

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

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: 001-40522

Monte Rosa Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-3766197

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

321 Harrison Avenue, Suite 900

Boston, Massachusetts

(Address of principal executive offices)

02118

(Zip Code)

Registrant's telephone number, including area code: (617) 949-2643

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 \$0.0001 per share	GLUE	The Nasdaq Global Select 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of August 7, 2023, the registrant had 49,659,338 shares of common stock, \$0.0001 per share, outstanding.

Special note regarding forward-looking statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “expects”, “intends”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, “continue” or the negative of these terms or other comparable terminology. These statements are not guarantees of future results or performance and involve substantial risks and uncertainties. Forward-looking statements in this Quarterly Report include, but are not limited to, statements about:

- the initiation, timing, progress, results, costs, and any expectations and/or predictions of success of our current and future research and development programs and preclinical studies, including our expectations for our molecular glue degraders, or MGDs, molecules, including our GSPT1-directed MGD MRT-2359 and VAV1-directed MGD MRT-6160;
- the initiation, timing, progress, results, costs, and any expectations and/or predictions of success of our current and any future clinical trials, including statements regarding the nature of or the timing for when any results of any clinical trials will become available;
- our ability to continue to develop our proprietary platform, called QuEEN™, and to expand our proteomics and translational medicine capabilities;
- the potential advantages of our platform technology and product candidates;
- the extent to which our scientific approach and platform technology may target proteins that have been considered undruggable or inadequately drugged;
- our plans to submit IND applications to the FDA for future product candidates;
- the potential benefits of strategic collaborations and our ability to enter into strategic collaborations with third parties who have the expertise to enable us to further develop our biological targets, product candidates and platform technologies;
- our ability to obtain and maintain regulatory approval of our product candidates;
- our ability to maintain and expand, including through third-party vendors, our library of MGDs
- our ability to manufacture, including through third-party manufacturers, our product candidates for preclinical use, future clinical trials and commercial use, if approved;
- our ability to commercialize our product candidates, including our ability to establish sales, marketing and distribution capabilities for our product candidates;
- the rate and degree of market acceptance of our product candidates;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- our ability to establish and maintain intellectual property rights covering our current and future product candidates and technologies;
- the implementation of our business model and strategic plans for our business, product candidates, and technology;
- estimates of our future expenses, revenues, capital requirements, and our needs for additional financing;
- our ability to obtain funding for our operations necessary to complete further development and commercialization of our product candidates;
- our financial performance;
- developments in laws and regulations in the United States, or the U.S., and foreign countries;
- the success of competing therapies that are or may become available;
- our ability to attract and retain key scientific or management personnel;

- the impact of pandemics or other future large-scale adverse health events on our business and operations; and
- other risks and uncertainties, including those listed under the section entitled "Risk factors" and those included in "Part 1, Item 1A, Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, or our 2022 Annual Report, filed with the Securities and Exchange Commission, or the SEC, on March 16, 2023.

Any forward-looking statements in this Quarterly Report reflect our current views with respect to future events and with respect to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those described under Part II, Item 1A, "Risk Factors" and elsewhere in this Quarterly Report. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

All of our forward-looking statements are as of the date of this Quarterly Report only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of or any material adverse change in one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the SEC could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report, even if new information becomes available in the future or if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report that modify or impact any of the forward-looking statements contained in this Quarterly Report will be deemed to modify or supersede such statements in this Quarterly Report.

We may from time to time provide estimates, projections and other information concerning our industry, the general business environment, and the markets for certain diseases, including estimates regarding the potential size of those markets and the estimated incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties, and actual events, circumstances or numbers, including actual disease prevalence rates and market size, may differ materially from the information reflected in this Quarterly Report. Unless otherwise expressly stated, we obtained this industry, business information, market data, prevalence information and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, and similar sources, in some cases applying our own assumptions and analysis that may, in the future, prove not to have been accurate.

We have applied for various trademarks that we use in connection with the operation of our business. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

From time to time, we may use our website, our Twitter at @MonteRosaTx and on our LinkedIn account at [linkedin.com/company/monte-rosa-therapeutics](https://www.linkedin.com/company/monte-rosa-therapeutics) to distribute material information. Our financial and other material information is routinely posted to and accessible on the Investors section of our website, available at www.monterosatx.com. Investors are encouraged to review the Investor Relations section of our website because we may post material information on that site that is not otherwise disseminated by us. Information that is contained in and can be accessed through our website, our Twitter posts and our LinkedIn posts is not incorporated into, and does not form a part of, this Quarterly Report.

TRADEMARKS

Solely for convenience, our trademarks and trade names in this report are sometimes referred to without the ® and ™ symbols, but such references should not be construed as any indicator that we will not assert, to the fullest extent under applicable law, our rights thereto.

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Part I – Financial Information

Item 1. Financial Statements

Monte Rosa Therapeutics, Inc.

Condensed consolidated balance sheets (unaudited)

(in thousands, except share and per share amounts) (unaudited)	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,027	\$ 54,912
Marketable securities	156,039	207,914
Other receivables	1,154	7,656
Prepaid expenses and other current assets	3,884	4,444
Current restricted cash	—	960
Total current assets	208,104	275,886
Property and equipment, net	35,335	27,075
Operating lease right-of-use assets	30,359	34,832
Restricted cash, net of current	4,527	4,318
Other long-term assets	291	278
Total assets	\$ 278,616	\$ 342,389
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,308	\$ 7,862
Accrued expenses and other current liabilities	11,114	14,580
Current portion of operating lease liability	2,667	3,127
Total current liabilities	19,089	25,569
Defined benefit plan liability	1,505	1,533
Operating lease liability	44,368	43,874
Total liabilities	64,962	70,976
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized, 49,643,653 shares issued and 49,592,479 shares outstanding as of June 30, 2023; and 500,000,000 shares authorized, 49,445,802 shares issued and 49,323,531 shares outstanding as of December 31, 2022	5	5
Additional paid-in capital	513,041	503,696
Accumulated other comprehensive loss	(1,640)	(1,752)
Accumulated deficit	(297,752)	(230,536)
Total stockholders' equity	213,654	271,413
Total liabilities and stockholders' equity	\$ 278,616	\$ 342,389

See accompanying notes to the condensed consolidated financial statements.

Monte Rosa Therapeutics, Inc.

Condensed consolidated statements of operations and comprehensive loss (unaudited)

(in thousands, except share and per share amounts) (unaudited)	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating expenses:				
Research and development	\$ 29,076	\$ 20,936	\$ 55,831	\$ 38,851
General and administrative	8,145	6,295	15,649	12,682
Total operating expenses	37,221	27,231	71,480	51,533
Loss from operations	(37,221)	(27,231)	(71,480)	(51,533)
Other income (expense):				
Interest income, net	2,302	628	4,739	777
Foreign currency exchange gain (loss), net	(93)	134	(178)	230
Gain on disposal of fixed assets	24	—	24	125
Loss on sale of marketable securities	—	—	(131)	—
Total other income	2,233	762	4,454	1,132
Net loss before income taxes	(34,988)	(26,469)	(67,026)	(50,401)
Provision for income taxes	(190)	—	(190)	—
Net loss	\$ (35,178)	\$ (26,469)	\$ (67,216)	\$ (50,401)
Net loss per share attributable to common stockholders—basic and diluted	\$ (0.71)	\$ (0.57)	\$ (1.36)	\$ (1.08)
Weighted-average number of shares outstanding used in computing net loss per common share—basic and diluted				
	49,431,922	46,668,369	49,389,931	46,632,279
Comprehensive loss:				
Net loss	\$ (35,178)	\$ (26,469)	\$ (67,216)	\$ (50,401)
Other comprehensive income (loss):				
Provision for pension benefit obligation	14	33	28	67
Unrealized gain (loss) on available-for-sale securities	(261)	(358)	84	(504)
Comprehensive loss	\$ (35,425)	\$ (26,794)	\$ (67,104)	\$ (50,838)

See accompanying notes to the condensed consolidated financial statements.

Monte Rosa Therapeutics, Inc.

Condensed consolidated statements of stockholders' equity (unaudited)

(in thousands, except share amounts) (unaudited)	Common stock		Additional paid-in capital	Accumulate d other comprehen sive loss	Accumulate d deficit	Total Stockholde rs' equity
	Shares	Amount				
Balance—January 1, 2022	46,535,966	\$ 5	\$ 471,566	\$ (2,021)	\$ (122,035)	\$ 347,515
Restricted common stock vesting	34,505	—	—	—	—	—
Exercise of common stock options	60,240	—	153	—	—	153
Provision for pension benefit obligation	—	—	—	34	—	34
Stock-based compensation expense	—	—	2,251	—	—	2,251
Unrealized loss on available-for-sale securities	—	—	—	(146)	—	(146)
Net Loss	—	—	—	—	(23,932)	(23,932)
Balance—March 31, 2022	46,630,711	\$ 5	473,970	\$ (2,133)	\$ (145,967)	\$ 325,875
Restricted common stock vesting	34,508	—	—	—	—	—
Exercise of common stock options	19,439	—	96	—	—	96
Provision for pension benefit obligation	—	—	—	33	—	33
Stock-based compensation expense	—	—	2,873	—	—	2,873
Unrealized loss on available-for-sale securities	—	—	—	(358)	—	(358)
Net Loss	—	—	—	—	(26,469)	(26,469)
Balance—June 30, 2022	46,684,658	\$ 5	\$ 476,939	\$ (2,458)	\$ (172,436)	\$ 302,050
Balance—January 1, 2023	49,323,531	\$ 5	503,696	\$ (1,752)	\$ (230,536)	\$ 271,413
Restricted common stock vesting	33,192	—	—	—	—	—
Exercise of common stock options	4,261	—	18	—	—	18
Provision for pension benefit obligation	—	—	—	14	—	14
Stock-based compensation expense	—	—	3,974	—	—	3,974
Unrealized gain on available-for-sale securities	—	—	—	345	—	345
Net Loss	—	—	—	—	(32,038)	(32,038)
Balance—March 31, 2023	49,360,984	\$ 5	507,688	\$ (1,393)	\$ (262,574)	\$ 243,726
Restricted common stock vesting	32,185	—	—	—	—	—
Exercise of common stock options	147,333	—	897	—	—	897
Provision for pension benefit obligation	—	—	—	14	—	14
Stock-based compensation expense	—	—	4,153	—	—	4,153
Unrealized loss on available-for-sale securities	—	—	—	(261)	—	(261)
Issuance of shares under employee stock purchase plan	51,977	—	303	—	—	303
Net Loss	—	—	—	—	(35,178)	(35,178)
Balance—June 30, 2023	49,592,479	\$ 5	513,041	\$ (1,640)	\$ (297,752)	\$ 213,654

See accompanying notes to the condensed consolidated financial statements

Monte Rosa Therapeutics, Inc.

Condensed consolidated statements of cash flows (unaudited)

(in thousands) (unaudited)	Six months ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (67,216)	\$ (50,401)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation expense	8,127	5,124
Depreciation	2,542	1,642
Noncash lease expense	—	1,659
Net accretion of discounts/premiums on marketable securities	(2,680)	(331)
Loss on sale of marketable securities	131	—
Gain on disposal of property and equipment	(24)	(125)
Changes in operating assets and liabilities		
Other receivables	1,858	—
Prepaid expenses and other current assets	547	(688)
Accounts payable	(696)	(2,547)
Accrued expenses and other current liabilities	(520)	(2,196)
Defined benefit plan liability	—	28
Right-of-use assets and operating lease liabilities	9,201	(70)
Net cash used in operating activities	\$ (48,730)	\$ (47,905)
Cash flows from investing activities:		
Purchases of property and equipment	(15,693)	(4,240)
Proceeds from sale of property and equipment	62	125
Purchases of marketable securities	(67,824)	(230,654)
Proceeds from sale of marketable securities	45,631	—
Proceeds from maturities of marketable securities	76,700	40,000
Net cash provided by (used in) investing activities	\$ 38,876	\$ (194,769)
Cash flows from financing activities:		
Proceeds from exercise of employee stock options	915	249
Proceeds from employee stock purchase plan	303	—
Net cash provided by financing activities	\$ 1,218	\$ 249
Net decrease in cash, cash equivalents and restricted cash	\$ (8,636)	\$ (242,425)
Cash, cash equivalents and restricted cash—beginning of period	60,190	351,409
Cash, cash equivalents and restricted cash—end of period	\$ 51,554	\$ 108,984
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 47,027	\$ 103,664
Restricted cash	4,527	5,320
Total cash, cash equivalents and restricted cash	\$ 51,554	\$ 108,984
Supplemental disclosure of noncash items		
Reduction of right-of-use assets for lease incentives receivable	\$ 4,644	\$ —
Purchases of property and equipment in accounts payable and accrued expenses	\$ 1,438	\$ 939

See accompanying notes to the condensed consolidated financial statements.

Monte Rosa Therapeutics, Inc.

Notes to the condensed consolidated financial statements

(unaudited)

1. Description of business and liquidity

Business

Monte Rosa Therapeutics, Inc. is a biotechnology company developing a portfolio of novel small molecule precision medicines that employ the body's natural mechanisms to selectively degrade therapeutically-relevant proteins. As used in these condensed consolidated financial statements, unless the context otherwise requires, references to the Company or Monte Rosa refer to Monte Rosa Therapeutics, Inc. and its wholly owned subsidiaries Monte Rosa Therapeutics AG and Monte Rosa Therapeutics Securities Corp. Monte Rosa Therapeutics AG, a Swiss operating company, was incorporated under the laws of Switzerland in April 2018. Monte Rosa Therapeutics, Inc. was incorporated in Delaware in November 2019. The Company is headquartered in Boston, Massachusetts with research operations in both Boston and Basel, Switzerland.

Liquidity considerations

Since inception, the Company has devoted substantially all its efforts to business planning, research and development, recruiting management and technical staff, and raising capital and has financed its operations primarily through the issuance of convertible preferred shares and public offerings of the Company's common stock.

The Company's continued discovery and development of its product candidates will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure and extensive compliance-reporting capabilities. Even if product development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

As of June 30, 2023, the Company had an accumulated deficit of \$297.8 million. The Company has incurred losses and negative cash flows from operations since inception, including net losses of \$67.2 million and \$50.4 million for the six months ended June 30, 2023 and 2022, respectively. The Company expects that its operating losses and negative cash flows will continue for the foreseeable future as the Company continues to develop its product candidates. The Company currently expects that its cash, cash equivalents, and marketable securities of \$203.1 million as of June 30, 2023 will be sufficient to fund operating expenses and capital requirements for at least 12 months from the date the second quarter interim condensed consolidated financial statements are issued. However, additional funding will be necessary to fund future discovery research, pre-clinical and clinical activities. The Company will seek additional funding through public financings, debt financings, collaboration agreements, strategic alliances and licensing arrangements. Although it has been successful in raising capital in the past, there is no assurance that the Company will be successful in obtaining such additional financing on terms acceptable to it, if at all, and the Company may not be able to enter into collaborations or other arrangements. If the Company is unable to obtain funding, it could be forced to delay, reduce or eliminate its research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect the Company's business prospects, even the ability to continue operations.

2. Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S., or GAAP, and are stated in U.S. dollars. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification and Accounting Standards Updates, or ASUs, of the Financial Accounting Standards Board, or FASB. All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Financial Information

The Company's condensed consolidated financial statements included herein have been prepared in conformity with GAAP and pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. In the Company's opinion, the information furnished reflects all adjustments, all of which are of a normal and recurring nature, necessary for a fair presentation of the financial position and results of operations for the reported interim periods. The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure.

The results of operations for interim periods are not necessarily indicative of results to be expected for the full year or any other interim period.

Recently issued accounting pronouncements

The Company has elected to use the extended transition period for complying with new or revised accounting standards as available under the Jumpstart Our Business Startups Act, or the JOBS Act.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (i) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (ii) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective for the Company for fiscal years beginning after December 15, 2023. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently assessing the impact adoption of ASU 2020-06 will have on its financial statements and disclosures.

Recently adopted accounting pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets. In April 2019, the FASB issued clarification to ASU 2016-13 within ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, or ASU 2016-13. The guidance is effective for fiscal years beginning after December 15, 2022. The adoption of the standard was immaterial to the accompanying condensed consolidated financial statements.

3. Fair value measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values (in thousands):

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Current assets				
Money market funds	\$ 38,434	\$ —	\$ —	\$ 38,434
Pension plan assets	—	5,785	—	5,785
Corporate debt securities	—	129,702	—	129,702
U.S Treasury securities	—	26,337	—	26,337
Total assets measured at fair value	\$ 38,434	\$ 161,824	\$ —	\$ 200,258

Money market funds are highly liquid investments and are actively traded. The pricing information on the Company's money market funds are based on quoted prices in active markets for identical securities. This approach results in the classification of these securities as Level 1 of the fair value hierarchy.

The fair value of pension plan assets has been determined as the surrender value of the portfolio of active insured members held within the Swiss Life Collective BVG Foundation collective investment fund and are classified within Level 2 of the fair value hierarchy.

Marketable securities consist of corporate debt securities and U.S. Treasury securities which are classified as available-for-sale pursuant to ASC 320, *Investments—Debt and Equity Securities*. Marketable securities are classified within Level 2 of the fair value hierarchy because pricing inputs are other than quoted prices in active markets. The fair values of these investments are estimated by taking into consideration valuations obtained from third-party pricing services. The pricing services utilize industry standard valuation models, including both income- and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities based on historical data and other observable inputs.

There were no transfers among Level 1, Level 2 or Level 3 categories in the six months ended June 30, 2023 and 2022.

4. Marketable Securities

Marketable securities as of June 30, 2023 consisted of the following (in thousands):

Description	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate debt securities	\$ 130,001	\$ 3	\$ (302)	129,702
U.S Treasury securities	26,403	—	(66)	26,337
Total	\$ 156,404	\$ 3	\$ (368)	\$ 156,039

As of June 30, 2023, the Company held 38 marketable securities, 27 of which were in an unrealized loss position. The aggregate fair value of securities in a loss position is \$114.9 million. There were no individual securities that were in a significant unrealized loss position as of June 30, 2023. The Company evaluates securities for other-than-temporary impairments based on quantitative and qualitative factors, and considers the decline in market value as of June 30, 2023, to be primarily attributable to the then current economic and market conditions. The Company neither intends to sell these investments nor concludes that it is more-likely-than-not that the Company will have to sell them before recovery of their carrying values. The Company also believes that it will be able to collect both principal and interest amounts due to it at maturity.

5. Property and Equipment, net

Property and equipment, net, consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Laboratory equipment	\$ 20,992	\$ 17,766
Computer hardware and software	1,002	499
Furniture and fixtures	1,099	388
Leasehold improvements	20,752	2,660
Construction in process	54	12,013
Total property and equipment, at cost	\$ 43,899	\$ 33,326
Less: accumulated depreciation	(8,564)	(6,251)
Property and equipment, net	\$ 35,335	\$ 27,075

The following table summarizes depreciation expense incurred (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Depreciation expense	\$ 1,391	\$ 889	\$ 2,542	\$ 1,642

6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Compensation and benefits	\$ 4,462	\$ 5,624
Accrued research and development	4,196	3,936
Other	2,456	5,020
Total other current liabilities	\$ 11,114	\$ 14,580

7. Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use, or ROU, assets and operating lease liabilities in the condensed consolidated balance sheets. The Company has no finance leases as of June 30, 2023.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at

commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, management estimated the incremental borrowing rate based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term. The Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Klybeck Lease

In March 2021, the Company entered into an operating lease agreement for office and lab space with Wincasa AG, or the landlord, that occupies approximately 21,422 square feet located at Hochbergerstrasse 60C, 4057 Basel, Basel-City, Switzerland. In April 2023, the Company and the Landlord amended the Klybeck Lease which increased the office and lab space square footage from 21,422 square feet to 44,685 square feet and extended the term of the lease through June 30, 2027. The amendment was accounted for as a lease modification and resulted in an increases to the related ROU asset and operating lease liability of \$1.8 million.

Harrison Avenue Lease

In December 2021, the Company entered into a non-cancelable lease agreement for 63,327 square feet of office and laboratory space to support its expanding operations, or the Harrison Avenue Lease. The term of the lease commenced on April 1, 2022 and the Company's obligation to pay rent began on December 21, 2022, which resulted in noncash lease expense of \$1.6 million for the six months ended June 30, 2022. The initial term of the lease is 128 months following the commencement date at which point the Company has the option to extend the lease an additional 5 years. As of the lease commencement date, the Company has determined that it is not reasonably certain to exercise the option to extend the lease and has not included the extension period in the lease term. The annual base rent under the Harrison Avenue Lease is \$95.00 per square foot for the first year, which is subject to scheduled annual increases of 3%, plus certain costs, operating expenses and property management fees.

Pursuant to the terms of the Harrison Avenue Lease, the landlord will reimburse the Company for \$13 million of tenant improvements. The Company will reduce the ROU asset and record an asset for construction in progress as costs are incurred and reimbursed. These costs were reclassified from construction in progress to leasehold improvements upon completion of the project. As of June 30, 2023, the Company had \$1.0 million receivable in reimbursable tenant improvements which is recorded as an other receivable on the condensed consolidated balance sheet.

The components of lease expense for the six months ended June 30, 2023 are as follows (in thousands):

	Six months ended June 30,	
	2023	2022
Operating lease expense	\$ 3,983	\$ 2,703
Variable lease expense	1,128	617
Total lease expense	\$ 5,111	\$ 3,320

The variable lease expenses generally include common area maintenance and property taxes. For six months ended June 30, 2023, \$4.3 million lease expense was recorded within research and development and \$0.8 million lease expense was recorded within general and administrative in the condensed consolidated statements of operations and comprehensive loss. Short-term lease costs for the six months ended June 30, 2023 were immaterial.

The weighted average remaining lease term and discount rate related to the Company's leases are as follows:

	June 30, 2023	December 31, 2022
Weighted average remaining lease term (years)	9.2	9.7
Weighted average discount rate	9.8%	9.9%

Supplemental cash flow information relating to the Company's leases for the six months ended June 30, 2023 are as follows (in thousands):

	Six months ended June 30,	
	2023	2022
Right-of-use assets obtained in exchange for operating lease obligations	\$ 1,871	\$ 48,488
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,790	\$ 712

The amortization of the ROU assets for the six months ended June 30, 2023 and 2022 was \$1.5 million and \$1.4 million, respectively.

Future minimum lease payments under non-cancelable leases as of June 30, 2023 for each of the years ending December 31 are as follows (in thousands):

Undiscounted lease payments		
Remaining 2023	\$	3,432
2024		7,385
2025		7,676
2026		7,877
2027		7,621
Thereafter		38,386
Total undiscounted minimum lease payments		72,377
Less: Imputed interest		(25,342)
Total operating lease liability	\$	47,035

8. Commitments and contingencies

License, collaboration and investment agreements

In April 2018, the Company entered into license, collaboration and investment agreements, or the License Agreement, with Cancer Research Technology Limited, or CRT, and The Institute of Cancer Research, or the ICR, for the purpose of development in the field of cereblon-mediated protein degradation, to support the Company's early product development activities as the Company built its internal capabilities or the License and Collaboration. Pursuant to the License and Collaboration, CRT and the ICR granted the Company exclusive and non-exclusive, worldwide, and sublicensable licenses under CRT's and the ICR's intellectual property rights in the field of cereblon mediated protein degradation to discover, research, develop, have developed, use, keep, make, have made, market, import, offer for sale, and sell products in the field of cereblon-mediated protein degradation.

In consideration for the rights granted under the License Agreement, the Company issued an aggregate of 1,132,984 common shares to CRT, the ICR and affiliated founding scientists pursuant to the Formation and Investment Agreement and paid CRT a technology access fee. The License Agreement will remain effective until terminated by written agreement between the Company, CRT and the ICR.

Upon execution of the License Agreement, the Company paid an immaterial access fee which was expensed to research and development in 2018. The research program conducted with the ICR with respect to cereblon-mediated protein degradation was completed as of December 31, 2020. However, the License and Collaboration Agreement continues until it is otherwise terminated under the terms and conditions stated within the agreement. There was no activity under this agreement for the three and six months ended June 30, 2023.

Under the License Agreement, the Company may be obligated to make certain milestone payments for achieving specific clinical progression events for certain products, solely to the extent such products are subject to the License and Collaboration. If owed, such milestones would aggregate up to \$7 million for any covered first product candidate and \$3.5 million for any covered subsequent product candidate. In addition, the Company may be obligated to pay low single-digit royalties on net sales for any covered product successfully developed and commercialized in the field of cereblon-mediated protein degradation under the terms of the License and Collaboration on a country by country basis until the later of (i) the date when the manufacture, use, offer for sale, sale or importation of such product is no longer covered by a valid claim in the country of sale, use or manufacture; (ii) ten years from the first commercial sale of such product in the relevant country; and (iii) the expiry of any extended exclusivity period granted with respect to an orphan drug designation, pediatric designation or other exclusivity in the relevant country.

The License and Collaboration will remain effective until (i) the termination by either the Company or the ICR and CRT upon the bankruptcy or uncured breach of the other party, (ii) by the ICR and CRT if the Company should abandon all discovery, development and commercialization efforts for all products covered under the License and Collaboration; (iii) by the Company if it is determined the continued development of products covered under the License and Collaboration would be commercially unreasonable, scientifically unviable, illegal, unethical or impossible, with a 90-day notification period; or (iv) for any/no reason by written agreement of the Company and the ICR and CRT.

Indemnification

The Company, as permitted under Delaware law and in accordance with its certification of incorporation and bylaws and pursuant to indemnification agreements with certain of its officers and directors, indemnifies its officers and directors for certain events or occurrences, subject to certain limits, which the officer or director is or was serving at the Company's request in such capacity.

The Company enters into certain types of contracts that contingently require the Company to indemnify various parties against claims from third parties. These contracts primarily relate to (i) the Company's bylaws, under which the Company must indemnify directors and executive officers, and may indemnify other officers and employees, for liabilities arising out of their relationship, (ii) contracts under which the Company must indemnify directors and certain officers and consultants for liabilities arising out of their relationship, and (iii) procurement, service or license agreements under which the Company may be required to indemnify vendors, service providers or licensees for certain claims, including claims that may be brought against them arising from the Company's acts or omissions with respect to the Company's products, technology, intellectual property or services.

From time to time, the Company may receive indemnification claims under these contracts in the normal course of business. In the event that one or more of these matters were to result in a claim against the Company, an adverse outcome, including a judgment or settlement, may cause a material adverse effect on the Company's future business, operating results or financial condition. As of June 30, 2023, the Company was not aware of any claims under indemnification arrangements and does not expect significant claims related to these indemnification obligations and, consequently, concluded that the fair value of these obligations is negligible. Therefore, no related reserves have been established.

9. Equity

Undesignated Preferred Stock

The Company had 10,000,000 shares authorized of undesignated preferred stock, par value of \$0.0001, of which no shares were issued and outstanding as of June 30, 2023.

Common Stock

The Company had 500,000,000 shares of common stock authorized, of which 49,643,653 shares were issued and 49,592,479 shares were outstanding as of June 30, 2023.

The holders of common stock are entitled to dividends when and if declared by the board of directors, subject to the preferences applicable to any outstanding shares of preferred stock. The board of directors has not declared any dividends and the Company has not paid any dividends.

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders.

The Company has issued restricted stock to founders, employees and consultants, and expense for this restricted stock is recognized on a straight-line basis (see Note 10). The restricted stock generally vests monthly over 4 years.

As of June 30, 2023, and December 31, 2022, the Company has reserved the following shares of common stock for the vesting of restricted stock and exercise of stock options:

	June 30, 2023	December 31, 2022
Options to purchase common stock	9,908,375	7,436,339
Unvested restricted common stock awards	51,174	122,271
Unvested restricted common stock units	293,865	91,000
	10,253,414	7,649,610

At-the-Market Offering

In July 2022, the Company entered into a sales agreement, or the Sales Agreement, with Jefferies LLC, or Jefferies, pursuant to which the Company may offer and sell shares of its common stock having aggregate gross proceeds of up to \$100 million from time to time in "at-the-market" offerings through Jefferies, as the Company's sales agent. The Company agreed to pay Jefferies a commission of up to 3.0% of the gross proceeds of any shares sold by Jefferies under the Sales Agreement. During the six months ended June 30, 2023, the Company did not sell shares of its common stock under the Sales Agreement.

10. Stock-based compensation

2020 Stock incentive plan

The Company's 2020 Stock Option and Grant Plan, or the 2020 Plan, provided for the Company to grant stock options, restricted stock and other stock awards, to employees, non-employee directors, and consultants. Upon the effectiveness of the 2021 Plan (as defined below), no further issuances were made under the 2020 Plan.

2021 Stock incentive plan

The Company's 2021 Stock Option and Incentive Plan, or the 2021 Plan, was approved by the Company's board of directors on May 28, 2021 and the Company's stockholders on June 17, 2021 and became effective on the date immediately prior to the date on which the registration statement for the Company's IPO was declared effective. The 2021 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, restricted stock awards, unrestricted stock awards, cash-based awards and dividend equivalent rights to the Company's officers, employees, directors and consultants. The number of shares initially reserved for issuance under the 2021 Plan was 4,903,145. Under the evergreen provision of the 2021 Plan, the shares available for issuance under the 2021 Plan will be automatically increased each January 1st by 5% of the outstanding number of shares of the Company's common stock on the immediately preceding December 31st or such lesser number of shares as may be determined by the Company's compensation, nomination and corporate governance committee. Effective January 1, 2023 the number of shares available under the 2021 Plan automatically increased by 2,466,176 shares pursuant to the evergreen provision of the 2021 Plan. As of June 30, 2023, 4,598,069 shares were available for issuance under the 2021 Plan.

2021 Employee stock purchase plan

The Company's 2021 Employee Stock Purchase Plan, or the 2021 ESPP, was approved by the Company's board of directors on May 28, 2021 and the Company's stockholders on June 17, 2021 and became effective on the date immediately prior to the date on which the registration statement for the Company's IPO was declared effective. A total of 439,849 shares of the Company's common stock were initially reserved for issuance under the 2021 ESPP. The shares available for issuance under the 2021 ESPP will be automatically increased on each January 1st, through January 1, 2031, by the least of (i) 439,849 shares of the Company's common stock, (ii) 1% of the outstanding number of shares of the Company's common stock on the immediately preceding December 31st or (iii) such lesser number of shares of the Company's common stock as determined by the plan administrator of the 2021 ESPP. Effective January 1, 2023 the number of shares available under the 2021 ESPP automatically increased by 439,849 shares pursuant to the evergreen provision of the 2021 ESPP. As of June 30, 2023, 1,215,623 shares were available for issuance under the 2021 ESPP.

Stock option activity

The following summarizes stock option activity:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value (in thousands)
Outstanding—December 31, 2022	7,436,339	\$ 9.14	8.5	\$ 12,440
Granted	2,942,600	7.63	—	—
Exercised	(151,594)	6.04	—	—
Forfeited	(318,970)	8.47	—	—
Outstanding—June 30, 2023	<u>9,908,375</u>	\$ 8.76	8.4	\$ 9,288
Vested or expected to vest—June 30, 2023	<u>9,908,375</u>	\$ 8.76	8.4	\$ 9,288
Exercisable—June 30, 2023	3,495,562	\$ 8.41	7.8	\$ 5,861

The aggregate intrinsic value of options granted is calculated as the difference between the exercise price of the options and the estimated fair value of the Company's common stock.

Restricted stock award activity

Unvested restricted stock awards were granted to employees under the 2020 Plan. Restricted stock awards generally vest over a four year period provided the individual remains in continuous service of the Company.

The following summarizes restricted stock award activity:

	Number of shares	Weighted average grant date fair value
Unvested restricted stock as of December 31, 2022	122,271	\$ 1.04
Vested	(65,377)	\$ 0.76
Forfeited	(5,720)	\$ 2.00
Unvested restricted stock as of June 30, 2023	<u>51,174</u>	\$ 1.28

The aggregate fair value of restricted stock awards that vested during the six months ended June 30, 2023 and 2022 was \$0.5 million and \$0.9 million, respectively. The weighted average grant date fair value of restricted stock that vested during the six months ended June 30, 2023 and 2022 was \$0.76 and \$0.78, respectively.

Restricted stock unit activity

Starting in 2022, the Company granted restricted stock units, or RSUs, to employees under the 2021 Plan. Each of the RSUs represents the right to receive one share of the Company's common stock upon vesting. The RSUs will vest over two years provided the individual remains in continuous service of the Company. Accordingly, stock-based compensation expense for each RSU is recognized on a straight-line basis over the vesting term. The fair value of each RSU is based on the closing price of the Company's common stock on the date of grant.

The following summarizes restricted stock unit activity:

	Number of shares	Weighted average grant date fair value
Unvested restricted stock units as of December 31, 2022	91,000	\$ 10.11
Granted	206,665	\$ 7.55
Forfeited	(3,800)	\$ 10.11
Unvested as of June 30, 2023	293,865	\$ 8.31

No restricted stock units vested during the six months ended June 30, 2023.

Stock-based compensation expense

Stock-based compensation expense is classified as follows (in thousands):

	Six months ended June 30,	
	2023	2022
Research and development	\$ 4,411	\$ 2,593
General and administrative	3,716	2,531
Total stock-based compensation expense	\$ 8,127	\$ 5,124

As of June 30, 2023 total unrecognized stock-based compensation cost related to unvested stock options, restricted stock awards and restricted stock units was \$37.9 million, \$0.1 million, and \$1.9 million, respectively. The Company expects to recognize this remaining cost over a weighted average period of 2.7 years, 0.7 years, and 1.7 years, respectively.

11. Income taxes

During the six months ended June 30, 2023, the Company recorded an income tax provision of \$0.2 million. The income tax provision is primarily related to interest income on marketable securities in Massachusetts and the US taxable income generated from the capitalization of research and development expenses. The Company did not record a provision or benefit for income taxes during the six months ended June 30, 2022.

The Company continues to maintain a full valuation allowance against all of its deferred tax assets. The Company has evaluated the positive and negative evidence involving its ability to realize our deferred tax assets. The Company has considered its history of cumulative net losses incurred since inception and its lack of any commercial products. The Company has concluded that it is more likely than not that it will not realize the benefits of its deferred tax assets. The Company reevaluates the positive and negative evidence at each reporting period.

12. Net loss per common share

Basic and diluted net loss per share attributable to common stockholders is calculated as follows (in thousands except share and per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (35,178)	\$ (26,469)	\$ (67,216)	\$ (50,401)
Net loss per share attributable to common stockholders—basic and diluted	\$ (0.71)	\$ (0.57)	\$ (1.36)	\$ (1.08)
Weighted-average number of common shares used in computing net loss per share—basic and diluted	49,431,922	46,668,369	49,389,931	46,632,279

The following outstanding potentially dilutive securities have been excluded from the calculation of diluted net loss per common share, as their effect is anti-dilutive:

	June 30, 2023	June 30, 2022
Stock options to purchase common stock	9,908,375	7,192,968
Restricted common stock	51,174	189,316
Restricted stock units	293,865	—

13. Employee retirement plans

The Company, in compliance with Swiss Law, is contracted with the Swiss Life Collective BVG Foundation for the provision of pension benefits in a defined benefit plan. All benefits are reinsured in their entirety with Swiss Life Ltd within the framework of the contract. The technical administration and management of the savings account are guaranteed by Swiss Life on behalf of the collective foundation. Insurance benefits due are paid directly to the entitled persons by Swiss Life in the name of and for the account of the collective foundation. The pension plan is financed by contributions of both employees and employer. The contract between the Company and the collective foundation can be terminated by either side. In the event of a termination, the Company would have an obligation to find alternative pension arrangements for its employees. Because there is no guarantee that the employee pension arrangements would be continued under the same conditions, there is a risk, albeit remote, that a pension obligation may fall on the Company. The pension assets are pooled for all affiliated companies; the investment of assets is done by the governing bodies of the collective foundation or by mandated parties. The risks of disability, death and longevity are reinsured in their entirety with Swiss Life Ltd.

The following table summarizes pension expense incurred (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Pension expense	\$ 235	\$ 205	\$ 451	\$ 402

In February 2021, the Company adopted a defined contribution plan intended to qualify under Section 401(k) of the Internal Revenue Code covering all eligible U.S. based employees of the Company. All employees are eligible to become participants of the plan immediately upon hire. Each active employee may elect, voluntarily, to contribute a percentage of their compensation to the plan each year, subject to certain limitations. The Company reserves the right, but is not obligated, to make additional contributions to this plan. The Company makes safe-harbor match contributions of 100% of the first 4% of each participant's eligible compensation.

The following table summarize 401(k) expense incurred (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
401(k) expense	\$ 114	\$ 139	\$ 389	\$ 335

Item 2. Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report. This discussion and analysis and other parts of this Quarterly Report contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in "Part I, Item 1A, Risk Factors" in our 2022 Annual Report and under Part II, Item 1A, "Risk Factors" and elsewhere in this Quarterly Report. You should carefully read the "Risk Factors" section of this Quarterly Report to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Please also see the section entitled "Special note regarding forward-looking statements."

Overview

We are a biotechnology company developing a portfolio of novel and proprietary MGDs. MGDs are small molecule drugs that employ the body's natural protein destruction mechanisms to selectively degrade therapeutically-relevant proteins. MGDs work by inducing the engagement of defined surfaces identified on target proteins by an E3 ligase, such as cereblon. We have developed a proprietary and industry-leading protein degradation platform, called QuEEN™ to enable our unique, target-centric, MGD discovery and development and our rational design of MGD products. We believe our small molecule MGDs may give us significant advantages over existing therapeutic modalities, including other protein degradation approaches. We prioritize our product development on therapeutic targets backed by strong biological and genetic rationale with the goal of discovering and developing novel medicines.

Monte Rosa Therapeutics AG, a Swiss operating company, was incorporated under the laws of Switzerland in April 2018. Monte Rosa Therapeutics, Inc was incorporated in Delaware in November 2019. In 2020, Monte Rosa Therapeutics, Inc. and Monte Rosa Therapeutics AG, entities under common control since the incorporation of Monte Rosa Therapeutics, Inc., consummated a contribution and exchange agreement, or the Contribution and Exchange, whereby Monte Rosa Therapeutics, Inc. acquired the net assets and shareholdings of Monte Rosa Therapeutics AG via a one-for-one exchange of equity between Monte Rosa Therapeutics, Inc. and the shareholders of Monte Rosa Therapeutics AG in a common control reorganization. We are headquartered in Boston, Massachusetts with research operations in both Boston and Basel, Switzerland. To date, we have been financed primarily through the issuance of convertible promissory notes, convertible preferred stock and common stock.

Liquidity

To date, we have financed our operations primarily through the issuance and sale of convertible promissory notes and our convertible preferred stock to outside investors in private equity financings, as well as our initial public offering and at-the-market offerings. From our inception through the date hereof, we raised an aggregate of \$499.8 million of gross proceeds from such transactions. Since inception, we have had significant operating losses. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures and, to a lesser extent, general and administrative expenditures. Our net loss was \$108.5 million and \$74.0 million for the years ended December 31, 2022 and 2021, respectively, and our net loss was \$67.2 million and \$50.4 million for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023, we had an accumulated deficit of \$297.8 million and \$207.6 million in cash, cash equivalents, restricted cash and marketable securities.

Components of operating results

Research and development expenses

Our research and development expenses include:

- expenses incurred under agreements with consultants, third-party service providers that conduct research and development activities on our behalf;
- personnel costs, which include salaries, benefits, pension and stock-based compensation;
- laboratory and vendor expenses related to the execution of preclinical and clinical studies;
- laboratory supplies and materials used for internal research and development activities; and

- facilities and equipment costs.

Most of our research and development expenses have been related to the development of our QuEEN™ platform and advancement of our GSPT1 program, advancement of our disclosed and undisclosed programs including for CDK2, NEK7, VAV1, and multiple sickle cell disease, or SCD, targets. We have not reported program costs since our inception because we have not historically tracked or recorded our research and development expenses on a program-by-program basis. We use our personnel and infrastructure resources across the breadth of our research and development activities, which are directed toward identifying and developing product candidates.

We expense all research and development costs in the periods in which they are incurred. Costs for certain research and development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and third-party service providers.

We expect our research and development expenses to increase substantially for the foreseeable future as we continue to invest in research and development activities related to developing our product candidates, including investments in manufacturing, as we advance our programs and conduct clinical trials. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming, and the successful development of our product candidates is highly uncertain. As a result, we are unable to determine the duration and completion costs of our research and development projects, the costs of related clinical development costs or when and to what extent we will generate revenue from the commercialization and sale of any of our product candidates.

General and administrative expenses

Our general and administrative expenses consist primarily of personnel costs and other expenses for outside professional services, including legal fees relating to patent and corporate matters, professional fees for accounting, auditing, tax and administrative consulting services, insurance costs and other operating costs. We expect our general and administrative expenses to increase over the next several years to support our continued research and development activities, manufacturing activities, and the potential commercialization of our product candidates and development of commercial infrastructure. We also anticipate our general and administrative costs will increase and with respect to the hiring of additional personnel, fees to outside consultants, lawyers and accountants, and increased costs associated with being a public company such as expenses related to services associated with maintaining compliance with Nasdaq listing rules and SEC reporting requirements, insurance and investor relations costs.

Non-operating income and (expense)

Our non-operating income and (expense) includes (i) interest earned on our investments, including principally U.S. government-backed money-market funds and marketable securities; (ii) gains and losses on transactions of our Swiss subsidiary denominated in currencies other than the U.S. Dollar; (iii) proceeds from the sale of fixed assets; and (iv) realized losses on the sale of marketable securities.

Results of operations for the three months ended June 30, 2023 and 2022

The following sets forth our results of operations:

(in thousands)	Three months ended June 30,		Dollar change
	2023	2022	
Operating expenses:			
Research and development	\$ 29,076	\$ 20,936	\$ 8,140
General and administrative	8,145	6,295	1,850
Total operating expenses	37,221	27,231	9,990
Loss from operations	(37,221)	(27,231)	(9,990)
Other expense	2,233	762	1,471
Net loss before income taxes	(34,988)	(26,469)	(8,519)
Provision for income taxes	(190)	—	(190)
Net loss	\$ (35,178)	\$ (26,469)	\$ (8,709)

Research and development expenses

Research and development expenses were comprised of:

(in thousands)	Three months ended June 30,		Dollar change
	2023	2022	
External research and development services	\$ 12,717	\$ 8,110	\$ 4,607
Personnel costs	9,407	6,408	2,999
Laboratory and related expenses	2,422	2,011	411
Facility costs and other expenses	4,530	4,407	123
Research and development expenses	\$ 29,076	\$ 20,936	\$ 8,140

As of June 30, 2023, we had 107 employees engaged in research and development activities in our facilities in the U.S. and Switzerland. As of June 30, 2022, we had 85 research and development employees in our facilities in the U.S. and Switzerland.

Most of our research and development expenses have been related to the development of our QuEEN™ platform, advancement of our GSPT1 program including the advancement of MRT-2359 in the clinic, advancement of our VAV1 program including IND-enabling work for MRT-6160, and the advancement of our disclosed and undisclosed programs including for CDK2, NEK7, multiple SCD targets, and other discovery efforts. The increase for the three months ended June 30, 2023 as compared to 2022 was primarily due to the expansion of research and development activities in the U.S. and Switzerland including increased headcount and facilities, as well as corresponding increases in laboratory related expenses. Research and development expenses for the three months ended June 30, 2023 and 2022 included non-cash stock-based compensation expense of \$2.3 million and \$1.4 million, respectively.

General and administrative expenses

General and administrative expenses to support our business activities were comprised of:

(in thousands)	Three months ended June 30,		Dollar change
	2023	2022	
Personnel costs	\$ 4,715	\$ 3,529	\$ 1,186
Professional services	1,132	1,030	102
Facility costs and other expenses	2,298	1,736	562
General and administrative expenses	\$ 8,145	\$ 6,295	\$ 1,850

As of June 30, 2023 and 2022 we had 26 and 19 employees engaged in general and administrative activities, respectively, principally in our U.S. facility. Personnel and professional service costs increased in the three months ended June 30, 2023 as compared to 2022 due to an increase in stock compensation driven by additional grants. The increase in other expenses in the three months ended June 30, 2023 as compared to 2022 to support our growth and operations as a public company. General and administrative expenses for the three months ended June 30, 2023 and 2022 included non-cash stock-based compensation expense of \$1.9 million and \$1.4 million, respectively.

Other income (expense)

Other income (expense), net was comprised of:

(in thousands)	Three months ended June 30,		
	2023	2022	
Interest income, net	\$ 2,302	\$ 628	
Foreign currency exchange gain (loss), net	(93)	134	
Gain on disposal of fixed assets	24	—	
Other income	\$ 2,233	\$ 762	

The increase in interest and other income for the three months ended June 30, 2023, is principally attributable to higher interest rates on marketable securities.

Results of operations for the six months ended June 30, 2023 and 2022

The following sets forth our results of operations:

(in thousands)	Six months ended June 30,		Dollar change
	2023	2022	
Operating expenses:			
Research and development	\$ 55,831	\$ 38,851	\$ 16,980
General and administrative	15,649	12,682	2,967
Total operating expenses	71,480	51,533	19,947
Loss from operations	(71,480)	(51,533)	(19,947)
Other expense	4,454	1,132	3,322
Net loss before income taxes	\$ (67,026)	\$ (50,401)	\$ (16,625)
Provision for income taxes	(190)	—	(190)
Net loss	\$ (67,216)	\$ (50,401)	\$ (16,815)

Research and development expenses

Research and development expenses were comprised of:

(in thousands)	Six months ended June 30,		Dollar change
	2023	2022	
External research and development services	\$ 23,471	\$ 16,221	\$ 7,250
Personnel costs	18,918	12,496	6,422
Laboratory and related expenses	4,528	3,729	799
Facility costs and other expenses	8,914	6,405	2,509
Research and development expenses	\$ 55,831	\$ 38,851	\$ 16,980

As of June 30, 2023, we had 107 employees engaged in research and development activities in our facilities in the U.S. and Switzerland. As of June 30, 2022, we had 85 research and development employees in our facilities in the U.S. and Switzerland.

Most of our research and development expenses have been related to the development of our QuEEN™ platform, advancement of our GSPT1 program including the advancement of MRT-2359 in the clinic, advancement of our VAV1 program including IND-enabling work for MRT-6160, and the advancement of our disclosed and undisclosed programs including for CDK2, NEK7, multiple SCD targets, and other discovery efforts. The increase for the six months ended June 30, 2023 as compared to 2022 was primarily due to the expansion of research and development activities in the U.S. and Switzerland including increased headcount and facilities, as well as corresponding increases in laboratory related expenses. Research and development expenses for the six months ended June 30, 2023 and 2022 included non-cash stock-based compensation expense of \$4.4 million and \$2.6 million, respectively.

General and administrative expenses

General and administrative expenses to support our business activities were comprised of:

(in thousands)	Six months ended June 30,		Dollar change
	2023	2022	
Personnel costs	\$ 9,330	\$ 7,049	\$ 2,281
Professional services	2,173	2,370	(197)
Facility costs and other expenses	4,146	3,263	883
General and administrative expenses	\$ 15,649	\$ 12,682	\$ 2,967

As of June 30, 2023 and 2022 we had 26 and 19 employees engaged in general and administrative activities, respectively, principally in our U.S. facility. The increase in other expenses in the six months ended June 30, 2023, compared to 2022 were primarily to support our growth and operations as a public company. General and administrative expenses for the six months ended June 30, 2023 and 2022 included non-cash stock-based compensation expense of \$3.7 million and \$2.5 million, respectively.

Other income (expense)

Other income (expense), net was comprised of:

(in thousands)	Six months ended June 30,	
	2023	2022
Interest income, net	\$ 4,739	\$ 777
Foreign currency exchange gain (loss), net	(178)	230
Gain on disposal of fixed assets	24	125
Loss on sale of marketable securities	(131)	—
Other income	\$ 4,454	\$ 1,132

The increase in interest and other income for the six months ended June 30, 2023 is principally attributable to higher interest rates on marketable securities.

Liquidity and capital resources

Overview

We were incorporated in November 2019 in Delaware and our operations to date have been financed primarily through the issuance of convertible promissory notes, convertible preferred stock and public offerings of our common stock. As of June 30, 2023, we had \$207.6 million in cash, cash equivalents, restricted cash and marketable securities. We have incurred losses since our inception and, as of June 30, 2023, we had an accumulated deficit of \$297.8 million. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

Cash flows

The following table summarizes our cash flows for the periods indicated:

(in thousands)	Six months ended June 30,	
	2023	2022
Net cash (used in) provided by:		
Operating activities	\$ (48,730)	\$ (47,905)
Investing activities	38,876	(194,769)
Financing activities	1,218	249
Net decrease in cash, cash equivalents and restricted cash	\$ (8,636)	\$ (242,425)

Operating activities

Net cash used in operating activities of \$48.7 million during the six months ended June 30, 2023, was attributable to our net loss of \$67.2 million off-set by an increase in our working capital of \$10.4 million and non-cash charges of \$8.1 million principally with respect to depreciation expense and stock-based compensation.

Net cash used in operating activities of \$47.9 million during the six months ended June 30, 2022, was attributable to our net loss of \$50.4 million and a net decrease in our working capital of \$5.5 million, offset by non-cash charges of \$8.0 million principally with respect to noncash lease expense, depreciation expense and stock-based compensation.

Investing activities

Cash provided by investing activities of \$38.9 million during the six months ended June 30, 2023 was primarily attributable to proceeds from the maturity of marketable securities of \$76.7 million and proceeds from the sale of marketable securities of \$45.6 million, offset by purchases of marketable securities of \$67.8 million and purchases of property and equipment of \$15.7 million.

Cash used in investing activities of \$194.8 million during the six months ended June 30, 2022 was primarily attributable to purchases of marketable securities of \$230.7 million and purchases of property and equipment of \$4.2 million, offset by proceeds from the maturity of marketable securities of \$40 million.

Financing activities

Net cash provided by financing activities for six months ended June 30, 2023, and 2022, consisted of proceeds from the exercise of employee stock options.

Funding requirements

Any product candidates we may develop may never achieve commercialization and we anticipate that we will continue to incur losses for the foreseeable future. We expect that our research and development expenses, general and administrative expenses and capital expenditures will continue to increase. As a result, until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party clinical research, manufacturing and development services, costs relating to the build-out of our headquarters, laboratories and manufacturing facility, license payments or milestone obligations that may arise, laboratory and related supplies, clinical costs, manufacturing costs, legal and other regulatory expenses and general overhead costs.

Based upon our current operating plan, we believe that our existing cash, cash equivalents and marketable securities will enable us to fund our operating expenses and capital expenditure requirements for at least the next twelve months. We base this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

We will continue to require additional financing to advance our current product candidates through clinical development, to develop, acquire or in-license other potential product candidates and to fund operations for the foreseeable future. We will continue to seek funds through equity offerings, debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. If we do raise additional capital through public or private equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies. If we are unable to raise capital, we will need to delay, reduce or terminate planned activities to reduce costs.

Because of the numerous risks and uncertainties associated with research, development and commercialization of pharmaceutical products, we are unable to estimate the exact amount of our operating capital requirements. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, results and costs of researching, developing and manufacturing our current product candidates or any future product candidates, and conducting preclinical studies and clinical trials;
- the timing of, and the costs involved in, obtaining regulatory approvals or clearances for our lead product candidates or any future product candidates;
- the number and characteristics of any additional product candidates we develop or acquire;
- the cost of manufacturing our lead product candidate or any future product candidates and any products we successfully commercialize, including costs associated with building-out our manufacturing capabilities;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such agreements that we may enter into;
- the expenses needed to attract and retain skilled personnel;
- the costs associated with being a public company;
- the timing, receipt and amount of sales of any future approved or cleared products, if any; and
- the impact of global economic and political developments, future public health events and the corresponding responses of businesses and governments.

Further, our operating plans may change, and we may need additional funds to meet operational needs and capital requirements for clinical trials and other research and development activities. We currently have no credit facility or committed sources of capital. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures associated with our current and anticipated product development programs.

Critical accounting policies and significant judgments and estimates

Our unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. The preparation of our unaudited interim condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our condensed financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. However, even though we believe we have used reasonable estimates and assumptions in preparing our interim condensed consolidated financial statements, the future effects of global economic and political developments and any future public health events on our results of operations, cash flows, and financial position are unclear. Our actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes to our critical accounting policies from those described in “Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2022 Annual Report.

For a complete discussion of our significant accounting policies and recent accounting pronouncements, see Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report and Note 2 to our 2022 Annual Report.

Recently issued and adopted accounting pronouncements

Refer to Note 2, “Summary of Significant Accounting Policies,” in the accompanying notes to our and consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Contractual obligations and commitments

During the six months ended June 30, 2023, there have been no material changes to our contractual obligations and commitments from those described under “Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on March 16, 2023.

Off-balance sheet arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Emerging growth company status

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this extended transition period and, as a result, we may adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-public companies instead of the dates required for other public companies. However, we may early adopt these standards.

We will cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more, (ii) the last day of our fiscal year following the fifth anniversary of the date of the closing of our initial public offering, or our IPO, (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a large, accelerated filer under the rules of the SEC.

We are also a “smaller reporting company,” meaning that the market value of our stock held by non-affiliates plus the aggregate amount of gross proceeds to us as a result of our IPO is less than \$700 million and our annual revenue was less than \$100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company after our IPO if either (i) the market value of our stock held by non-affiliates is less than \$250 million or (ii) our annual

revenue was less than \$100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our annual reports on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

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 3.

Item 4. Controls and procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer have evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2023. The term “disclosure controls and procedures,” as defined in the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2023, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as of such date are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the company. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during six months ended June 30, 2023 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Part II — Other Information

Item 1. Legal proceedings

From time to time, we may become subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of June 30, 2023, we do not believe we are party to any claim or litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and uncertainties, those risks and uncertainties discussed in “Part I, Item 1A, Risk Factors” in our 2022 Annual Report, as amended and supplemented by the information in our subsequent Quarterly Reports on Form 10-Q, together with all of the other information contained in this Quarterly Report, including our unaudited condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report. The risk factor disclosure in our 2022 Annual Report and subsequent Quarterly Reports on Form 10-Q is qualified by the information that is described in this Quarterly Report. If any of the risks described below or in our 2022 Annual Report actually occur, our business, prospects, operating results and financial condition could suffer materially. In such event, the trading price of our common stock could decline and you might lose all or part of your investment.

Other than as set forth below, there have been no material changes to the risk factors set forth in our 2022 Annual Report.

Risks related to our financial position and capital needs

We have incurred significant operating losses since our inception and anticipate that we will incur continued losses for the foreseeable future.

Since our inception, we have focused substantially all of our efforts and financial resources on developing our proprietary QuEEN™ platform, our proprietary MGD library and our initial pipeline of product candidates. To date, we have financed our operations primarily through the issuance and sale of convertible promissory notes and our convertible preferred stock to outside investors in private equity financings, our initial public offering, and sales of our common stock. From our inception through the date hereof, we raised an aggregate of \$499.8 million of gross proceeds from such transactions. As of June 30, 2023, our cash, cash equivalents, restricted cash and marketable securities were \$207.6 million. We have incurred net losses in each year since our inception, and we had an accumulated deficit of \$297.8 million as of June 30, 2023. For the years ended December 31, 2022 and 2021, we reported net losses of \$108.5 million and \$74.0 million, respectively. For the six months ended June 30, 2023 and 2022, we reported a net loss of \$67.2 million and \$50.4 million, respectively. Substantially all of our operating losses have resulted from costs incurred in connection with our research and initial pipeline programs and from general and administrative costs associated with our operations. We expect to continue to incur significant expenses and increasing operating losses over the next several years and for the foreseeable future. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' deficit and working capital. We expect our expenses to significantly increase in connection with our ongoing activities, as we:

- conduct our clinical trial for MRT-2359;
- continue preclinical activities for our NEK7, CDK2, VAV1 and SCD and other currently undisclosed programs;
- prepare and submit IND applications with the FDA for other current and future product candidates;
- complete preclinical studies for current or future product candidates;
- progress MGD molecules from our initial programs through lead optimization to development candidates;
- initiate and complete clinical trials for current or future product candidates;
- expand and improve the capabilities of our QuEEN™ platform;
- continue to build our proprietary library of MGDs;
- contract to manufacture our product candidates;

- advance research and development related activities to expand our product pipeline;
- seek regulatory approval for our product candidates that successfully complete clinical development;
- develop and scale up our capabilities to support our ongoing preclinical activities and future clinical trials for our product candidates and commercialization of any of our product candidates for which we may obtain marketing approval;
- maintain, expand, and protect our intellectual property portfolio;
- hire additional staff, including clinical, scientific and management personnel; and
- secure facilities to support continued growth in our research, development and commercialization efforts.

In addition, if we obtain marketing approval for our current or future product candidates, we will incur significant expenses relating to our commercialization of such product candidates via our sales, marketing, product manufacturing and distribution efforts. Because of the numerous risks and uncertainties associated with developing pharmaceutical drugs, including in light of economic slowdowns, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

Even if we achieve profitability, we may not be able to sustain or increase our profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our development efforts, obtain product approvals, diversify our offerings or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

Item 2. Unregistered sales of equity securities and use of proceeds

Recent sales of unregistered equity securities

None.

Use of proceeds from initial public offering

On June 28, 2021, we completed our IPO pursuant to which we issued and sold 11,700,000 shares of our common stock at a public offering price of \$19.00 per share. On July 23, 2021, the underwriters exercised their option to purchase additional shares in full and we issued 1,755,000 shares of our common stock at the price of \$19.00 per share.

The offer and sale of all of the shares of our common stock in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1, as amended (File No. 333- 256773), which was declared effective by the SEC on June 23, 2021. J.P. Morgan Securities LLC, Cowen and Company, LLC, Piper Sandler & Co. and Guggenheim Securities, LLC acted as underwriters for the IPO.

We received aggregate gross proceeds from our IPO of \$255.6 million, or aggregate net proceeds of \$234.6 million after deducting underwriting discounts and commissions and other offering costs. None of the underwriting discounts and commissions or offering expenses were incurred or paid, directly or indirectly, to any of our directors or officers or their associates or to persons owning 10% or more of our common stock or to any of our affiliates.

There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus dated June 25, 2021.

Item 3. Defaults upon senior securities

None.

Item 4. Mine safety disclosures

Not Applicable.

Item 5. Other Information

On August 8, 2023, Ajim Tamboli, the Chief Financial Officer of the Company, resigned from the Company effective August 8, 2023 (the "Effective Date"). Mr. Tamboli's resignation was not the result of any disagreement with the Company or its Board of Directors or any matter relating to the Company's operations, policies, or practices.

As of the Effective Date, (i) Markus Warmuth, the Company's Chief Executive Officer, assumed the duties of the principal financial officer of the Company and (ii) Edmund Dunn, the Company's Vice President, Corporate Controller, assumed the duties of the principal accounting officer of the Company.

The information required by Items 401(b) and (e) of Regulation S-K with respect to Dr. Warmuth is included in the Company's definitive proxy statement filed with the U.S. Securities and Exchange Commission on April 26, 2023, and is hereby incorporated by reference herein. There are no related party transactions between Dr. Warmuth, on the one hand, and the Company, on the other, reportable under Item 404(a) of Regulation S-K. In addition, there is no family relationship between any director or executive officer of the Company and Dr. Warmuth.

Mr. Dunn (age 57) joined the Company in 2021. Prior to joining the Company, he worked as an independent financial consultant to Ironwood Pharmaceuticals, Inc., a publicly traded pharmaceuticals company, from 2018 to 2021, where he assisted with technical and operational accounting and financial planning and analysis. Mr. Dunn started his career with Deloitte & Touche, LLP. Mr. Dunn is a Certified Public Accountant in the Commonwealth of Massachusetts. He holds a Bachelor's Degree in Accounting from Louisiana State University and a Masters of Business Administration from University College Dublin. There are no related party transactions between Mr. Dunn, on the one hand, and the Company, on the other, reportable under Item 404(a) of Regulation S-K. In addition, there is no family relationship between any director or executive officer of the Company and Mr. Dunn.

In connection with his resignation, Mr. Tamboli and the Company entered into a Separation Agreement (the "Separation Agreement") pursuant to which, Mr. Tamboli is entitled to receive severance benefits pursuant to the terms of his Employment Agreement with the Company, with an effective date of June 28, 2021, attached as Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed with the SEC on June 21, 2021.

The foregoing description of the Separation Agreement does not purport to be complete and is qualified in its entirety by reference to the Separation Agreement, which is filed as an exhibit to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit Number	Description
3.1	<u>Fourth Amended and Restated Certificate of Incorporation of Registrant, as currently in effect (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-40522) filed on June 28, 2021).</u>
3.2	<u>Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-40522) filed on June 14, 2023).</u>
3.3	<u>Amended and Restated By-laws of the Registrant, as currently in effect (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K (File No. 001-40522)) filed on June 28, 2021).</u>
10.1*#	<u>Separation Agreement between the Registrant and Ajim Tamboli, effective as of August 8, 2023.</u>
31.1*	<u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Deemed to be furnished with this Quarterly Report on Form 10-Q and will not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

Management contract or compensatory plan, contract, or arrangement.

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.

Monte Rosa Therapeutics, Inc.

Date: August 10, 2023

By: _____ /s/ Markus Warmuth
Markus Warmuth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

August 9, 2023

PERSONAL AND CONFIDENTIAL

Ajim Tamboli, CFA

Re: Separation Agreement

Dear Ajim:

This letter will confirm your resignation from Monte Rosa Therapeutics, Inc. (the “Company”) effective August 8, 2023 (the “Separation Date”). This letter also sets forth the terms of a separation agreement between you and the Company (the “Agreement”) that would provide you with severance pay and other benefits if you enter into, do not revoke, and comply with the Agreement.

In the interest of clarity, the following terms and conditions shall apply regardless of whether you elect to accept or reject the Agreement further below:

- the Company will pay you any Accrued Obligations, as that term is defined in Section 4(c) of the Employment Agreement between you and the Company (the “Employment Agreement”);
- the Company will provide you with the right to continue group health plan coverage after the termination of your employment under the law known as “COBRA,” which will be described in a separate written notice. Following the Separation Date, you will be eligible to continue coverage pursuant to COBRA at your own expense;
- your eligibility to participate in any other employee benefit plans and programs of the Company will cease on or after the Separation Date in accordance with the applicable benefit plan or program terms and practices;
- The equity awards held by you shall continue to be governed by the terms and conditions of the Company’s applicable equity incentive plan(s) and the applicable award agreement(s) governing the terms of such equity awards (collectively, the “Equity Documents”). As of the Separation Date, you have options to purchase 743,328 shares of the Company’s common stock, of which 375,476 are vested and 367,852 are unvested, which such unvested options terminated as of the Separation Date in accordance with the Equity Documents.
- Your obligations under the Employee Confidentiality, Assignment, Nonsolicitation and Noncompetition Agreement, and any other confidentiality, assignment of inventions, and restrictive covenants agreement that you entered into with the Company or any other policies and agreements with continuing obligations (collectively, the “Continuing Obligations”) will survive in accordance with their terms.

In addition to the above described non-contingent terms, if you enter into and comply with the below Agreement, you will be entitled to the severance pay and other benefits described in Section 2. The remainder of this letter sets forth the Agreement.

With those understandings, you and the Company agree as follows:

1. Separation Date and Resignation from Other Positions.

Your employment with the Company will end on the Separation Date. Pursuant to Section 4(d) of the Employment Agreement, you will be deemed to have resigned from all officer and board member positions that you hold with the Company or any of its respective subsidiaries and affiliates effective



on the Separation Date. You agree to execute any documents in reasonable form as may be requested to confirm or effectuate any such resignations.

2. Severance Pay and Benefits

If you enter into, do not revoke, and comply with this Agreement, then the Company will provide you with the below payments and benefits.

(a)The Company will pay you an amount equal to twelve (12) months of your annual base salary in effect as of the Separation Date (the “Severance Pay”), which shall be payable in installments in accordance with the Company’s regular payroll practices starting on the first practicable payroll date following the Effective Date (as defined below); provided that any payments pursuant to the Restrictive Covenants Agreement (defined below), the Severance Pay received in any calendar year will be reduced by the amount you are paid in the same such calendar year pursuant to the Restrictive Covenants Agreement. Severance Pay shall be subject to tax-related deductions and withholdings.

(b)Subject to your proper election to receive benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), the Company shall pay to the group health plan provider or the COBRA provider a monthly payment equal to the monthly COBRA premium to continue coverage under the Company’s group healthcare plan until the earlier of (i) twelve (12) months from the Effective Date, (B) the date that you become eligible for group medical plan benefits under any other employer’s group medical plan; or (C) the cessation of your health continuation rights under COBRA; provided, however, that if the Company determines that it cannot pay such amounts to the group health plan provider or the COBRA provider (if applicable) without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then the Company shall convert such payments to payroll payments directly to you for the time period specified above. Such payments to you shall be subject to tax-related deductions and withholdings and paid on the Company’s regular payroll dates.

(c)Notwithstanding anything to the contrary in any of the Equity Documents, the portion of all time-based stock options and other stock-based awards subject solely to time-based vesting held by you as of the Separation Date (the “Time-Based Equity Awards”) scheduled to vest in the 12 month period following the Separation Date shall immediately accelerate and become fully vested and exercisable or nonforfeitable as of the later of (A) the Separation Date or (B) the effective date of this Agreement (the “Accelerated Vesting Date”); provided that in order to effectuate the accelerated vesting contemplated by this subsection, the unvested portion of your Time-Based Equity Awards that are subject to acceleration pursuant to this subsection that would otherwise be forfeited on the Separation Date will be delayed until the earlier of (A) the Effective Date of this Agreement (at which time acceleration will occur), or (B) the date that this Agreement can no longer become fully effective (at which time the unvested portion of your Time-Based Equity Awards subject to acceleration pursuant to this subsection will be forfeited).

Notwithstanding the foregoing, no additional vesting of the Time-Based Equity Awards shall occur during the period between the Separation Date and the Accelerated Vesting Date. With respect to any performance-based vesting equity award, such award shall continue to be governed in all respects by the terms of the applicable equity award documents.

2. Return of Property

On the Separation Date, you agree to return to the Company all Company property, including, without limitation, computer equipment, laptops, monitors, software, keys and access cards, credit cards, files and any documents (including computerized data and any copies made of any computerized data or software) containing information concerning the Company, its business or its business relationships. After you return all such property, you commit to deleting and finally purging any duplicates of files or documents that may contain Company information from any non-Company computer or other device that remains your property after the Separation Date. In the event that you discover that you continue to retain any such property, you shall return it to the Company immediately.

3. Continuing Obligations and Confidential Information

You hereby acknowledge and reaffirm your Continuing Obligations to the Company. You further understand and agree that you have been employed in a position of confidence and trust and have had access to information concerning the Company that the Company treats as confidential and the disclosure of which could negatively affect the Company's interests ("Confidential Information"). Confidential Information includes, without limitation, confidential financial information; business forecasts; inventions; improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; confidential software; marketing or sales information or plans; customer lists; and business plans, prospects and opportunities. You agree that you shall not use or disclose any Confidential Information at any time without the written consent of the Company. This provision is meant to supplement your Continuing Obligations to the Company and in no way limits those obligations.

4. Release of Claims

In consideration for, among other terms, the Severance Pay and other benefits, to which you acknowledge you would otherwise not be entitled, you voluntarily release and forever discharge the Company, its parent, their affiliated and related entities, their respective predecessors, successors and assigns, their respective employee benefit plans and fiduciaries of such plans, and the current and former officers, directors, shareholders, employees, attorneys, accountants, and agents of each of the foregoing in their official and personal capacities (collectively referred to as the "Releasees") generally from all claims, demands, debts, damages and liabilities of every name and nature known and unknown ("Claims") that, as of the date when you sign this Agreement, you have, ever had, now claim to have or ever claimed to have had against any or all of the Releasees. This release includes, without limitation, all Claims:

- relating to your employment by and termination of employment with the Company;
 - of wrongful discharge or violation of public policy;
 - of breach of contract;
 - of defamation or other torts;
 - of retaliation or discrimination under federal, state or local law (including, without limitation, Claims of discrimination or retaliation under the Americans with Disabilities Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, M.G.L. c. 151B, and The Massachusetts Civil Rights Act);
 - under any other federal or state statute (including, without limitation, Claims under the Worker Adjustment and Retraining Notification Act or the Fair Labor Standards Act);
 - for wages, bonuses, incentive compensation, stock, stock options, vacation pay or any other compensation or benefits, either under the Massachusetts Wage Act, M.G.L. c. 149, §§148- 150C, or otherwise; and
-

- for damages or other remedies of any sort, including, without limitation, compensatory damages, punitive damages, injunctive relief and attorney's fees;

provided, however, that this release shall not affect or waive: (a) your rights under this Agreement; (b) your rights to vested benefits under any applicable retirement and/or pension and/or deferred compensation agreements or plans; (c) your rights under applicable equity agreements or plans; and (d) your rights to defense, indemnification and/or contribution from the Company for actions taken by you in the course and scope of your employment with the Company and its parents, subsidiaries and/or affiliates.

You agree not to accept damages of any nature, other equitable or legal remedies for your own benefit or attorney's fees or costs from any of the Releasees with respect to any Claim released by this Agreement. As a material inducement to the Company to enter into this Agreement, you represent that you have not assigned any Claim to any third party. You acknowledge that as of the Company's most recent payroll payment of salary or wages to you, you were fully paid for all salary and wages then due to you, and that, except as set forth in this Agreement, you are not eligible for any further compensation from the Company.

This Agreement is intended to be effective as a general release of and bar to all Claims, including unknown Claims.

5. Mutual Non-Disparagement

You agree not to make any disparaging, critical or detrimental statements (whether written, oral, through social or electronic media or otherwise) concerning the Company, the Releasees or any of its or their products or services provided or to be provided. The Company agrees to instruct its officers and directors not to make any disparaging, critical or detrimental statements (whether written, oral, through social or electronic media or otherwise) about you.

6. Protected Disclosures and Other Protected Actions

Nothing contained in this Agreement or any other agreement limits your ability to file a charge or complaint with any federal, state or local governmental agency or commission, including without limitation a state division of human rights or local commission on human rights, (a "Government Agency"). In addition, nothing contained in this Agreement limits your ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency or speak with an attorney retained by you, nor does anything contained in this Agreement apply to truthful testimony in litigation. If you file any charge or complaint with any Government Agency and if the Government Agency pursues any claim on your behalf, or if any other third party pursues any claim on your behalf, you waive any right to monetary or other individualized relief (either individually or as part of any collective or class action). In addition, for the avoidance of doubt, pursuant to the federal Defend Trade Secrets Act of 2016, you shall not be held criminally or civilly liable under any federal or state trade secret law or under this Agreement or any other agreement for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

7. Other Provisions

(a) Termination of Payments. If you breach any of your obligations under this Agreement, in addition to any other legal or equitable remedies it may have for such breach, the Company shall

have the right to terminate its payments to you or for your benefit under this Agreement. The termination of such payments in the event of your breach will not affect your continuing obligations under this Agreement.

(b) Absence of Reliance. In signing this Agreement, you are not relying upon any promises or representations made by anyone at or on behalf of the Company.

(c) Non-Admission. You understand that the Company is not admitting in any way that it violated any legal obligation that it owed to you. The payment of the Severance Pay and other benefits pursuant to this Agreement will not be deemed an admission of liability or wrongdoing by the Company

(d) Enforceability. If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(e) Waiver. No waiver of any provision of this Agreement shall be effective unless made in writing and signed by the waiving party. The failure of a party to require the performance of any term or obligation of this Agreement, or the waiver by a party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

(f) Governing Law: Interpretation. You and the Company hereby agree that the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts shall have the exclusive jurisdiction to consider any matters related to this Agreement, including, without limitation, any claim of a violation of this Agreement. In the event of any dispute, this Agreement is intended by the parties to be construed as a whole, to be interpreted in accordance with its fair meaning, and not to be construed strictly for or against either you or the Company or the “drafter” of all or any portion of this Agreement.

(g) Entire Agreement. This Agreement constitutes the entire agreement between you and the Company. This Agreement supersedes any previous agreements or understandings between you and the Company, except the Continuing Obligations, and any other obligations specifically preserved in this Agreement.

(h) Time for Consideration: Effective Date. You acknowledge that you have knowingly and voluntarily entered into this Agreement and that the Company advises you to consult with an attorney before signing this Agreement. You understand and acknowledge that you have been given the opportunity to consider this Agreement for twenty-one (21) days from your receipt of this Agreement before signing it (the “Consideration Period”). To accept this Agreement, you must return a signed original or a signed PDF copy of this Agreement so that it is received by the Company at or before the expiration of the Consideration Period. If you sign this Agreement before the end of the Consideration Period, you acknowledge that such decision was entirely voluntary and that you had the opportunity to consider this Agreement for the entire Consideration Period. For the period of seven (7) days from the date when you sign this Agreement, you have the right to revoke this Agreement by written notice to the Company, provided that such notice is delivered so that it is received at or before the expiration of the seven (7) day revocation period. This Agreement shall not become effective or enforceable during the revocation period. This Agreement shall become effective on the first business day following the expiration of the revocation period (the “Effective Date”).

(i) Counterparts. This Agreement may be executed in separate counterparts. When both counterparts are signed, they shall be treated together as one and the same document.

Please indicate your agreement to the terms of this Agreement by signing and returning to the undersigned the original or a PDF copy of this letter within the time period set forth above.

Sincerely,

Monte Rosa Therapeutics, Inc.

By: /s/ Markus Warmuth

 August 9, 2023

Date

You are advised to consult with an attorney before signing this Agreement. This is a legal document. Your signature will commit you to its terms. By signing below, you acknowledge that you have carefully read and fully understand all of the provisions of this Agreement and that you are knowingly and voluntarily entering into this Agreement.

 /s/ Ajim Tamboli

Ajim Tamboli, CFA

 August 9, 2023

Date

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Markus Warmuth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ending June 30, 2023 of Monte Rosa Therapeutics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

By: _____ /s/ Markus Warmuth

Markus Warmuth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Monte Rosa Therapeutics, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2023

By: _____ /s/ Markus Warmuth
Markus Warmuth
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)
