6,797	$ 6,797

Exarafenib Milestone Asset and Exarafenib Milestone Contingent Consideration

The Exarafenib milestone asset and Exarafenib milestone contingent consideration represent the Company's potential receipt of a future milestone payment and a future consideration payable to Kinnate CVR holders that are contingent upon the achievement of a certain specified milestone related to the Exarafenib sale. As of March 31, 2026, the estimated fair value of each of the Exarafenib milestone asset and Exarafenib milestone contingent consideration was $3.7 million. The fair value measurement was based on a probability-weighted discounted cash flow model using significant Level 3 inputs, such as anticipated timelines and the probability of achieving the development milestone. Both the Exarafenib milestone asset and Exarafenib milestone contingent consideration are remeasured at fair value at each reporting period with changes in fair value recorded in the other income, net line item of the condensed consolidated statement of operations until settlement.

During the three months ended March 31, 2026, the estimated fair value of both the Exarafenib milestone asset and Exarafenib milestone contingent consideration increased by $0.1 million. The increase in estimated fair value had an offsetting net impact of zero on the condensed consolidated statements of operations for the three months ended March 31, 2026.

Castle Creek PRV Interest and Warrants

The Castle Creek PRV Interest and warrants represent the Company's right to receive 6.7% of the proceeds from a potential Priority Review Voucher sale and warrants to purchase Castle Creek's Series D-1 Preferred Stock, acquired as part of the Castle Creek royalty financing transaction on February 24, 2025. As of March 31, 2026, the estimated fair value of the Castle Creek PRV Interest was nominal, and the estimated fair value of the Castle Creek warrants was $0.7 million. The fair value measurement for the Castle Creek PRV Interest was based on a probability-weighted discounted cash flow model, while the warrants were valued using a Black-Scholes option pricing model. Both valuations used significant Level 3 inputs, including expected timing of FDA approval, probability of PRV issuance and sale, expected volatility, risk-free interest rates, and discount rates reflecting the risk associated with Castle Creek's development program. Both the Castle Creek PRV Interest and warrants are remeasured at fair value at each reporting period with changes in fair value recorded in the change in fair value of embedded derivative related to RPA and other income, net line items of the condensed consolidated statement of operations.

Investment in Equity Securities

The equity securities consisted of investments in publicly traded companies' common stock that are classified on the condensed consolidated balance sheets as current assets as of March 31, 2026 and December 31, 2025. The equity securities are revalued each reporting period with changes in fair value recorded in the other income, net line item of the condensed consolidated statements of operations. The inputs that were used to calculate the fair value of the equity securities were observable prices in active markets and therefore were classified as a Level 1 fair value measurement.

Share-Based Liability

The Company uses a fair-value based measure to estimate the share-based liability at each reporting period until settlement. The Company uses the Black-Scholes Model to determine the fair value of the call options and the share-based liability each reporting period until settlement. Fair value of the share-based liability was zero and $3.2 million as of March 31, 2026 and December 31, 2025, respectively, and was categorized as Level 3 on the fair value hierarchy.

8. Lease Agreements

XOMA Royalty Office Lease

The Company leases a facility in Emeryville, California under an operating lease, which commenced on November 10, 2023 and has a term of 65 months. The Company recognized an operating lease right-of-use assets of $0.4 million and operating lease liabilities of $0.4 million on November 10, 2023, the commencement date of the lease.

Leases Assumed in Acquisitions

Kinnate Lease and Sublease

As part of the Kinnate acquisition, the Company acquired a lease agreement that was assigned to an assignee and expires on June 30, 2026. In accordance with ASC 842, the Company accounted for the lease as if it had commenced on the acquisition date. The Company recognized operating lease liabilities of $0.8 million as of April 3, 2024. No operating lease right-of-use assets were recorded due to the allocation of the excess of fair value of net assets acquired to certain qualifying assets under ASC 805.

As part of the Kinnate acquisition, the Company acquired a lease assignment agreement with an assignee that expires on June 30, 2026. For the three months ended March 31, 2026 and 2025, the Company recognized sublease income of $0.1 million in the other income (expense), net line item in the condensed consolidated statement of operations.

Turnstone Lease and Sublease

As part of the Turnstone acquisition, the Company acquired an immaterial short-term lease agreement and a related sublease agreement that expired in February 2026.

HilleVax – Boston Lease

As part of the HilleVax acquisition, the Company acquired the Boston Lease that expires on December 31, 2032. In accordance with ASC 842, the Company accounted for the lease as if it had commenced on the acquisition date. The Company recognized operating lease liabilities of $22.4 million as of September 17, 2025. No operating lease right-of-use assets were recorded due to the allocation of the excess of fair value of net assets acquired to certain qualifying assets under ASC 805. The lease includes a single option to extend the term for an additional five years following the initial 10-year term, which the Company is not reasonably certain to exercise.

HilleVax – Boston Sublease

As part of the HilleVax acquisition, the Company acquired an executed sublease agreement with a sublessee for a portion of the Boston Lease premises. The sublease commenced on November 1, 2025, and will expire three years and two months following the commencement date. The Company recognized $0.3 million of sublease income for the three months ended March 31, 2026.

HilleVax - Swiss Lease

As part of the HilleVax acquisition, the Company acquired the Swiss Lease that expires on September 30, 2026. In accordance with ASC 842, the Company accounted for the lease as if it had commenced on the acquisition date. The Company recognized operating lease liabilities of $0.1 million as of September 17, 2025. No operating lease right-of-use assets were recorded due to the allocation of the excess of fair value of net assets acquired to certain qualifying assets under ASC 805. The Swiss Lease was terminated in March 2026 and the Company derecognized nominal lease liabilities.

The following table summarizes the maturity of the Company's operating lease liabilities as of March 31, 2026 (in thousands):

Year	Rent Payments
2026 (excluding the three months ended March 31, 2026)	$ 2,982
2027	3,951
2028	4,076
2029	4,126
2030	4,211
Thereafter	8,798
Total undiscounted lease payments	$ 28,144
Present value adjustment	(6,250)
Total net lease liability for operating leases	$ 21,894

As of March 31, 2026 and December 31, 2025, the total net lease liability was $21.9 million and $22.6 million, respectively. As of March 31, 2026 and December 31, 2025, undiscounted lease payments of $27.7 million and $28.7 million, respectively, were reserved as part of the restricted cash held for Boston Lease payments.

As of March 31, 2026, the Company's current and non-current operating lease liabilities were $2.4 million and $19.5 million, respectively.

As of December 31, 2025, the Company's current and non-current operating lease liabilities were $2.5 million and $20.1 million, respectively.

The following table summarizes the cost components of the Company's operating leases included in G&A in the condensed consolidated statements of operations for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
	2026	2025
Lease costs:		
Operating lease cost	$ 547	$ 33
Variable lease cost [1]	135	—
Total lease costs	$ 682	$ 33

(1) Under the terms of the lease agreements, the Company is also responsible for certain variable lease payments that are not included in the measurement of the lease liability. Variable lease payments include non-lease components such as common area maintenance fees.

The following table presents supplemental disclosure for the condensed consolidated statements of cash flows related to operating leases (in thousands):

	Three Months Ended March 31,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows under operating leases	$ 975	$ 23

The assumptions used in calculating the present value of the lease payments for the Company's operating leases as of March 31, 2026 and December 31, 2025 were as follows:

	March 31, 2026	December 31, 2025
Weighted-average remaining lease term	6.68 years	6.88 years
Weighted-average discount rate	7.73 %	7.73 %

9. Long-Term Debt

Blue Owl Loan Agreement

On December 15, 2023, XOMA transferred to XRL, a newly formed wholly-owned subsidiary, all its rights, title, and interest in the commercial payments from Roche's VABYSMO under the Affitech CPPA and related assets (the "Commercial Payments").

Simultaneously, XRL entered into the Blue Owl Loan Agreement with Blue Owl and lenders, pursuant to which XRL was extended certain senior secured credit facilities in an aggregate principal amount of up to $140.0 million. The principal and interest of the loan are to be paid from the Commercial Payments. XRL is obligated to make semi-annual interest payments, starting in March 2024, at a fixed rate of 9.875% per annum until the commercial payment-backed loan is repaid, at which time the Commercial Payments will revert back to XOMA. On each interest payment date, any shortfall in interest payment will be paid from the interest reserve, any uncured shortfall in interest payment that exceeds the interest reserve will increase the outstanding principal amount of the loan, and any Commercial Payment in excess of accrued interest on the loan will be used to repay the principal of the loan until the balance is fully repaid.

The loan matures on December 15, 2038, provided that XRL may repay it in full at any time prior to December 15, 2038, subject to the terms of the Blue Owl Loan Agreement. The Blue Owl Loan included (i) an initial term loan in an aggregate principal amount equal to $130.0 million and (ii) a delayed draw term loan in an aggregate principal amount of $10.0 million to be funded at the option of XRL upon receipt by the lenders of payments of principal and interest from the proceeds of Commercial Payments in excess of an agreed upon amount on or prior to March 15, 2026. Effective March 2026, the delayed draw term loan was terminated.

The payment obligations under the Blue Owl Loan Agreement are limited to XRL and Blue Owl has no recourse under the Blue Owl Loan Agreement against XOMA or any assets other than the VABYSMO-related assets, rights transferred to XRL, and XOMA's equity interest in XRL. In connection with the Blue Owl Loan Agreement, (i) XRL granted Blue Owl a first-priority perfected lien on, and security interest in, (a) the Commercial Payments and the proceeds thereof, in each case under the Affitech CPPA and (b) all other assets of XRL and (ii) XOMA granted Blue Owl a first-priority perfected lien on, and security interest in, 100% of the equity of XRL. The Blue Owl Loan Agreement contains other customary terms and conditions, including representations and warranties, as well as indemnification obligations in favor of Blue Owl.

On December 15, 2023, the Company borrowed the initial term loan of $130.0 million and received $119.6 million, net of $4.1 million in fees and lender expenses and $6.3 million that was deposited into reserve accounts to pay interest, administrative fees and XRL's operating expenses. The Company also incurred $0.6 million of direct issuance costs related to the Blue Owl Loan Agreement.

In connection with the Blue Owl Loan Agreement, XOMA issued to Blue Owl and certain funds affiliated with Blue Owl warrants to purchase: (i) up to 40,000 shares of XOMA's common stock at an exercise price of $35.00 per share; (ii) up to 40,000 shares of XOMA's common stock at an exercise price of $42.50 per share; and (iii) up to 40,000 shares of XOMA's common stock at an exercise price of $50.00 per share (collectively, the "Blue Owl Warrants"). The fair value of the Blue Owl Warrants was determined using the Black-Scholes Model and was estimated to be $1.5 million. As of March 31, 2026, all Blue Owl Warrants were outstanding.

The initial term loan of $130.0 million is carried at amortized cost. Amortization of the initial term loan is applied under the expected-effective-yield approach using the retrospective interest method. As of December 15, 2023, the EIR was determined to be 11.01%. The Company recorded a debt discount of $5.3 million, which included $3.8 million in allocated fees and lender expenses and $1.5 million for the fair value of the Blue Owl Warrants. The Company also recorded $0.6 million in direct debt issuance costs allocated to the initial term loan. The Company will accrete both the debt discount of $5.3 million and $0.6 million of direct debt issuance costs over the expected term of the initial term loan.

As of the closing date of December 15, 2023, the Company recorded the $0.3 million allocated costs for the delayed draw term loan commitment as a non-current asset in other assets - long term in the consolidated balance sheet. As of March 31, 2026, no amount had been drawn from the delayed draw term loan, and the delayed draw commitment was terminated. Due to the termination, the related $0.3 million of allocated costs were immediately expensed during the three months ended March 31, 2026.

The carrying value of the short and long-term portion of the initial term loan was $12.5 million and $96.5 million, respectively, as of December 31, 2025.

In March 2026, XRL made a semi-annual payment of $11.9 million, which included a principal repayment of $6.4 million and an interest payment of $5.5 million. The carrying value of the short-term and long-term portion of the initial term loan was $14.0 million and $88.8 million, respectively, as of March 31, 2026. As of March 31, 2026, the EIR was determined to be 10.89%. The Company recorded $3.4 million and $3.5 million in interest expense during the three months ended March 31, 2026 and 2025, respectively. As of March 31, 2026, the Company had an unaccreted debt discount of $2.9 million and unaccreted direct issuance costs of $0.4 million to be accreted over the expected remaining term of the initial term loan.

The following table summarizes the impact of the initial term loan on the Company's condensed consolidated balance sheet as of March 31, 2026 (in thousands):

	March 31, 2026
Gross principal	$ 130,000
Principal repayments	(23,893)
Debt discount and debt issuance costs	(3,269)
Total carrying value net of principal repayments, debt discount, and debt issuance costs	102,838
Less: current portion of long-term debt	(14,013)
Long-term debt	$ 88,825

Long-term debt on the Company's condensed consolidated balance sheet as of March 31, 2026 and December 31, 2025 included only the carrying value of the Blue Owl Loan. Fair value of long-term debt was $102.9 million and $110.7 million as of March 31, 2026 and December 31, 2025, respectively, and was categorized as Level 3 on the fair value hierarchy.

Aggregate projected future principal payments of the initial term loan as of March 31, 2026, are as follows (in thousands):

Year Ending December 31,	Payments
2026 (excluding the three months ended March 31, 2026)	$ 7,115
2027	16,631
2028	20,207
2029	24,278
2030	28,906
Thereafter	8,970
Total payments	$ 106,107

Accretion of debt discounts and issuance costs are included in interest expense. Interest expense in the condensed consolidated statements of operations for the three months ended March 31, 2026 and 2025 relates to the initial term loan (in thousands):

	Three Months Ended March 31,	
	2026	2025
Accrued interest expense	$ 2,777	$ 3,040
Accretion of debt discount and debt issuance costs	332	427
Delayed draw term loan termination expense	250	—
Total interest expense	$ 3,359	$ 3,467

10. Common Stock Warrants

As of March 31, 2026 and December 31, 2025, the following common stock warrants were outstanding:

Issuance Date	Expiration Date	Balance Sheet Classification	Exercise Price per Share	March 31, 2026	December 31, 2025
May 2018	May 2028	Stockholders' equity	$ 23.69	6,332	6,332
March 2019	March 2029	Stockholders' equity	$ 14.71	4,845	4,845
December 2023	December 2033	Stockholders' equity	$ 35.00	40,000	40,000
December 2023	December 2033	Stockholders' equity	$ 42.50	40,000	40,000
December 2023	December 2033	Stockholders' equity	$ 50.00	40,000	40,000
				131,177	131,177

11. Commitments and Contingencies

Collaborative Agreements, Royalties, and Milestone Payments

The Company has committed to make potential future milestone payments and legal fees to third parties as part of licensing and development programs. Payments under these agreements become due and payable only upon the achievement of certain developmental, regulatory, and commercial milestones by the Company's licensees. Because it is uncertain if and when these milestones will be achieved, such contingencies, aggregating up to $12.1 million (assuming one product per contract meets all milestone events), including the $10.0 million BioInvent contingent consideration, have not been recorded on the accompanying condensed consolidated balance sheets. The Company is unable to determine precisely when and if payment obligations under the agreements will become due as these obligations are based on milestone events, the achievement of which is subject to a significant number of risks and uncertainties. None of these milestones were assessed to be probable as of March 31, 2026.

Contingent Consideration

The Company has committed to pay contingent consideration pursuant to its transactions with Generation Bio, LAVA, HilleVax, Pulmokine, Kinnate, Kuros, and Daré (see Notes 4 and 6 for additional information).

The Company may pay $30.5 million upon the achievement of a certain specified milestone related to exarafenib payable to Kinnate CVR holders under the Kinnate CVR Agreement. The Exarafenib milestone contingent consideration is measured at fair value at each reporting period with changes in fair value recorded in other income, net.

As of March 31, 2026, none of the contingent consideration related to Pulmokine, Kuros, Daré, HilleVax's HIL-216, LAVA's existing partnerships or dispositions, or Generation Bio's legacy assets or Moderna Collaboration and License Agreement were assessed to be probable and as such, no liability was recorded on the condensed consolidated balance sheet. The liability will be recorded when the amounts by product are probable and reasonably estimable.

The following table summarizes the contingent consideration recorded as of March 31, 2026 (in thousands):

Contingent Consideration	CVR Liabilities - Current Portion	CVR Liabilities - Long-Term	Total
HilleVax sublease	$ 1,491	$ 4,148	$ 5,639
LAVA tax reserve	—	6,333	6,333
LAVA additional closing net cash	—	411	411
Turnstone tax CVR	850	—	850
Turnstone lease security deposit	260	—	260
Generation Bio additional closing net cash	2,532	—	2,532
Generation Bio lease security deposit	2,051	—	2,051
Total	$ 7,184	$ 10,892	$ 18,076

The following table summarizes the contingent consideration recorded as of December 31, 2025 (in thousands):

Contingent Consideration	CVR Liabilities - Current Portion	CVR Liabilities - Long-Term	Total
HilleVax sublease	$ 1,154	$ 4,124	$ 5,278
LAVA tax reserve	—	6,333	6,333
LAVA additional closing net cash	2,781	—	2,781
Turnstone tax CVR	850	—	850
Turnstone lease security deposit	260	—	260
Total	$ 5,045	$ 10,457	$ 15,502

Litigation

In August 2025, the Company filed a complaint against Janssen in the United States District Court for the Eastern District of Pennsylvania. The complaint alleges breach of contract and unjust enrichment, and seeks damages and declaratory relief against Janssen regarding Janssen's alleged failure to obtain a license from the Company in connection with Janssen's commercialization of TREMFYA. In December 2025, the court denied Janssen's motion to dismiss the complaint.

12. Stock-Based Compensation and Other Benefit Plans

The Company may grant qualified and non-qualified stock options, common stock, PSUs, RSUs, and other stock-based awards under various plans to directors, officers, employees, and other individuals. Stock options are granted at exercise prices of not less than the fair market value of the Company's common stock on the date of grant. Additionally, the Company has an ESPP that allows employees to purchase Company shares at a purchase price equal to 85% of the lower of the fair market value of the Company's common stock on the first trading day of the purchase period or on the last day of the purchase period. The ESPP includes a rollover mechanism for the purchase price if the fair market value of the Company's common stock on the purchase date is less than the fair market value of the Company's common stock on the first trading day of the purchase period. In December 2025, the Board approved the 2026 ESPP, which is intended to replace the Company's legacy 2015 ESPP, with substantially the same terms. The 2026 ESPP is subject to stockholder approval at the annual meeting of stockholders to be held in May 2026.

Stock Options and Other Stock Awards Plans

2010 Plan Stock Options

Stock options issued under the 2010 Plan generally vest monthly over three years for employees and one year for directors.

Cash-Out Agreement

In October 2025, the Company entered into the Cash-Out Agreement to provide cash settlement for vested stock options expiring in December 2026 and February 2027 held by Thomas Burns, the Company's then Chief Financial Officer. The Cash-Out Agreement was treated as a modification of the respective stock options under ASC 718, which changed the awards' classification from equity to liability. On the modification date, the Company recorded a share-based liability based on the options' then-current fair value, and recognized an incremental compensation cost of $3.5 million for the difference between the fair value of the liability awards on the modification date and the original grant-date fair value. The share-based liability was remeasured at fair value in each reporting period until settlement. As of December 31, 2025, the estimated fair value of the share-based liability was $3.2 million.

In January 2026, the Company announced the resignation of its then Chief Financial Officer, Mr. Burns, and the appointment of Mr. Jeffrey Trigilio as its new Chief Financial Officer. In conjunction with this transition, the Cash-Out Agreement was terminated as of Mr. Burns' separation date. Mr. Burns' vested stock options remain outstanding in accordance with their original terms. Upon Mr. Burns' termination on January 15, 2026, the awards no longer met the criteria for liability classification and were reclassified from a share-based liability to equity. On the termination date, the Company remeasured the existing share-based liability to its fair value and reclassified the full liability balance of $3.5 million to additional paid-in-capital. Previously recognized compensation cost was not affected. After this date, the awards remain equity-classified and will no longer be remeasured.

The activity for all stock options for the three months ended March 31, 2026 was as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Contractual Remaining Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 1, 2026	2,153,457	$ 21.42	5.23	$ 14,520
Granted	—	—		
Exercised	(33,278)	15.58		
Forfeited, expired or cancelled	—	—		
Outstanding as of March 31, 2026	2,120,179	$ 21.51	5.01	$ 22,107
Exercisable as of March 31, 2026	2,000,971	$ 21.39	4.90	$ 21,188
Vested and expected to vest as of March 31, 2026	2,120,179	$ 21.51	5.01	$ 22,107

The aggregate intrinsic value of stock options exercised during the three months ended March 31, 2026 and 2025 was $0.4 million and $0.4 million, respectively. The intrinsic value is the difference between the fair value of the Company's common stock at the time of exercise and the exercise price of the stock option.

The Company recorded $0.5 million in stock-based compensation expense related to equity-classified stock options during the three months ended March 31, 2026. As of March 31, 2026, $1.4 million of total unrecognized compensation expense related to stock options was expected to be recognized over a weighted-average period of 0.77 years.

Performance Stock Unit Awards

PSUs are subject to market-based vesting conditions and the number of PSUs vested will be based on the stock price of the Company's common stock as compared to four stock price hurdles over a three-year period from the grant date (the "performance period"). A stock price hurdle is considered attained when, at any time during the performance period, the Company's volume-weighted-average stock price equals or exceeds the hurdle stock price value for 30 consecutive calendar days. Upon attainment of a stock price hurdle, one-third of the earned PSUs will vest immediately upon achievement, one-third will vest upon the two-year anniversary of the grant date and one-third will vest on the three-year anniversary of the grant date. If no stock price hurdle is attained during the performance period, then no PSUs will vest.

Fair Value Assumptions of Performance Stock Unit Awards

The fair value of the PSUs granted was estimated based on a Monte Carlo valuation model which incorporates into the valuation the possibility that the stock price hurdles may not be satisfied.

The grant date fair values of the PSUs granted in the three months ended March 31, 2026 were estimated as follows:

Hurdle Price Per Share	Number of PSUs	Fair Value Per Share	Derived Service Period (in years)
$ 30.00	6,000	$ 16.53	0.12
$ 33.00	113,806	$ 22.99-23.51	0.40-0.42
$ 35.00	6,000	$ 10.36	0.19
$ 38.00	113,807	$ 21.10-21.61	0.67-0.69
$ 40.00	9,000	$ 6.22	0.23
$ 43.00	113,809	$ 19.37-19.83	0.90-0.92
$ 45.00	9,000	$ 3.63	0.25
$ 48.00	113,811	$ 17.76-18.20	1.10-1.11
	485,233		

The Company estimates that it will recognize total stock-based compensation expense for the PSUs granted using the graded expense attribution method over the requisite service period of each tranche. If the stock price hurdles are met sooner than the requisite service period, the stock-based compensation expense for the respective stock price hurdle will be accelerated. Stock-based compensation expense will be recognized over the requisite service period if the grantees continue to provide service to the Company regardless of whether the PSU stock price hurdles are achieved.

The activity for all PSUs for the three months ended March 31, 2026 was as follows:

	Number of Unvested PSUs	Weighted Average Grant Date Fair Value Per Share
Unvested balance as of January 1, 2026	379,907	$ 15.69
Granted	485,233	19.89
Vested	(23,698)	17.11
Forfeited	—	—
Unvested balance as of March 31, 2026	841,442	$ 18.07
Vested and expected to vest as of March 31, 2026	723,030	$ 18.70

The Company recorded $1.1 million in stock-based compensation expense related to the PSUs during the three months ended March 31, 2026. As of March 31, 2026, there was $9.3 million in unrecognized stock-based compensation expense related to outstanding PSUs granted to employees with a weighted-average remaining recognition period of 1.28 years.

Restricted Stock Unit Awards

RSUs are equity awards that entitle the holder to receive freely tradeable shares of the Company's common stock upon vesting. The fair value of RSUs is equal to the closing price of the Company's common stock on the grant date. RSUs granted to employees have a service condition and generally vest over a period of four years.

The activity for all RSUs for the three months ended March 31, 2026 was as follows:

	Number of Unvested RSUs	Weighted Average Grant Date Fair Value Per Share
Unvested balance as of January 1, 2026	29,855	$ 25.12
Granted	326,619	26.87
Vested	—	—
Forfeited	—	—
Unvested balance as of March 31, 2026	356,474	$ 26.72
Vested and expected to vest as of March 31, 2026	356,474	$ 26.72

The Company recorded $0.3 million in stock-based compensation expense related to the RSUs during the three months ended March 31, 2026. As of March 31, 2026, there was $8.8 million unrecognized stock-based compensation expense related to the outstanding RSUs granted with a weighted-average remaining recognition period of 3.67 years.

Stock-based Compensation Expense

All stock-based compensation expense is recorded in G&A expenses. The following table shows total stock-based compensation expense for stock options, PSUs, RSUs, and ESPP in the condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2026	2025
Equity-classified awards	$ 1,969	$ 1,983
Liability-classified awards	312	—
Total stock-based compensation expense	$ 2,281	$ 1,983

13. Capital Stock

Series X Convertible Preferred Stock

Classification— The Company evaluated the convertible preferred stock for liability or equity classification under the applicable accounting guidance and determined that equity treatment was appropriate. Specifically, the shares of Series X Convertible Preferred Stock are not mandatorily redeemable and do not embody an unconditional obligation to deliver a variable number of shares. The Company determined that the convertible preferred stock would be recorded as temporary equity, given that they are redeemable for cash or other assets upon the occurrence of certain event that is not solely within control of the Company. The Company has also evaluated the embedded conversion and contingent redemption features within the Series X Convertible Preferred Stock in accordance with the accounting guidance for derivatives and determined that bifurcation is not required for any embedded feature.

Dividends

During the three months ended March 31, 2026, the Board declared and paid cash dividends on the Company's Series A Preferred Stock and Series B Depositary shares as follows:

Dividend Declaration Date	Series A Preferred Stock Cash Dividend Declared ($ per share)	Series B Depositary Share Cash Dividend Declared ($ per share)	Dividend Payment Date
October 14, 2025	$ 0.53906	$ 0.52344	January 15, 2026
February 26, 2026	$ 0.53906	$ 0.52344	April 15, 2026

BVF Ownership

As of March 31, 2026, BVF owned approximately 21.7% of the Company's total outstanding shares of common stock, and if all the shares of Series X Convertible Preferred Stock were converted (without taking into account beneficial ownership limitations), BVF would own 44.9% of the Company's total outstanding shares of common stock. The Company's Series A Preferred Stock becomes convertible upon the occurrence of specific events and as of March 31, 2026, the contingency was not met, therefore the Series A Preferred Stock owned by BVF is not included in the as-converted ownership calculation. Due to its significant equity ownership, BVF is considered a related party of the Company.

2025 Common Stock ATM Agreement

On October 3, 2025, the Company entered into the 2025 Common Stock ATM Agreement with Leerink, under which the Company may offer and sell from time to time at its sole discretion shares of its common stock through Leerink as its sales agent, in an aggregate amount not to exceed $75.0 million. The 2025 Common Stock ATM Agreement replaced the 2018 Common Stock ATM Agreement that was terminated in September 2025. Leerink may sell the shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act and will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the shares up to the amount specified. The Company will pay Leerink a commission of up to 3% of the gross proceeds of any shares of common stock sold under the 2025 Common Stock ATM Agreement. During the three months ended March 31, 2026, the Company did not sell any shares of its common stock under the 2025 Common Stock ATM Agreement.

2025 Series B Preferred Stock ATM Agreement

On October 3, 2025, the Company entered into the 2025 Series B Preferred Stock ATM Agreement with HCW, under which the Company may offer and sell from time to time at its sole discretion depositary shares, each representing 1/1000th of a share of the Company's Series B Preferred Stock, through HCW as its sales agent, in an aggregate amount not to exceed $50.0 million. The 2025 Series B Preferred Stock ATM Agreement replaced the 2021 Series B Preferred Stock ATM Agreement that was terminated in September 2025. HCW may sell the depositary shares by any method permitted by law deemed to be an "at the market" offering as defined in Rule 415 of the Securities Act and will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the depositary shares up to the amount specified. The Company will pay HCW a commission of up to 3% of the gross proceeds of any depositary shares sold under the 2025 Series B Preferred Stock ATM Agreement. During the three months ended March 31, 2026, the Company did not sell any shares of its Series B Preferred Stock under the 2025 Series B Preferred Stock ATM Agreement.

Stock Repurchase Program

On January 2, 2024, the Board authorized the Company's stock repurchase program, which permits the Company to purchase up to $50.0 million of its common stock through January 2027. Under the program, the Company has discretion in determining the conditions under which shares may be purchased from time to time, including through transactions in the open market, in privately negotiated transactions, under plans compliant with Rule 10b5-1 under the Exchange Act, or by other means in accordance with applicable laws. The manner, number, price, structure, and timing of the repurchases, if any, will be determined at the Company's sole discretion and repurchases, if any, depend on a variety of factors, including legal requirements, price and economic and market conditions, royalty and milestone acquisition opportunities, and other factors. The repurchase authorization does not obligate the Company to acquire any particular amount of its common stock. The Board may suspend, modify, or terminate the stock repurchase program at any time without prior notice.

On December 3, 2025, the Company entered into a stock purchase agreement with a stockholder to repurchase 539,131 shares of its common stock, originally issued in 2017, for $13.6 million in cash. The transaction was consummated on December 4, 2025, and the repurchased shares were cancelled.

During the three months ended March 31, 2026, the Company purchased a total of 10,902 shares of its common stock for $0.3 million. Pursuant to Section 4501 of the Internal Revenue Code, a 1% excise tax is imposed on the aggregate

fair market value of stock repurchases during the taxable year, provided the total value of repurchases exceeds a $1.0 million de minimis threshold. As cumulative repurchases did not exceed this threshold during the three months ended March 31, 2026, the Company recorded no excise tax liability as of March 31, 2026. From the inception of the stock repurchase program through March 31, 2026, the Company purchased a total of 659,610 shares of its common stock pursuant to the stock repurchase program for $16.3 million.

14. Income Taxes

The Company recorded an immaterial income tax expense for the three months ended March 31, 2026, primarily related to Swiss income taxes of HilleVax. As of March 31, 2026, the Company maintained a full valuation allowance against its remaining net deferred tax assets.

On July 4, 2025, H.R. 1, Public Law 119-21, was enacted in the U.S., introducing significant changes to U.S. income tax law, including provisions affecting the deductibility and capitalization of research and development expenditures, business interest deductions, and the international tax framework. The enactment of this legislation did not have a material impact on the Company's condensed consolidated financial statements for the quarter ended March 31, 2026.

The Company had a total of $5.9 million of gross unrecognized tax benefits as of March 31, 2026, none of which would affect the effective tax rate upon realization, as it had a full valuation allowance against its net deferred tax assets. The reversal of related deferred tax assets will be offset by a valuation allowance, should any of these uncertain tax positions be favorably settled in the future.

The Company does not expect its unrecognized tax benefits to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of March 31, 2026, the Company had not accrued interest or penalties related to uncertain tax positions.

15. Segment and Geographic Information

Segment Information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. The Company has determined that it operates in one operating segment and the CODM regularly reviews information and business activities on a consolidated basis to allocate resources and assess performance. Segment income and revenues consist of income from purchased receivables through RPAs, AAAs, and CPPAs, revenue from the licenses of intellectual property and related milestone and royalties, and revenue from the sale of future revenue streams. The Company derives income and revenues primarily from the U.S., Switzerland, and the Asia Pacific. The CODM uses net income (loss) reported in the condensed consolidated statements of operations to evaluate income (loss) generated from segment assets (return on assets) in deciding whether to invest into the Company's consolidated operations, such as to broaden its royalty portfolios or to repurchase its common stock. The measure of segment assets is reported on the balance sheet as total consolidated assets. Consolidated net income (loss) is used to monitor budget versus actual results. The Company does not have intra-entity sales or transfers (other than as was necessary to secure the VABYSMO royalty backed loan from Blue Owl).

The table below presents segment information for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
	2026	2025
Income and revenues	$ 12,318	$ 15,912
Business development and deal related costs	(818)	(1,055)
Other segment items:		
Research and development expenses	(49)	(1,293)
Depreciation of property and equipment	(3)	(3)
Other general and administrative expenses[(1)]	(11,036)	(7,088)
Gain on lease termination	27	—
Amortization of intangible assets	(892)	(544)
Gains on acquisitions	3,545	—
Change in fair value of derivatives related to Castle Creek	12	—
Interest expense	(3,359)	(3,467)
Other income (expense), net	4,721	(95)
Income tax expense	(1)	—
Segment and consolidated net income	$ 4,465	$ 2,367

(1) Other general and administrative expenses for the three months ended March 31, 2026 and 2025 included general and administrative expenses of $11.9 million and $8.1 million, respectively, net of business development and deal related costs and depreciation of property and equipment.

Geographic Information

Income and revenue attributed to the following geographic regions based on the location of the partners and licensees was as follows (in thousands):

	Three Months Ended March 31,	
	2026	2025
United States	$ 5,622	$ 6,095
Switzerland	6,696	5,817
Asia Pacific	—	4,000
Total	$ 12,318	$ 15,912

The Company's property and equipment is held in the U.S.

16. Subsequent Events

Ligand Merger Agreement

On April 27, 2026, Ligand and the Company announced that they have entered into a definitive agreement under which Ligand expects to acquire the Company for $39.00 per share of common stock in cash, for a total equity value of approximately $739.0 million, plus one non-transferable CVR per share entitling the holder to receive a portion of 75% of the net proceeds, if any, that may result from ongoing litigation initiated by the Company against Janssen.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act, and the Private Securities Litigation Reform Act of 1995, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on current expectations, estimates and forecasts, as well as our management's beliefs and assumptions and on information currently available to them, and are subject to risks and uncertainties that are difficult to predict. In some cases you can identify forward-looking statements by words such as "may," "will," "should," "might," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "targets," "forecasts," "potential," "intend" "goal," "guidance," "strategy," "continue," "design," and similar words, expressions or the negative of such terms. Examples of forward-looking statements include, but are not limited to, statements regarding: the proposed merger with Ligand (the "Merger"), our ability to complete the proposed Merger in a timely manner or at all, including the satisfaction or waiver of various conditions to the consummation of the Merger, trend analyses and statements regarding future events, future financial performance, including future income related to VABYSMO and OJEMDA, anticipated growth, and industry prospects, our future operating expenses, our future losses, the success of our strategy as a royalty aggregator, the assumptions underlying our business model, the extent to which issued and pending patents may protect the products and processes in which we have an ownership or royalty interest and prevent the use of the covered subject matter by third parties, the potential of our existing product candidates to lead to the development of commercial products, our ability to receive potential milestone or royalty payments under license and collaboration agreements and the amount and timing of receipt of those payments, our ability to locate suitable assets to acquire, our ability to complete (on a timely basis or at all) and realize the benefits from acquisitions, uncertainties related to the acquisition of interest in development-stage and clinical-stage product candidates, fluctuations in and our ability to predict our operating results and cash flows, and the sufficiency of our capital resources. Forward-looking statements are based on assumptions that may not prove accurate. Actual results and outcomes, or the timing of actual results and outcomes, could differ materially from those anticipated due to certain risks, including risks inherent in the biotechnology industry and for our licensees engaged in the development of new products in a regulated market. Among other things: there can be no assurance that our revenues, income or expenses will meet any expectations or follow any trend(s); we may be unable to complete the proposed Merger in a timely manner or at all, including as a result of events that could give rise to the termination of the Merger Agreement; we may be unable to retain our key employees; litigation, arbitration or other disputes with third parties may not be resolved in our favor and have a material adverse effect on us; our product candidates subject to our out-license agreements are still being developed, and our licensees' may require substantial funds to continue development which may not be available; we may not be successful in entering into out-license agreements for our product candidates; if our therapeutic product candidates do not receive regulatory approval, our third-party licensees will not be able to manufacture and market them; products or technologies of other companies may render some or all of our product candidates noncompetitive or obsolete; we do not know whether there will be, or will continue to be, a viable market for the products in which we have an ownership or royalty interest; even once approved, a product may be subject to additional testing or significant marketing restrictions, its approval may be withdrawn or it may be voluntarily taken off the market; we and our licensees are subject to various state and federal healthcare related laws and regulations that may impact the commercialization of our or our third-party licensee's product candidates and could subject us or them to significant fines and penalties, and could be impacted by changes or disruptions at the FDA and other government agencies; we and our third-party licensees may be impacted by general macroeconomic and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, high interest rates, changes in monetary policy, changes in trade policies, including tariffs or other trade restrictions or the threat of such actions, government shutdowns, instability in financial institutions and geopolitical instability (including conflicts in the Middle East and related volatility in commodity prices, including the price of oil). These and other risks and uncertainties are described in more detail in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025, elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

Forward-looking statements are inherently uncertain and you should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future. Except as required by law,

we do not undertake any obligation to revise or update publicly any forward-looking statements after completion of the filing of this Quarterly Report on Form 10-Q to reflect later events or circumstances, the occurrence of unanticipated events, or otherwise.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that we have a reasonable basis for these statements, our information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

All references to "portfolio" in this Quarterly Report on Form 10-Q are to milestone and/or royalty rights associated with a basket of product candidates in development.

We use our trademarks, trade names, and services marks in this Quarterly Report as well as trademarks, trade names, and service marks that are the property of other organizations. Solely for convenience, trademarks and trade names referred to in this Quarterly Report appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or that the applicable owner will not assert its rights, to these trademarks and trade names.

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with the audited consolidated financial statements and related notes thereto included as part of our Annual Report on Form 10-K for the year ended December 31, 2025.

Overview

XOMA is a royalty aggregator. We have a sizable portfolio of economic rights to future potential milestone and royalty payments associated with over 120 commercial and pre-commercial therapeutic candidates. In 2017, we transformed our business model to become a royalty aggregator. We subsequently advanced our portfolio by building upon our existing out-licensing agreements for proprietary products and platforms through the acquisition of rights to future milestones, royalties and commercial payments. Currently, our portfolio is anchored by royalty streams and milestone payments derived from seven commercial-stage assets. In the first quarter of 2026, we received $16.1 million in commercial payments. Our royalty aggregator business is primarily focused on early to mid-stage clinical assets, primarily in Phase 1 and 2 development, which we believe have significant commercial sales potential and that are licensed to well-funded sponsors or developers with established expertise in developing and commercializing drugs. We also acquire milestone and royalty revenue streams on late-stage clinical assets and commercial assets that are designed to address unmet markets or have a therapeutic advantage over other treatment options, and have long duration of market exclusivity. We expect most of our future revenue and income to be based on payments we may receive for milestones and royalties associated with these assets as well as the periodic recognition of income under the EIR method.

The generation of future revenues and income related to licenses, milestone payments, and royalties is dependent on the achievement of milestones or product sales by our existing partners and licensees. We generated a net income of $4.5 million for the three months ended March 31, 2026, net cash provided by operating activities was $6.1 million for the three months ended March 31, 2026, and we had an accumulated deficit of $1.2 billion as of March 31, 2026. We generated a net income of $31.7 million, and net cash provided by operating activities was $2.9 million for the year ended December 31, 2025, and we had an accumulated deficit of $1.2 billion as of December 31, 2025.

Ligand Merger Agreement

On April 27, 2026, we entered into a definitive agreement with Ligand under which Ligand will acquire us for $39.00 per share of common stock in cash, for a total equity value of approximately $739.0 million, plus one non-transferable CVR per share entitling the holder to receive a portion of 75% of the net proceeds, if any, that may result from ongoing litigation initiated by us against Janssen. The transaction was approved by the boards of directors of both companies; furthermore, XOMA's officers, directors and certain funds affiliated with BVF Partners Parent, which

collectively beneficially own approximately 47% of outstanding shares (assuming the conversion of XOMA's Series X Convertible Stock), entered into voting agreements in support of the acquisition. XOMA's outstanding shares of Series A Preferred Stock and Series B Preferred Stock are expected to be redeemed in connection with the transaction. The merger is anticipated to close in the third quarter of 2026, subject to customary closing conditions and approval by our stockholders, among other conditions.

Recent Business Developments

Completed Acquisitions

Generation Bio Acquisition

In February 2026, we acquired Generation Bio through a tender offer for $4.2913 in cash per share of Generation Bio common stock and one non-transferable CVR per share of Generation Bio common stock, resulting in total purchase consideration of $34.4 million.

Under the Generation Bio CVR Agreement, CVR holders are entitled to a portion of net proceeds from any product-level financing or from the sale, transfer, license, or other disposition of Generation Bio IP occurring within five years after the merger closing, with payments over a ten-year period ranging from 70% to 30% of the net proceeds. CVR holders are also entitled to a share of net proceeds from the Moderna Collaboration and License Agreement, ranging from 90% to 50% of the net proceeds in years one through ten following the merger closing. CVR holders are further entitled to certain receipts related to the Binney Lease, including the return of the approximately $2.1 million security deposit. In addition, payments to CVR holders are adjusted for any excess or shortfall of Generation Bio's closing net cash over the amount determined under the Generation Bio Merger Agreement. We recorded a $2.1 million CVR liability related to the Binney Lease security deposit and a $2.5 million CVR liability related to estimated excess net cash.

Other Business Developments

Repare Acquisition and XenoTherapeutics Arranger Letter

In January 2026, we acted as structuring agent in connection with the acquisition of Repare's issued and outstanding common shares by Xeno. Xeno paid us an arranger fee of $3.0 million following the closing of the Repare acquisition for the services rendered, which was received in January 2026. BVF, a related party of the Company, owned approximately 24.0% of Repare before its acquisition by Xeno. Subsequent to the Repare acquisition, Mr. Owen Hughes, our Chief Executive Officer and board member, and Mr. Brad Sitko, our Chief Investment Officer, were nominated by Xeno to serve as independent directors on the board of directors of Repare in order to satisfy local law independence requirements applicable to Canadian reporting issuers. Mr. Hughes and Mr. Sitko subsequently resigned from the board of directors of Repare following Repare's cessation as a reporting issuer under local law.

Portfolio Updates

Engager Bio License Agreement

In April 2026, we entered into the Engager Bio License Agreement, granting Engager Bio an assignment and exclusive license to LAVA-1266 and associated IP rights. We are eligible to receive up to €608.5 million in milestone payments upon the achievement of specified investment, development, and sales milestones, as well as low to mid single-digit royalties on net commercial sales. Pursuant to the terms of the LAVA CVR Agreement, holders of the LAVA CVRs will receive 75% of the net proceeds of such payments received by us prior to November 17, 2035. Under the agreement Engager Bio assumes sole responsibility for product development, regulatory approval, and commercialization activities.

Viracta Royalty Purchase Agreement

In April 2026, we earned a $6.0 million milestone payment from Day One (now Servier) for the European Commission granting conditional marketing authorization for OJEMDA as a monotherapy for the treatment of patients six

months of age and older with pediatric low-grade-glioma harboring a BRAF fusion or rearrangement, or BRAF V600 mutation, who have progressed after one or more prior systemic therapies.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires us to make estimates, assumptions, and judgments that affect the reported amounts of assets, liabilities, revenues, income and expenses, and related disclosures of contingent assets and liabilities. We routinely evaluate our estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues, income and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions and conditions.

Critical accounting estimates are those estimates that involve a significant level of judgment and/or estimation uncertainty and could have or are reasonably likely to have a material impact on our financial condition or results of operations.

There have been no significant changes in our critical accounting estimates during the three months ended March 31, 2026, as compared with those previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025, filed with the SEC on March 18, 2026.

Our significant accounting policies are included in "Note 2 – Basis of Presentation and Significant Accounting Policies" in our condensed consolidated financial statements.

Results of Operations

Income and Revenues

Total income and revenues for the three months ended March 31, 2026 and 2025 were as follows (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
Income from purchased receivables under the EIR method	$ 9,239	$ 6,070	$ 3,169
Income from purchased receivables under the cost recovery method	2,769	5,525	(2,756)
Revenue from contracts with customers	—	4,000	(4,000)
Revenue recognized under units-of-revenue method	310	317	(7)
Total income and revenues	$ 12,318	$ 15,912	$ (3,594)

Income from Purchased Receivables under the EIR Method and Cost Recovery Method

The following table summarizes income recognized from purchased receivables under the EIR method and cost recovery method during the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
Affitech (VABYSMO)	$ 6,696	$ 5,817	$ 879
LadRx (MIPLYFFA)	2,297	—	2,297
Aptevo (IXINITY)	246	253	(7)
Total income from purchased receivables under the EIR method	$ 9,239	$ 6,070	$ 3,169
Viracta (OJEMDA)	$ 2,769	$ 5,525	$ (2,756)
Total income from purchased receivables under the cost recovery method	$ 2,769	$ 5,525	$ (2,756)

Income from purchased receivables under the EIR method for the three months ended March 31, 2026 included estimated income under the EIR method related to sales of VABYSMO of $6.7 million, sales of MIPLYFFA of $2.3 million, and sales of IXINITY of $0.2 million. Income from purchased receivables under the EIR method for the three months ended March 31, 2025 included estimated income under the EIR method related to sales of VABYSMO of $5.8 million and sales of IXINITY of $0.3 million. We expect income related to VABYSMO and MIPLYFFA to increase in future periods based on estimated future sales.

Income from purchased receivables under the cost recovery method for the three months ended March 31, 2026 included $2.8 million for OJEMDA in estimated royalties. The income recognized for OJEMDA during the three months ended March 31, 2025 included a $4.0 million milestone related to Day One's MAA filing with the EMA and $1.5 million in estimated royalties related to OJEMDA. We expect income from OJEMDA royalties to increase in future periods based on estimated future sales.

Revenue from Contracts with Customers

Revenue from contracts with customers includes upfront fees, annual license fees, and milestone payments related to the out-licensing of our legacy product candidates and technologies. We did not recognize any revenue from contracts with customers for the three months ended March 31, 2026. Revenue from contracts with customers for the three months ended March 31, 2025 included a $4.0 million payment pursuant to our collaboration agreement with Takeda. This included $3.0 million from milestone payments and $1.0 million in other revenue.

Revenue Recognized under Units-of-Revenue Method

Revenue recognized under the units-of-revenue method includes the amortization of unearned revenue from the sale of royalty interests to HCRP in 2016. Changes in revenues recognized in each period presented are related to the changes in estimated royalties received by HCRP.

R&D Expenses

Total research and development expenses for the three months ended March 31, 2026 and 2025 were as follows (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
Research and development	$ 49	$ 1,293	$ (1,244)

R&D expense was less than $0.1 million for the three months ended March 31, 2026, compared with $1.3 million for the same period in 2025. R&D expense for the three months ended March 31, 2025 included $1.0 million in pass-through licensing fees to an undisclosed licensor related to the Phase 3 milestone achieved by Takeda under our Takeda Collaboration Agreement, as well as clinical trial costs related to the winddown of Kinnate's KIN-3248.

G&A Expenses

Total general and administrative expenses for the three months ended March 31, 2026 and 2025 were as follows (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
General and administrative	$ 11,857	$ 8,146	$ 3,711

G&A expenses include salaries and related personnel costs, professional fees, and facilities costs. G&A expenses were $11.9 million for the three months ended March 31, 2026, compared with $8.1 million for the same period in 2025.

The increase of $3.7 million for the three months ended March 31, 2026, as compared to the same period in 2025, was primarily due to increases in salaries and related expenses of $0.9 million, lease expense of $0.6 million, tax services of $0.6 million, legal fees of $0.5 million, share-based compensation expense of $0.3 million, and litigation expenses of $0.7 million. The increase in litigation expense is associated with ongoing litigation initiated by us against Janssen asserting claims for breach of contract and unjust enrichment arising from Janssen's unauthorized use of our intellectual property in the commercialization of TREMFYA (guselkumab). We expect to continue to incur legal fees and other professional service costs associated with pursuing this litigation. Litigation is inherently uncertain, and there can be no assurance regarding the outcome of the matter or the timing or amount of any potential recovery.

G&A expenses included non-cash share-based compensation expenses of $2.3 million and $2.0 million for the three months ended March 31, 2026 and 2025, respectively.

Credit Losses on Purchased Receivables

There were no credit losses on purchased receivables for the three months ended March 31, 2026 and 2025.

Other Income (Expense), Net

Interest Expense

Interest expense includes the accretion of debt discount and debt issuance costs. Interest expense for the three months ended March 31, 2026 and 2025 was as follows (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
Accrued interest expense	$ 2,777	$ 3,040	$ (263)
Accretion of debt discount and debt issuance costs	332	427	(95)
Delayed draw term loan termination expense	250	—	250
Total interest expense	$ 3,359	$ 3,467	$ (108)

Interest expense incurred for the three months ended March 31, 2026 and 2025 was related to our Blue Owl Loan. The decrease in the current year period was due to the decrease in the principal balance of the loan, partially offset by the delayed draw term loan termination expense.

Gains on Acquisitions

Gains on acquisitions for the three months ended March 31, 2026 included a gain on acquisition of Generation Bio of $3.5 million.

Other Income (Expense), Net

Other income (expense), net for the three months ended March 31, 2026 and 2025 was as follows (in thousands):

	Three Months Ended March 31,		
	2026	2025	Change
Other income (expense), net			
Arranger fee from Repare transaction	$ 3,000	$ —	$ 3,000
Investment income	933	927	6
Sublease income	546	103	443
HilleVax CVR adjustment	(360)	—	(360)
LAVA CVR adjustment	230	—	230
Unrealized gain (loss) from change in fair value of equity securities	112	(1,147)	1,259
Other miscellaneous income, net	299	22	277
Total other income (expense), net	$ 4,760	$ (95)	$ 4,855

We recognized a $3.0 million arranger fee during the three months ended March 31, 2026 in connection with the Repare transaction. Sublease income for the three months ended March 31, 2026 increased compared to the three months ended March 31, 2025 due to our acquisition of the HilleVax sublease in the second half of 2025. The HilleVax CVR adjustment represented a $0.4 million addition for interest earned on the related reserve account. The LAVA CVR adjustment represented a $0.6 million difference between the LAVA CVR liability accrued as of December 31, 2025 and the actual amount paid in March 2026 for excess closing net cash, partially offset by a $0.4 million additional expense accrued for future LAVA CVR distributions.

For the three months ended March 31, 2026, the unrealized gain from the change in fair value of equity securities was due to the change in market price for our investment in one publicly traded company's equity securities as we sold all equity securities related to the other publicly traded company in the third quarter of 2025. For the three months ended March 31, 2025, the unrealized loss from the change in fair value of equity securities was due to the change in market price for our investments in two publicly traded companies' equity securities.

Provision for Income Taxes

We recorded an immaterial income tax expense for the three months ended March 31, 2026, primarily related to Swiss income tax associated with HilleVax. We recorded no provision for federal income taxes during the three months ended March 31, 2025. We continued to maintain a full valuation allowance against our remaining net deferred tax assets. We had a total of $5.9 million of gross unrecognized tax benefits, none of which would impact our effective tax rate to the extent that we continue to maintain a full valuation allowance against our deferred tax assets. We do not expect our unrecognized tax benefits to change significantly over the next twelve months.

Liquidity and Capital Resources

Ligand Merger Agreement

On April 27, 2026, we entered into the Ligand Merger Agreement with Ligand and Flex Merger Sub, providing for the acquisition of our Company by Ligand. Under the terms of the Ligand Merger Agreement, we have agreed to various covenants and agreements, including, among others, agreements to conduct our business in the ordinary course of business in all material respects between the execution of the Ligand Merger Agreement and the potential closing of the merger. Subject to certain limited exceptions, we may not take certain actions without Ligand's consent, including certain actions relating to capital structure transactions, acquisitions or dispositions, indebtedness, and other specified matters, in each case subject to applicable thresholds, exceptions and consent rights set forth in the Ligand Merger Agreement. We do not believe these restrictions will prevent us from meeting our ongoing costs of operations, working capital needs or capital expenditure requirements. We may be required to pay Ligand a termination fee of $40.0 million if the Ligand Merger Agreement is terminated under certain specified circumstances. In addition, we expect to incur costs and expenses in connection with the potential merger, a portion of which may be payable regardless of whether the merger is completed. Payment of any such fees, costs or expenses could require us to use available cash that would otherwise be available for general corporate purposes or other uses.

Cash Flows

Our cash and cash equivalents, restricted cash, and cash flow activities as of and for each of the periods presented were as follows (in thousands):

	March 31, 2026	December 31, 2025	Change
Cash and cash equivalents	$ 85,600	$ 82,908	$ 2,692
Short-term restricted cash	$ 8,862	$ 5,441	$ 3,421
Long-term restricted cash	$ 44,281	$ 45,361	$ (1,080)
Net increase in cash, cash equivalents, and restricted cash			$ 5,033

The increase in cash and cash equivalents of $2.7 million from December 31, 2025 to March 31, 2026 was primarily driven by $16.1 million of cash received from our purchased receivables, partially offset by $11.9 million in principal and interest payments for the Blue Owl Loan, $2.1 million in LAVA CVR distribution for the net cash excess. The increase of $2.3 million in restricted cash from December 31, 2025 to March 31, 2026 was primarily due to additions of $2.5 million of restricted cash acquired from the Generation Bio acquisition.

	Three Months Ended March 31,		
	2026	2025	Change
Net cash provided by operating activities	$ 6,121	$ 2,198	$ 3,923
Net cash provided by (used in) investing activities	6,552	(6,693)	13,245
Net cash used in financing activities	(7,640)	(6,894)	(746)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 5,033	$ (11,389)	$ 16,422

Net cash provided by operating activities of $6.1 million for the three months ended March 31, 2026 was primarily driven by cash receipts during the period (see further details in the Capital Resources section below).

Net cash provided by investing activities of $6.6 million for the three months ended March 31, 2026 was primarily driven by net cash, cash equivalents, and restricted cash acquired in the Generation Bio acquisition of $8.5 million, partially offset by a payment of $2.1 million for LAVA CVR distribution.

Net cash used in financing activities of $7.6 million for the three months ended March 31, 2026 was primarily due to principal repayments on our Blue Owl Loan of $6.4 million, payments of dividends on our Series A and Series B

Preferred Stock of $1.4 million and repurchases of common stock of $0.3 million, partially offset by proceeds from the exercise of options and other share-based compensation of $0.6 million.

Capital Resources

We have historically financed our operations and acquisitions through debt facilities, the issuance of our common stock, Series A and Series B Preferred Stock, and amounts received as milestone payments under our license agreements. Cash received from commercial payments related to sales of VABYSMO will be used to pay down the principal amount and interest due on our Blue Owl Loan until the loan is repaid in full. We also receive cash payments from our purchased receivables and these receipts have been increasing in recent years as our portfolio matures. Below is a summary of the cash received from our purchased receivables and contracts with customers for the three months ended March 31, 2026 and 2025 (in thousands):

	Three Months Ended March 31,	
	2026	2025
Royalties and commercial payments		
VABYSMO	$ 11,945	$ 11,144
OJEMDA	2,569	1,288
MIPLYFFA	1,069	413
IXINITY	479	561
OTHER	3	2
Total royalties and commercial payments	16,065	13,408
Other receipts from purchased receivables	—	4,000
Receipts from contracts with customers	—	550
Total cash receipts	$ 16,065	$ 17,958

We have historically incurred significant operating losses and as of March 31, 2026, we had an accumulated deficit of $1.2 billion. As of March 31, 2026, we had $85.6 million in unrestricted cash and cash equivalents and $53.1 million in restricted cash. Based on our current cash balance and our planned discretionary spending, such as royalty or other acquisitions, we believe that our current financial resources are sufficient to fund our planned operations, commitments, and contractual obligations for a period of at least one year following the filing date of this Quarterly Report.

The generation of future income and revenue related to royalties and milestone payments is dependent on the achievement of milestones or product sales by our existing partners. Milestone payments earned in prior periods are not indicative of anticipated milestone payments in future periods. We may seek additional capital through our 2025 Common Stock ATM Agreement or our 2025 Series B Preferred Stock ATM Agreement (see Note 13 to the condensed consolidated financial statements), or through other public or private debt or equity transactions. Our ability to raise additional capital in the equity and debt markets, should we choose to do so, is dependent on a number of factors including, but not limited to, the market demand for our common and preferred stock, which are subject to a number of development and business risks and uncertainties, our creditworthiness and whether were are able to raise such additional capital at a price or on terms that are favorable to us, if at all. If we are unable to raise additional funds when we need them, our business and operations may be adversely affected.

Material Cash Requirements

Our material cash requirements in the short and long term consist of the following:

Operating Expenditures: Our primary uses of cash for our operating expenses include employee and related costs, consultant fees to support our administrative and business development efforts, legal and accounting fees, insurance costs, and costs associated with our investor relations and IT services.

To support our royalty aggregator business model, we engage third parties to assist in the evaluation of potential acquisitions of milestone payments and royalty streams. Additional operating expenses, including consulting and legal costs, may continue to increase during the remainder of 2026 related to the proposed Merger with Ligand.

We have an operating lease for our headquarters in Emeryville, California that expires in April 2029. As of March 31, 2026, we expect to incur incremental undiscounted costs of $0.3 million associated with our building lease.

In September 2025, as part of the HilleVax acquisition, we acquired the Boston Lease that expires on December 31, 2032. Of the total cash we received in the HilleVax acquisition, a corresponding $41.7 million was reserved to pay the future Boston Lease obligations. As of March 31, 2026, undiscounted lease payments of $40.2 million were reserved as part of the restricted cash held for Boston Lease payments. If the Boston Lease is terminated, assigned, or subleased within twelve months of the HilleVax Merger Closing Date, 100% of the amount received from any subtenant will be distributed to CVR holders. If the Boston Lease is terminated, assigned, or subleased after twelve months of the HilleVax Merger Closing Date, 90% of the applicable receipts will be distributed to CVR holders.

Stock Repurchase Program: On January 2, 2024, our Board authorized our stock repurchase program which permits us to purchase up to $50.0 million of our common stock through January 2027. During the quarter ended March 31, 2026, we repurchased and retired approximately $0.3 million of our common stock under our stock repurchase program. Our repurchases did not exceed the $1.0 million annual de minimis threshold established by Internal Revenue Code Section 4501, resulting in no excise tax during the three months ended March 31, 2026. As of March 31, 2026, we repurchased a total of 659,610 shares of common stock pursuant to the stock repurchase program for $16.3 million.

Long-Term Debt: Under the Blue Owl Loan Agreement, the outstanding principal balance bears interest at an annual rate of 9.875%. XRL began making payments of interest under the Blue Owl Loan Agreement semi-annually, in March 2024 using the royalties received on worldwide net sales of VABYSMO, pursuant to the Affitech CPPA. On each interest payment date, any shortfall in interest payment will be paid from the interest reserve, any uncured shortfall in interest payment that exceeds the interest reserve will increase the outstanding principal amount of the loan, and any royalty payments in excess of accrued interest on the loan will be used to repay the principal of the loan until the balance is fully repaid. As of March 31, 2026, XRL held restricted cash of $2.1 million in reserve accounts that may only be used to pay interest and administrative fees and XRL's operating expenses pursuant to the Blue Owl Loan Agreement. As of March 31, 2026, the current and non-current portion of the initial term loan was $14.0 million and $88.8 million, respectively, and $1.4 million and $0.7 million of the restricted cash was classified as current and non-current, respectively.

RPAs, AAAs, and CPPAs: A significant component of our business model is to acquire rights to potential future milestone payments and royalty payment streams. We expect to continue deploying capital toward these acquisitions in the near and long term.

We will be obligated to pay an additional $11.0 million for each successive $22.0 million received by us under the Daré RPAs after achievement of a return threshold of $88.0 million.

In addition, we have potential sales-based milestone payments that may become due under our agreement with Kuros. All of these milestones and royalty payments represent a portion of the funds we may receive in the future pursuant to this agreement, and therefore we expect these payments to be fully funded by the related royalty or commercial payment receipts.

Collaborative Agreements, Royalties, and Milestone Payments: We may need to make potential future milestone payments and pay legal fees to third parties as part of our licensing and development programs. Payments under these agreements become due and payable only upon the achievement of certain developmental, regulatory, and commercial milestones by our licensees. Because it is uncertain if and when these milestones will be achieved, such contingencies, aggregating up to $12.1 million (assuming one product per contract meets all milestone events) have not been recorded on our condensed consolidated balance sheet as of March 31, 2026, including the $10.0 million BioInvent contingent consideration. We are unable to determine precisely when and if our payment obligations under the agreements will become due as these obligations are based on milestone events, the achievement of which is subject to a significant

number of risks and uncertainties. We expect all payments due to be funded by a portion of the related milestone or royalty revenue we receive or we expect these payments to be reimbursed by our licensees.

Dividends: Holders of our Series A Preferred Stock are entitled to receive, when and as declared by our Board, cumulative cash dividends at the rate of 8.625% of the $25.00 liquidation preference per year (equivalent to $2.15625 per share of Series A Preferred Stock per year). Holders of Series B Depositary Shares are entitled to receive, when and as declared by our Board, cumulative cash dividends at the rate of 8.375% of the $25,000 liquidation preference per share of Series B Preferred Stock ($25.00 per depositary share) per year, which is equivalent to $2,093.75 per year per share of Series B Preferred Stock ($2.09375 per year per depositary share). Dividends on the Series A and Series B Preferred Stock are payable in arrears on or about the 15th day of January, April, July, and October of each year. Since original issuance, all dividends have been paid as scheduled. We expect to continue making these dividend payments as scheduled using our existing capital resources.

Changes in Commitments and Contingencies

Our commitments and contingencies were reported in our Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC. Except as described below, there have been no material changes during the three months ended March 31, 2026 from the commitments and contingencies previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

On February 9, 2026, we entered into the Generation Bio CVR Agreement. Pursuant to this agreement, the Generation Bio CVR holders are entitled to a portion of net proceeds from any product-level financing or disposition of Generation Bio legacy assets occurring within five years after the merger closing, for payments over a ten-year period ranging from 70% to 30% of the net proceeds. CVR holders are also entitled to a share of net proceeds from the Moderna Collaboration and License Agreement, ranging from 90% to 50% of net proceeds over a ten-year period. CVR holders are further entitled to certain receipts related to the Binney Lease, including the return of the approximately $2.1 million security deposit. As of March 31, 2026, we have recognized CVR liabilities totaling $4.6 million in relation to these items.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (our Principal Executive Officer) and our Chief Financial Officer (our Principal Financial and Accounting Officer), we conducted an evaluation of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this report. Our disclosure controls and procedures are intended to help ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as disclosed under Note 11 to the condensed consolidated financial statements, we are not currently engaged in any other material legal proceedings. However, from time to time, we are involved in litigation, arbitration or other proceedings relating to claims arising from the ordinary course of business.

We may become involved in material legal proceedings in the future, and the potential impact on us of any on-going proceeding which we do not currently believe to be material could become material. Such matters are subject to significant uncertainties, and there can be no assurance that any legal proceedings in which we are or may become involved will not have a material adverse effect on our business, results of operations, financial position or cash flows.

ITEM 1A. RISK FACTORS

Except as discussed below, there have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025. For a detailed description of our risk factors, refer to Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

The completion of the Merger is subject to certain conditions, including stockholder and regulatory approvals as well as other uncertainties, and there can be no assurances as to whether and when they may be completed.

Completion of the Merger is subject to various closing conditions, including, among other things, the receipt of applicable stockholder and regulatory approvals. Further, if the Merger has not been consummated on or before the Termination Date (as defined in the Ligand Merger Agreement), then the Ligand Merger Agreement may be terminated by either party. There is no assurance that receipt of applicable stockholder and regulatory approvals will occur, or that all of the other closing conditions will be satisfied (or waived, to the extent permitted by applicable law), or that the Merger will be completed on the terms reflected in the Ligand Merger Agreement, within the expected timeframe or at all.

The governmental authorities from which authorizations under the HSR Act are required have broad discretion in administering the governing laws and regulations, and may take into account various facts and circumstances in their consideration of the Merger, including other potential transactions in our industry or other industries. These governmental authorities may initiate proceedings seeking to prevent, or otherwise seek to prevent, the Merger. As a condition to authorization of the Merger or related transactions, these governmental authorities also may seek to impose requirements, limitations or costs, require divestitures or place restrictions on the conduct of the combined company's business after completion of the Merger.

We can provide no assurance that all required approvals will be obtained or that all closing conditions will otherwise be satisfied (or waived, if applicable) in a timely manner or at all, and, if all required consents and approvals are obtained and all closing conditions are timely satisfied (or waived, if applicable), we can provide no assurance as to the terms, conditions and timing of such consents and approvals or the timing of the completion of the Merger. Many of the conditions to completion of the Merger are not within either our or Ligand's control, and neither company can predict when or if these conditions will be satisfied (or waived, if applicable). Any delay in completing the Merger could cause us not to realize some or all of the benefits that we expect to achieve if the Merger is successfully completed within its expected timeframe.

Failure to complete the Merger could negatively impact our stock price and future business and financial results.

If the Merger is not completed for any reason, we will remain an independent public company. Our ongoing business may be materially and adversely affected and we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on trading prices of our common stock, and from our milestone and royalty partners, licensees, suppliers, stockholders and employees;

- we may be required to pay Ligand a termination fee of $40.0 million if the Ligand Merger Agreement is terminated under specified circumstances, including if the Ligand Merger Agreement is terminated because stockholder approval is not obtained or the transaction has not closed by the Termination Date, in each case after an acquisition proposal has been made or publicly disclosed and not publicly withdrawn, and within 12 months thereafter we enter into or consummate a qualifying acquisition proposal, (ii) we terminate the Ligand Merger Agreement to enter into a superior proposal, or (iii) Ligand terminates the Ligand Merger Agreement following an Adverse Recommendation Change (as defined in the Ligand Merger Agreement); and

- matters relating to the Merger (including integration planning) will require substantial commitments of time and resources by our management and the expenditure of significant funds, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

Even if successfully completed, there are certain risks to our stockholders from the consummation of the Merger, including: the amount of cash to be paid per share of our common stock under the Ligand Merger Agreement is fixed and will not be adjusted for changes in our business, assets, liabilities, prospects, outlook, financial condition or operating results or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock; receipt of the per share consideration in an amount equal to (i) $39.00 in cash, without interest, and subject to deduction for any required withholding tax, plus (ii) an amount of CVRs representing a right to receive contingent payments in accordance with the CVR Agreement (as defined in the Ligand Merger Agreement) (clauses (i) and (ii) collectively, the "Merger Consideration") is taxable to stockholders that are treated as U.S. holders for U.S. federal income tax purposes; and if the Merger is completed, our stockholders will forego the opportunity to realize the potential long-term value of the successful execution of our current strategy as an independent company.

The CVRs may expire with no value.

The CVRs derive their value entirely from the eventual outcome of the Janssen Litigation. The Janssen Litigation is at the early discovery stage and will require successful prosecution through discovery, summary judgment, and trial (or settlement), as well as defense of any appeal, in order to yield any net proceeds payable to holders of CVRs. There is no assurance that the Janssen Litigation will yield any recovery, and the costs of prosecuting the litigation will be borne by RemainCo LLC and will reduce any recovery before distribution to holders of CVRs. If the Janssen Litigation does not yield net proceeds, the CVRs will expire with no value, and holders of CVRs will have received no compensation for the CVRs received as part of the Merger Consideration.

While the Merger is pending, we are subject to business uncertainties and contractual restrictions that could materially adversely affect our operating results, financial position and/or cash flows or result in a loss of employees or milestone and royalty partners, licensees or suppliers.

The Ligand Merger Agreement includes restrictions on the conduct of our business until the earlier of the completion of the Merger or termination of the Ligand Merger Agreement. For example, unless we obtain Ligand's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), we may not, subject to certain exceptions and aggregate limitations, incur additional indebtedness, issue additional shares of our common stock, repurchase our common stock, pay dividends, acquire assets, securities or property, dispose of businesses or assets, enter into, terminate or amend material contracts or make certain additional capital expenditures. We may find that these and other contractual restrictions in the Ligand Merger Agreement delay or prevent us from responding, or limit our ability to

respond, effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management believes they may be advisable. The pendency of the Merger may also divert management's attention and our resources from ongoing business and operations.

Our employees, milestone and royalty partners, licensees or suppliers may experience uncertainties about the effects of the Merger. It is possible that some milestone and royalty partners, licensees, suppliers and other parties with whom we have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationship with us as a result of the pending Merger. Similarly, current and prospective employees may experience uncertainty about their future roles with us following completion of the Merger, which may materially adversely affect our ability to attract and retain key employees. If any of these effects were to occur, it could materially and adversely impact our operating results, financial position and/or cash flows and/or our stock price.

Lawsuits may be filed against us and/or Ligand challenging the transactions contemplated by the Ligand Merger Agreement. An adverse ruling in any such lawsuit may delay or prevent the proposed Merger from being completed.

Lawsuits arising out of or relating to the Ligand Merger Agreement and/or the proposed Merger may be filed in the future. One of the conditions to completion of the Merger is the absence of any injunction or other order being in effect that prohibits completion of the Merger. Accordingly, if a plaintiff is successful in obtaining an injunction, then such order may prevent the proposed Merger from being completed, or from being completed within the expected timeframe. In addition, if the Merger is not consummated for any reason, litigation could be filed related to the failure to consummate the Merger.

Regardless of the outcome of any litigation related to the Merger (or the failure of its consummation), such litigation may be time-consuming and expensive, may distract our management from running the day-to-day operations of our business, and may result in negative publicity or an unfavorable impression of us, any of which could adversely affect the price of our common stock, impair our ability to recruit or retain employees, damage our relationships with our milestone and royalty partners, licensees, suppliers, and other business partners, or otherwise materially harm our operations and financial performance.

If the Merger is not consummated, we may need to raise additional capital to continue our operations and execute our operating plans.

If the Merger is not consummated, we may need to raise additional capital or we may need to delay, scale back or eliminate some planned operations, any of which would have a significant negative impact on our prospects and financial condition, as well as the trading price of our common stock. There can be no assurance that we can raise capital when needed or on terms favorable to us and our stockholders. Macroeconomic conditions and heightened geopolitical uncertainties may adversely affect general commercial activity and the U.S. and global economies and financial markets, which increases uncertainty around our ability to access the capital markets when needed and on acceptable terms. Moreover, if we are unable to obtain additional funds on a timely basis, there will be an increased risk of insolvency and up to a total loss of investment by our stockholders.

The Ligand Merger Agreement contains provisions that limit our ability to pursue alternatives to the proposed transaction, may discourage certain other companies from making a favorable alternative transaction proposal and, in specified circumstances, could require us to pay Ligand a termination fee.

Under the Ligand Merger Agreement, we are subject to certain restrictions on our ability to solicit alternative business combination proposals from third parties, engage in discussion or negotiations with respect to such proposals or provide information in connection with such proposals, subject to certain customary exceptions. We may terminate the Ligand Merger Agreement and enter into an agreement providing for a superior proposal only if specified conditions have been satisfied, and such a termination would result in us being required to pay Ligand a termination fee equal to $40.0 million. If the Ligand Merger Agreement is terminated and we determine to seek another business combination, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the proposed transaction. While we believe these provisions and agreements are reasonable and customary and are not preclusive of

other offers, these provisions could discourage a third party that may have an interest in acquiring all or a significant part of us from considering or proposing such acquisition, even if such third party were prepared to pay consideration with a higher value than the merger consideration. These provisions might also result in a potential third party acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

We and Ligand will incur substantial transaction fees and costs in connection with the proposed transaction.

We and Ligand expect to incur several non-recurring transaction-related costs associated with completing the proposed transaction and achieving desired benefits of the proposed transaction. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, retention, severance, change in control and other integration-related costs, filing fees and printing costs. There can be no assurance that the integration process will deliver all or substantially all of the benefits of the proposed transaction in the near term, the long term or at all. The costs described above and any unanticipated costs and expenses, many of which will be borne by Ligand or us even if the proposed transaction is not completed, could have an adverse effect on Ligand's or our financial condition and operating results.

Our directors and executive officers have interests in the proposed transaction that may be different from, or in addition to, the interests of our stockholders generally.

Our directors and executive officers have interests in the proposed transaction that may be different from, or in addition to, the interests of our stockholders generally. The interests of our directors and executive officers include, among others, severance rights, vesting protections for equity awards in the event of termination of employment in connection with a change in control, and rights to continuing indemnification and directors' and officers' liability insurance. Our Board was aware of and carefully considered the interests of our respective directors and officers, among other matters, in evaluating the terms and structure, and overseeing the negotiation of the proposed transaction, in approving the Ligand Merger Agreement, the Merger and the other transactions contemplated thereby.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

On January 2, 2024, the Board authorized our stock repurchase program, which permits us to purchase up to $50.0 million of our common stock through January 2027. Under the program, we have discretion in determining the conditions under which shares may be purchased from time to time, including through transactions in the open market, in privately negotiated transactions, under plans compliant with Rule 10b5-1 under the Exchange Act, or by other means in accordance with applicable laws. The manner, number, price, structure, and timing of the repurchases, if any, will be determined at our sole discretion and repurchases, if any, depend on a variety of factors, including legal requirements, price and economic and market conditions, royalty and milestone acquisition opportunities, and other factors. The repurchase authorization does not obligate us to acquire any particular amount of our common stock. The Board may suspend, modify, or terminate the stock repurchase program at any time without prior notice. All common stock

repurchased by us during the three months ended March 31, 2026 were subsequently retired. Repurchases of our common stock during the three months ended March 31, 2026 were as follows:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 – January 31, 2026	3,110	$ 24.73	3,110	$ 33,867,043
February 1 – February 28, 2026	7,692	$ 23.94	7,692	$ 33,682,867
March 1 – March 31, 2026	100	$ 24.90	100	$ 33,680,370
Total	10,902		10,902	$ 33,680,370

(1) The number of shares purchased is based on the settlement date.
(2) Average price per share includes commissions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) Trading Plans

During the fiscal quarter ended March 31, 2026, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger between the Company, Kinnate and Merger Sub, dated February 16, 2024	8-K	001-39801	2.1	02/16/2024
2.2	Contingent Value Rights Agreement, dated April 3, 2024, by and between the Company, XRA 1 Corp., Broadridge Corporate Issuer Solutions, LLC and Fortis Advisors LLC	8-K	001-39801	2.2	04/03/2024
2.3	Plan of Conversion of the Company	8-K	001-39801	2.1	05/30/2025
2.4	Agreement and Plan of Merger, dated June 26, 2025, by and among the Company, Turnstone Biologics Corp. and XRA 3 Corp.	8-K	001-39801	2.1	08/15/2025
2.5	Contingent Value Rights Agreement, dated August 11, 2025, by and among the Company, Broadridge Corporate Issuer Solutions, LLC and WT Representative LLC	8-K	001-39801	2.2	08/15/2025
2.6*	Agreement and Plan of Merger, dated August 4, 2025, by and among the Company, HilleVax, Inc. and XRA 4 Corp.	8-K	001-39801	2.1	09/23/2025
2.7	Contingent Value Rights Agreement, dated September 17, 2025, by and among the Company, XRA 4 Corp., Broadridge Corporate Issuer Solutions, LLC and Dr. Robert Hershberg, solely in his capacity as the initial representative, agent and attorney-in-fact of the Holders	8-K	001-39801	2.2	09/23/2025
2.8	Share Purchase Agreement, by and among the Company and LAVA Therapeutics N.V., dated August 3, 2025	8-K	001-39801	2.1	11/21/2025
2.9	Amendment to Share Purchase Agreement, by and among the Company and LAVA Therapeutics N.V., dated October 17, 2025	8-K	001-39801	2.2	11/21/2025
2.10	Form of Contingent Value Rights Agreement	8-K	001-39801	2.3	11/21/2025
2.11	Transaction Agreement, by and among the Company, XRA 5 Corp. and Mural Oncology plc, dated August 20, 2025	8-K	001-39801	2.1	12/05/2025
2.12	Agreement and Plan of Merger, dated December 15, 2025, by and among the Company, Generation Bio Co. and XRA 7 Corp.	8-K	001-39801	2.1	02/09/2026
2.13	Contingent Value Rights Agreement, dated February 9, 2026, by and among the Company, XRA 7 Corp., and Broadridge Corporate Issuer Solutions, LLC.	8-K	001-39801	2.2	02/09/2026
2.14*	Agreement and Plan of Merger, dated as of April 27, 2026, by and among XOMA Royalty Corporation, Ligand Pharmaceuticals Incorporated and Flex Merger Sub, Inc.	8-K	001-39801	2.1	04/27/2026

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
3.1	Articles of Incorporation of the Company	8-K	001-39801	3.1	05/30/2025
3.2	Certificate of Designation of Series X Convertible Preferred Stock	10-Q	001-39801	3.2	08/13/2025
3.3	Certificate of Designation of 8.625% Series A Cumulative Perpetual Preferred Stock	10-Q	001-39801	3.3	08/13/2025
3.4	Certificate of Designation of 8.375% Series B Cumulative Perpetual Preferred Stock	10-Q	001-39801	3.4	08/13/2025
3.5	Certificate of Correction, dated September 23, 2025, to the Certificate of Designation of 8.375% Series B Cumulative Perpetual Preferred Stock	8-K	001-39801	3.1	09/26/2025
3.6	Bylaws of the Company	8-K	001-39801	3.2	05/30/2025
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, and 3.6				
4.2	Deposit Agreement, dated effective April 9, 2021, by and among the Company, American Stock Transfer & Trust Company, LLC, as depositary, and the holders of the depositary receipts issued thereunder	8-K	001-39801	4.1	04/08/2021
4.3	Form of Warrants (May 2018 Warrants)	10-Q	000-14710	4.6	08/07/2018
4.4	Form of Warrants (March 2019 Warrants)	10-Q	000-14710	4.7	05/06/2019
4.5	Form of Warrant (December 2023) ($35.00 Exercise Price)	8-K	001-39801	4.1	12/19/2023
4.6	Form of Warrant (December 2023) ($42.50 Exercise Price)	8-K	001-39801	4.2	12/19/2023
4.7	Form of Warrant (December 2023) ($50.00 Exercise Price)	8-K	001-39801	4.3	12/19/2023
4.8	Form of Indenture	S-3	333-277794	4.6	03/08/2024
10.1	Separation and Consulting Agreement, dated January 15, 2026, between the Company and Thomas Burns	10-K	001-39801	10.10	03/18/2026
10.2	Officer Employment Agreement, dated January 12, 2026, between the Company and Jeffrey Trigilio	10-K	001-39801	10.17	03/18/2026
10.3*	Form of Support Agreement, dated as of April 27, 2026, entered into by Ligand Pharmaceuticals Incorporated, Flex Merger Sub, Inc. and the Supporting Stockholders	8-K	001-39801	10.1	04/27/2026
31.1+	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934				

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
31.2+	Certification of Chief Financial Officer, as required by Rule 13a 14(a) or Rule 15d 14(a) of the Securities Exchange Act of 1934				
32.1(1)	Certifications of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. §1350				
101.INS+	Inline XBRL Instance Document				
101.SCH+	Inline XBRL Schema Document				
101.CAL+	Inline XBRL Calculation Linkbase Document				
101.DEF+	Inline XBRL Definition Linkbase Document				
101.LAB+	Inline XBRL Labels Linkbase Document				
101.PRE+	Inline XBRL Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

\+ Filed herewith.

(1) Furnished herewith. These certifications are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

* Certain exhibits, annexes and schedules have been omitted pursuant to Item 601(a)(5) or Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted exhibits, annexes and schedules upon request by the SEC; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any annexes or schedules so furnished.

SIGNATURES

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

XOMA Royalty Corporation

Date: May 12, 2026 By: /s/ OWEN HUGHES
Owen Hughes
Chief Executive Officer (Principal Executive Officer)

Date: May 12, 2026 By: /s/ JEFFREY TRIGILIO
Jeffrey Trigilio
Chief Financial Officer (Principal Financial and Principal Accounting Officer)

Exhibit 31.1

Certification

I, Owen Hughes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XOMA Royalty Corporation;

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 officers 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))) for the registrant and we 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 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

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

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

Date: May 12, 2026

/s/ OWEN HUGHES

Owen Hughes

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification

I, Jeffrey Trigilio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of XOMA Royalty Corporation;

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 officers 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))) for the registrant and we 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 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 officers 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 registrant's board of directors (or persons performing the equivalent function):

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

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

Date: May 12, 2026

/s/ JEFFREY TRIGILIO

Jeffrey Trigilio
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Owen Hughes, Chief Executive Officer of XOMA Royalty Corporation (the "Company"), and Jeffrey Trigilio, Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2026, to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in Exhibit 32.1 fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 12th day of May, 2026

/s/ OWEN HUGHES
Owen Hughes
Chief Executive Officer (Principal Executive Officer)

/s/ JEFFREY TRIGILIO
Jeffrey Trigilio
Chief Financial Officer

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