

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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: 001-36112

MACROGENICS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

9704 Medical Center Drive
Rockville, Maryland
(Address of principal executive offices)

06-1591613

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

20850
(Zip code)

301-251-5172

(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, par value \$0.01 per share | MGNX | 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 and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

As of May 3, 2024, 62,633,460 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

TABLE OF CONTENTS

PART I. [FINANCIAL INFORMATION](#)

Item 1. [Financial Statements](#)

[Consolidated Balance Sheets at March 31, 2024 \(unaudited\) and December 31, 2023](#)

[Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2024 and March 31, 2023 \(unaudited\)](#)

[Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and March 31, 2023 \(unaudited\)](#)

[Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and March 31, 2023 \(unaudited\)](#)

[Notes to Consolidated Financial Statements \(unaudited\)](#)

Item 2. [Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

Item 3. [Quantitative and Qualitative Disclosures about Market Risk](#)

Item 4. [Controls and Procedures](#)

PART II. [OTHER INFORMATION](#)

Item 1. [Legal Proceedings](#)

Item 1A. [Risk Factors](#)

Item 5. [Other Information](#)

Item 6. [Exhibits](#)

[Signatures](#)

FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that may relate to our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q. Forward-looking statements can often be identified by the use of terminology such as "subject to", "believe", "anticipate", "plan", "expect", "intend", "estimate", "project", "may", "will", "should", "would", "could", "can", the negatives thereof, variations thereon and similar expressions, or by discussions of strategy.

All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but they are inherently uncertain. We may not realize our expectations, and our beliefs may not prove correct. Actual results could differ materially from those described or implied by such forward-looking statements. The following uncertainties and factors, among others (including those set forth under "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023 and "Part II, Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q), could affect future performance and cause actual results to differ materially from those matters expressed in or implied by forward-looking statements:

- our plans to develop and commercialize our product candidates;
- the outcomes of our ongoing and planned clinical trials and the timing of those outcomes, including when clinical trials will be initiated or completed, enrollment of trials, and when data will be reported or regulatory filings will be made;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates and the labeling for any approved products;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our ability to raise additional capital through the capital markets or through one or more corporate partnerships, equity offerings, debt financings, collaborations, licensing arrangements or asset sales;
- our expectations regarding product candidates currently being developed by our collaborators;
- the compromise of our or our third parties' information technology systems and resultant costs, disruptions in our operations or related impact on our reputation;
- our ability to enter into new collaborations or to identify additional products or product candidates with significant commercial potential that are consistent with our commercial objectives;
- the potential benefits and future operation of our existing collaborations;
- our ability to recover the investment in our manufacturing capabilities;
- the rate and degree of market acceptance and clinical utility of our products;
- our commercialization, marketing and manufacturing capabilities and strategy;
- significant competition in our industry;
- costs of litigation and the failure to successfully defend lawsuits and other claims against us and our expectations regarding the outcome of any regulatory or legal proceedings;
- economic, political and other risks associated with our international operations;
- our ability to receive research funding and achieve anticipated milestones under our collaborations;
- our ability to protect and enforce patents and other intellectual property;
- costs of compliance and our failure to comply with new and existing governmental regulations including, but not limited to, tax regulations;
- loss or retirement of key members of management;
- failure to successfully execute our growth strategy, including any delays in our planned future growth;
- our failure to maintain effective internal controls; and
- the severity and duration of the impact of a global pandemic on our business, operations, clinical programs, manufacturing, financial results and other aspects of our business.

Consequently, forward-looking statements speak only as of the date that they are made and should be regarded solely as our current plans, estimates and beliefs. You should not place undue reliance on forward-looking statements. We cannot guarantee future results, events, levels of activity, performance or achievements. Except as required by law, we do not undertake and specifically decline any obligation to update, republish or revise forward-looking statements to reflect future events or circumstances or to reflect the occurrences of unanticipated events.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MACROGENICS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> |
|---|-----------------------|--------------------------|
| | <u>(unaudited)</u> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 80,355 | \$ 100,956 |
| Marketable securities | 103,882 | 128,849 |
| Accounts receivable | 7,219 | 10,367 |
| Inventory, net | 1,248 | 1,221 |
| Prepaid expenses and other current assets | 9,871 | 9,946 |
| Total current assets | <u>202,575</u> | <u>251,339</u> |
| Property, equipment and software, net | 21,296 | 21,847 |
| Operating lease right-of-use assets | 23,229 | 23,846 |
| Other non current assets | 1,185 | 1,386 |
| Total assets | <u>\$ 248,285</u> | <u>\$ 298,418</u> |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 10,694 | \$ 6,443 |
| Accrued expenses and other current liabilities | 18,148 | 24,239 |
| Deferred revenue | 22,837 | 21,651 |
| Lease liabilities | 4,085 | 3,775 |
| Total current liabilities | <u>55,764</u> | <u>56,108</u> |
| Deferred revenue, net of current portion | 56,182 | 59,243 |
| Lease liabilities, net of current portion | 29,927 | 30,196 |
| Other non current liabilities | 258 | 258 |
| Total liabilities | <u>142,131</u> | <u>145,805</u> |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value -- 125,000,000 shares authorized, 62,560,502 and 62,070,627 shares outstanding at March 31, 2024 and December 31, 2023, respectively | 626 | 621 |
| Additional paid-in capital | 1,260,505 | 1,254,750 |
| Accumulated other comprehensive loss | (35) | (6) |
| Accumulated deficit | (1,154,942) | (1,102,752) |
| Total stockholders' equity | <u>106,154</u> | <u>152,613</u> |
| Total liabilities and stockholders' equity | <u>\$ 248,285</u> | <u>\$ 298,418</u> |

See notes to consolidated financial statements.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except share and per share data)

| | Three Months Ended March 31, | |
|--|-------------------------------------|--------------------|
| | 2024 | 2023 |
| Revenues: | | |
| Collaborative and other agreements | \$ 1,449 | \$ 16,686 |
| Product sales, net | 4,861 | 3,490 |
| Contract manufacturing | 2,276 | 3,615 |
| Royalty revenue | 160 | 422 |
| Government agreements | 358 | 283 |
| Total revenues | 9,104 | 24,496 |
| Costs and expenses: | | |
| Cost of product sales | 270 | 113 |
| Cost of manufacturing services | 1,846 | 3,410 |
| Research and development | 46,029 | 45,872 |
| Selling, general and administrative | 14,709 | 13,527 |
| Total costs and expenses | 62,854 | 62,922 |
| Loss from operations | (53,750) | (38,426) |
| Interest and other income | 2,693 | 1,073 |
| Interest and other expense | (1,133) | (656) |
| Net loss | (52,190) | (38,009) |
| Other comprehensive income (loss): | | |
| Unrealized gain (loss) on investments | (29) | 13 |
| Comprehensive loss | \$ (52,219) | \$ (37,996) |
| | | |
| Basic and diluted net loss per common share | \$ (0.84) | \$ (0.61) |
| Basic and diluted weighted average common shares outstanding | 62,290,538 | 61,809,817 |

See notes to consolidated financial statements.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share amounts)

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|--------------------------------|--------------|--------|----------------------------------|------------------------|--|----------------------------------|
| | Shares | Amount | | | | |
| Balance, December 31, 2023 | 62,070,627 | \$ 621 | \$ 1,254,750 | \$ (1,102,752) | \$ (6) | \$ 152,613 |
| Share-based compensation | — | — | 5,512 | — | — | 5,512 |
| Stock plan related activity | 489,875 | 5 | 243 | — | — | 248 |
| Unrealized loss on investments | — | — | — | — | (29) | (29) |
| Net loss | — | — | — | (52,190) | — | (52,190) |
| Balance, March 31, 2024 | 62,560,502 | \$ 626 | \$ 1,260,505 | \$ (1,154,942) | \$ (35) | \$ 106,154 |

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|--------------|--------|----------------------------------|------------------------|--|----------------------------------|
| | Shares | Amount | | | | |
| Balance, December 31, 2022 | 61,701,467 | \$ 617 | \$ 1,235,095 | \$ (1,093,694) | \$ (5) | \$ 142,013 |
| Share-based compensation | — | — | 4,788 | — | — | 4,788 |
| Issuance of common stock, net of offering costs | 95,000 | 1 | 616 | — | — | 617 |
| Stock plan related activity | 42,098 | — | (154) | — | — | (154) |
| Unrealized gain on investments | — | — | — | — | 13 | 13 |
| Net loss | — | — | — | (38,009) | — | (38,009) |
| Balance, March 31, 2023 | 61,838,565 | \$ 618 | \$ 1,240,345 | \$ (1,131,703) | \$ 8 | \$ 109,268 |

See notes to consolidated financial statements.

MACROGENICS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------------|
| | 2024 | 2023 |
| Cash flows from operating activities | | |
| Net loss | \$ (52,190) | \$ (38,009) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization expense | 1,841 | 2,983 |
| Amortization of premiums and discounts on marketable securities | (1,315) | (372) |
| Stock-based compensation | 5,553 | 4,833 |
| Non-cash interest expense | — | 656 |
| Non-cash lease expense | 617 | 941 |
| Other non-cash items | — | (90) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,148 | 20,062 |
| Inventory | (27) | 42 |
| Prepaid expenses and other current assets | 75 | 443 |
| Other non current assets | 201 | — |
| Accounts payable | 4,179 | (1,148) |
| Accrued expenses and other current liabilities | (5,891) | (677) |
| Lease liabilities | 41 | (284) |
| Deferred revenue | (1,875) | (2,213) |
| Net cash used in operating activities | <u>(45,643)</u> | <u>(12,833)</u> |
| Cash flows from investing activities | | |
| Purchases of marketable securities | (50,497) | (17,296) |
| Proceeds from sale and maturities of marketable securities | 76,750 | 45,750 |
| Purchases of property, equipment and software | (1,459) | (359) |
| Net cash provided by investing activities | <u>24,794</u> | <u>28,095</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock, net of offering costs | — | 616 |
| Proceeds from stock option exercises and ESPP purchases | 2,639 | 5 |
| Taxes paid related to net share settlement of equity awards | (2,391) | (158) |
| Net proceeds from sale of future royalties | — | 99,655 |
| Net cash provided by financing activities | <u>248</u> | <u>100,118</u> |
| Net change in cash and cash equivalents | (20,601) | 115,380 |
| Cash and cash equivalents at beginning of period | 100,956 | 108,884 |
| Cash and cash equivalents at end of period | <u>\$ 80,355</u> | <u>\$ 224,264</u> |
| Supplemental Cash Flow Information | | |
| Property, equipment and software included in accounts payable or accruals | <u>\$ 242</u> | <u>\$ 177</u> |

See notes to consolidated financial statements.

MACROGENICS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Nature of Operations

Description of the business

MacroGenics, Inc. (the Company) is incorporated in the state of Delaware. The Company is a biopharmaceutical company focused on discovering, developing, manufacturing and commercializing innovative antibody-based therapeutics for the treatment of cancer. The Company has a pipeline of product candidates designed to target either various tumor-associated antigens or immune checkpoint molecules. These candidates are being evaluated in clinical trials sponsored by the Company or its collaborators or are in preclinical development. The Company's clinical product candidates include multiple oncology programs which have either been created using its proprietary, antibody-based technology platforms or enabled through its technology licensing arrangements with other companies. The Company believes its product candidates have the potential, if approved for marketing by regulatory authorities, to have a meaningful effect on treating patients' unmet medical needs as monotherapy or, in some cases, in combination with other therapeutic agents. To date, three products originating from the Company's pipeline of proprietary or partnered product candidates have received U.S. Food and Drug Administration (FDA) approval. In March 2021, the Company and its commercialization partner commenced U.S. marketing of MARGENZA (margetuximab-cmkb), a human epidermal growth factor receptor 2 (HER2) antagonist indicated, in combination with chemotherapy, for the treatment of adult patients with metastatic HER2-positive breast cancer who have received two or more prior anti-HER2 regimens, at least one of which was for metastatic disease. In November 2022, the FDA approved TZIELD[®] (teplizumab-mzwv) to delay the onset of Stage 3 Type 1 Diabetes (T1D) in adult and pediatric patients aged 8 years and older with Stage 2 T1D. Teplizumab was acquired from the Company by Provention Bio, Inc. (Provention) in May 2018, pursuant to an asset purchase agreement. In March 2023, the FDA approved ZYNYZ[™] (retifanlimab-dlwr), a humanized monoclonal antibody targeting programmed death receptor-1 (PD-1). Retifanlimab was previously developed by the Company and licensed to Incyte Corporation (Incyte) pursuant to an exclusive global collaboration and license agreement in October 2017.

Liquidity

The Company's multiple product candidates currently under development will require significant additional research and development efforts that include extensive preclinical studies and clinical testing, and regulatory approval prior to commercial use.

The future success of the Company is dependent on its ability to identify and develop its product candidates, and ultimately upon its ability to attain profitable operations. The Company has devoted substantially all of its financial resources and efforts to research and development and general and administrative expense to support such research and development. Net losses and negative cash flows have had, and will continue to have, an adverse effect on the Company's stockholders' equity and working capital, and accordingly, its ability to execute its future operating plans.

As a biotechnology company, the Company has primarily funded its operations with proceeds from the sale of its common stock in equity offerings and revenue from its multiple collaboration agreements. Management regularly reviews the Company's available liquidity relative to its operating budget and forecast to monitor the sufficiency of the Company's working capital. The Company plans to meet its future operating requirements by generating revenue from current and future strategic collaborations or other arrangements, product sales and royalties. The Company anticipates continuing to draw upon available sources of capital, including equity and debt instruments, to support its product development activities. If the Company is unable to enter into new arrangements or to perform under current or future agreements or obtain additional capital, the Company will assess its capital resources and may be required to delay, reduce the scope of, or eliminate one or more of its product research and development programs or clinical studies, reduce other operating expenses, and/or downsize its organization. Based on the Company's most recent cash flow forecast, the Company believes its current resources are sufficient to fund its operating plans for a minimum of twelve months from the date that this Quarterly Report on Form 10-Q was filed.

Similar to the other risk factors pertinent to the Company's business, including significant equity market volatility and availability of funding in the biotechnology sector, as well as potential issues in the global economy, credit markets and financial markets as a result of significant worldwide events, including adverse events involving financial institutions or the financial services industry, inflation and rising interest rates and geopolitical upheaval, might unfavorably impact the Company's ability to generate such additional funding. Given the uncertainty in the rapidly changing market and economic conditions related to these uncertainties, the Company will continue to evaluate the nature and extent of the impact of these uncertainties on its business and financial position.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. The financial statements include all adjustments (consisting only of normal recurring adjustments) that the management of the Company believes are necessary for a fair presentation of the periods presented. These interim financial results are not necessarily indicative of results expected for the full fiscal year or for any subsequent interim period.

The accompanying unaudited interim consolidated financial statements include the accounts of MacroGenics, Inc. and its wholly owned subsidiaries, MacroGenics UK Limited and MacroGenics Limited. All intercompany accounts and transactions have been eliminated in consolidation. These consolidated financial statements and related notes should be read in conjunction with the financial statements and notes thereto included in the Company's 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on March 7, 2024.

2. Summary of Significant Accounting Policies

During the three months ended March 31, 2024, there have been no material changes to the significant accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

There were no new accounting pronouncements that were issued or became effective since the issuance of the Company's 2023 Annual Report on Form 10-K that had, or are expected to have, a material impact on its consolidated financial position, results of operations or cash flows.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued expenses. The carrying amount of accounts receivable, accounts payable and accrued expenses are generally considered to be representative of their respective fair values because of their short-term nature. The Company accounts for recurring and non-recurring fair value measurements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosures about fair value measurements. The ASC 820 hierarchy ranks the quality of reliability of inputs, or assumptions, used in the determination of fair value and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 - Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities.
- Level 2 - Fair value is determined by using inputs other than Level 1 quoted prices that are directly or indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models, such as interest rates and yield curves that can be corroborated by observable market data.
- Level 3 - Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant and subjective judgments to be made by a reporting entity - e.g., determining an appropriate adjustment to a discount factor for illiquidity associated with a given security.

The Company evaluates financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make subjective judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC 820 hierarchy. There were no transfers between levels during the periods presented.

Financial assets measured at fair value on a recurring basis were as follows (in thousands):

| | Fair Value Measurements at March 31, 2024 | | |
|--|---|-----------|------------|
| | Total | Level 1 | Level 2 |
| Assets: | | | |
| Money market funds | \$ 63,964 | \$ 63,964 | \$ — |
| U.S. Treasury securities | 30,105 | — | 30,105 |
| Government-sponsored enterprises | 31,331 | — | 31,331 |
| Corporate debt securities | 42,446 | — | 42,446 |
| Total assets measured at fair value ^(a) | \$ 167,846 | \$ 63,964 | \$ 103,882 |

| | Fair Value Measurements at December 31, 2023 | | |
|--|--|-----------|------------|
| | Total | Level 1 | Level 2 |
| Assets: | | | |
| Money market funds | \$ 91,665 | \$ 91,665 | \$ — |
| U.S. Treasury securities | 31,179 | — | 31,179 |
| Government-sponsored enterprises | 45,043 | — | 45,043 |
| Corporate debt securities | 52,627 | — | 52,627 |
| Total assets measured at fair value ^(b) | \$ 220,514 | \$ 91,665 | \$ 128,849 |

(a) Total assets measured at fair value at March 31, 2024 includes approximately \$64.0 million reported in cash and cash equivalents on the consolidated balance sheet.

(b) Total assets measured at fair value at December 31, 2023 includes approximately \$91.7 million reported in cash and cash equivalents on the consolidated balance sheet.

4. Marketable Securities

The following tables summarize the Company's marketable debt securities (in thousands):

| | March 31, 2024 | | | |
|----------------------------------|----------------|------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$ 30,113 | \$ — | \$ (8) | \$ 30,105 |
| Government-sponsored enterprises | 31,338 | 3 | (10) | 31,331 |
| Corporate debt securities | 42,466 | — | (20) | 42,446 |
| Total | \$ 103,917 | \$ 3 | \$ (38) | \$ 103,882 |

| | December 31, 2023 | | | |
|----------------------------------|-------------------|------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| U.S. Treasury securities | \$ 31,177 | \$ 4 | \$ (2) | \$ 31,179 |
| Government-sponsored enterprises | 45,041 | 7 | (5) | 45,043 |
| Corporate debt securities | 52,637 | 5 | (15) | 52,627 |
| Total | \$ 128,855 | \$ 16 | \$ (22) | \$ 128,849 |

All available-for-sale marketable debt securities held as of March 31, 2024 and December 31, 2023 had contractual maturities of less than one year. All of the Company's available-for-sale marketable debt securities in an unrealized loss position as of March 31, 2024 and December 31, 2023 were in a loss position for less than twelve months. Unrealized losses on

available-for-sale debt securities as of March 31, 2024 and December 31, 2023 were not significant and were primarily due to changes in interest rates, including market credit spreads, and not due to increased credit risks associated with specific securities. Accordingly, no allowance for credit losses related to the Company's available-for-sale debt securities was recorded for any periods presented. The Company does not intend to sell these investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity.

5. Inventory, Net

All of the Company's inventory relates to the manufacturing of MARGENZA. The following table sets forth the Company's net inventory (in thousands):

| | March 31, 2024 | December 31, 2023 |
|----------------------|-----------------|-------------------|
| Work in process | \$ 209 | \$ 261 |
| Finished goods | 1,039 | 960 |
| Total inventory, net | <u>\$ 1,248</u> | <u>\$ 1,221</u> |

Prior to FDA approval of MARGENZA in December 2020, the cost of materials and expenses associated with the manufacturing of MARGENZA were recorded as research and development expense. Subsequent to FDA approval, the Company began capitalizing inventory costs related to the manufacture of MARGENZA. The inventory balance as of March 31, 2024 and December 31, 2023 is net of a reserve of \$1.3 million and \$3.1 million, respectively, for unsaleable inventory. These reserves are reflected in cost of product sales during the period they are recorded.

6. Stockholders' Equity

In March 2023, the Company entered into a sales agreement (Sales Agreement) with an agent to sell, from time to time, shares of its common stock having an aggregate sales price of up to \$100.0 million through an "at the market offering" (ATM Offering) as defined in Rule 415 under the Securities Act of 1933, as amended. During the three months ended March 31, 2023, the Company sold 95,000 shares of common stock at a weighted average price per share of \$6.60, resulting in net proceeds of approximately \$0.6 million, net of offering expenses. No shares were sold under the ATM offering during the three months ended March 31, 2024.

7. Revenue

Collaborative and Other Agreements

Incyte Corporation

Incyte License Agreement

In 2017, the Company entered into an exclusive global collaboration and license agreement with Incyte, which was amended in March 2018, April 2022 and July 2022, for retifanlimab, an investigational monoclonal antibody that inhibits PD-1 (Incyte License Agreement). Incyte has obtained exclusive worldwide rights for the development and commercialization of retifanlimab in all indications, while the Company retains the right to develop its pipeline assets in combination with retifanlimab. Under the terms of the Incyte License Agreement, Incyte paid the Company an upfront payment of \$150.0 million in 2017. The Company will manufacture a portion of Incyte's global commercial supply of retifanlimab. In March 2023, the FDA approved Incyte's Biologics License Application (BLA) for ZYNYZ (retifanlimab-dlwr) for the treatment of adults with metastatic or recurrent locally advanced Merkel cell carcinoma. Incyte has stated it is pursuing development of retifanlimab in potentially registration-enabling studies, including in patients with squamous cell carcinoma of the anal canal, MSI-high endometrial cancer and non-small cell lung cancer. Incyte is also pursuing development of retifanlimab in combination with multiple product candidates from its pipeline.

Under the terms of the Incyte License Agreement, as amended, Incyte will lead global development of retifanlimab. Assuming successful development and commercialization by Incyte in multiple indications, the Company could receive up to a total of \$435.0 million in development and regulatory milestones and up to \$330.0 million in commercial milestones. From the inception of the Incyte License Agreement through March 31, 2024, the Company has recognized \$115.0 million in development milestones under the Incyte License Agreement, including \$15.0 million received following the FDA approval of ZYNYZ. The Company is also eligible to receive tiered royalties of 15% to 24% on global net sales. The Company retains the right to develop its pipeline assets in combination with retifanlimab, with Incyte commercializing retifanlimab and the Company commercializing its asset(s), if any such potential combinations are approved. In addition, the Company retains the

right to manufacture a portion of both companies' global commercial supply needs of retifanlimab, subject to the separate commercial supply agreement.

The Company evaluated the Incyte License Agreement under the provisions of ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606) at inception and identified the following two performance obligations under the agreement: (i) the license of retifanlimab and (ii) the performance of certain clinical activities through a brief technology transfer period. The Company determined that the license and clinical activities are separate performance obligations because they are capable of being distinct and are distinct in the context of the contract. The license has standalone functionality as it is sublicensable, Incyte has significant capabilities in performing clinical trials, and Incyte is capable of performing these activities without the Company's involvement; the Company performed the activities during the transfer period as a matter of convenience. The Company determined that the transaction price of the Incyte License Agreement at inception was \$154.0 million, consisting of the consideration to which the Company was entitled in exchange for the license and an estimate of the consideration for clinical activities to be performed. The transaction price was allocated to each performance obligation based on their relative standalone selling price. The standalone selling price of the license was determined using the adjusted market assessment approach considering similar collaboration and license agreements. The standalone selling price for the agreed-upon clinical activities to be performed was determined using the expected cost approach based on similar arrangements the Company has with other parties. The potential development and regulatory milestone payments are fully constrained until the Company concludes that achievement of the milestone is probable, and that recognition of revenue related to the milestone will not result in a significant reversal in amounts recognized in future periods, and as such have been excluded from the transaction price. Any consideration related to sales-based milestones and royalties will be recognized when the related sales occur, as they were determined to relate predominantly to the license granted to Incyte and, therefore, have also been excluded from the transaction price. The Company re-assesses the transaction price in each reporting period and when events whose outcomes are resolved or other changes in circumstances occur. From 2018 through March 31, 2024, it became probable that a significant reversal of cumulative revenue would not occur for development milestones totaling \$115.0 million related to clinical and regulatory activities related to the further advancement of retifanlimab. Therefore, the associated consideration was added to the estimated transaction price and was recognized as revenue.

The Company recognized the \$150.0 million allocated to the license when it satisfied its performance obligation and transferred the license to Incyte in 2017. The \$4.0 million allocated to the clinical activities was recognized ratably as services were performed during 2017 and 2018. The Company recognized \$0.2 million and \$15.0 million in revenue under the Incyte License Agreement during the three months ended March 31, 2024 and 2023, respectively.

Incyte Clinical Supply Agreement

In 2018, the Company entered into an agreement with Incyte, under which the Company is to perform development and manufacturing services for Incyte's clinical needs of retifanlimab (Incyte Clinical Supply Agreement). The Company evaluated the Incyte Clinical Supply Agreement under ASC 606 and identified one performance obligation under the agreement: to perform services related to the development and manufacturing of the clinical supply of retifanlimab. The transaction price is based on the costs incurred to develop and manufacture drug product and drug substance, and is recognized over time as the services are provided, as the performance by the Company does not create an asset with an alternative use and the Company has an enforceable right to payment for the performance completed to date. The transaction price is being recognized using the input method reflecting the costs incurred (including resources consumed and labor hours expended) related to the manufacturing services. During the three months ended March 31, 2024 and 2023, the Company recognized revenue of \$0.1 million and \$1.3 million, respectively, for services performed under the Incyte Clinical Supply Agreement.

Incyte Commercial Supply Agreement

In 2020, the Company entered into an agreement with Incyte pursuant to which the Company is entitled to manufacture a portion of the global commercial supply needs for retifanlimab (Incyte Commercial Supply Agreement). Unless terminated earlier, the term of the Incyte Commercial Supply Agreement will expire upon the expiration of Incyte's obligation to pay royalties under the Incyte License Agreement. The Company evaluated this agreement under ASC 606 and identified one performance obligation under the agreement: to perform services related to manufacturing the commercial supply of retifanlimab. The transaction price is based on a fixed price per batch of bulk drug substance to be manufactured and is recognized over time as the services are provided, as the performance by the Company does not create an asset with an alternative use and the Company has an enforceable right to payment for the performance completed to date. The transaction price is being recognized using the input method reflecting the costs incurred (including resources consumed and labor costs incurred) related to the manufacturing services. During the three months ended March 31, 2024, the Company recognized revenue of \$0.4 million for services performed under the Incyte Commercial Supply Agreement. No revenue was recognized for the three months ended March 31, 2023 under the Incyte Commercial Supply Agreement.

Gilead Sciences, Inc

In 2022, the Company and Gilead Sciences, Inc. (Gilead) entered into an exclusive option and collaboration agreement (Gilead Agreement) to develop and commercialize MGD024, an investigational, bispecific antibody that binds CD123 and CD3, and create bispecific cancer antibodies using the Company's DART platform and undertake their early development under a maximum of two separate bispecific cancer target research programs. Under the agreement, the Company will continue the ongoing phase 1 trial for MGD024 according to a development plan, during which Gilead will have the right to exercise an option granted to Gilead to obtain an exclusive license under the Company's intellectual property to develop and commercialize MGD024 and other bispecific antibodies of MacroGenics that bind CD123 and CD3 (CD123 Option). The agreement also grants Gilead the right, within its first two years, to nominate a bispecific cancer target set for up to two research programs conducted by the Company and to exercise separate options to obtain an exclusive license for the development, commercialization and exploitation of molecules created under each research program (Research Program Option). Gilead nominated the first of the two research programs in September 2023. On January 11, 2024, the parties amended the Gilead Agreement to revise certain matters related to intellectual property in the performance of the research plans under the agreement.

Under the terms of the Gilead Agreement, in October 2022 Gilead paid the Company an upfront payment of \$60.0 million. Assuming Gilead exercises the CD123 Option and Research Program Option and successfully develops and commercializes MGD024, or other CD123 products developed under the agreement, and products result from the two additional research programs, the Company would be eligible to receive up to \$1.7 billion in target nomination, option fees, and development, regulatory and commercial milestones. Assuming exercise of the CD123 Option, the Company will also be eligible to receive tiered, low double-digit royalties on worldwide net sales of MGD024 (or other CD123 products developed under the agreement) and assuming exercise of the Research Program Option, a flat royalty on worldwide net sales of any products resulting from the two research programs.

The Company evaluated the Gilead Agreement under the provisions of ASC 606 and identified the following material promises under the agreement: (i) a license to perform any activities allocated to Gilead under the MGD024 development plan; (ii) development activities regarding MGD024, including manufacturing, research and early clinical development activities, necessary to deliver an informational package of development and clinical data, information and materials specified in the Gilead Agreement during the period in which Gilead can exercise the CD123 Option; (iii) the CD123 Option and (iv) the Research Program Option.

The Company concluded that the license under the MGD024 development plan and development activities are not distinct from one another, as the license has limited value without the Company's performance of the development activities. Therefore, the Company determined that the development term license and development activities should be combined into a single performance obligation (Development Activities). The CD123 Option is considered a material right as the value of the exclusive license exceeds the payment to be made by Gilead if they exercise their option to obtain an exclusive license to develop and commercialize MGD024 or an alternative CD123 product, and is therefore a distinct performance obligation. The Company determined that the Research Program Option does not provide a material right, as there is no discount on its standalone selling price.

In accordance with ASC 606, the Company determined that the initial transaction price under the Gilead Agreement was \$60.0 million, consisting of the upfront, non-refundable payment paid by Gilead. The CD123 Option and Research Program Option payments are excluded from the initial transaction price at contract inception along with any future development, regulatory, and commercial milestone payments (including royalties) following the CD123 Option and Research Program Option exercise. The Company reassesses the amount of variable consideration included in the transaction price every reporting period. The Company allocated the \$60.0 million upfront payment in the transaction price to the Development Activities and the CD123 Option based on each performance obligation's relative standalone selling price. The standalone selling price for the Development Activities was calculated using an expected cost-plus margin approach for the pre-option development timeline. For the standalone selling price of the CD123 Option, the Company utilized an income-based approach which included the following key assumptions: post-option development timeline and costs, forecasted revenues, discount rates and probabilities of technical and regulatory success.

The Company is recognizing revenue related to the Development Activities performance obligation over the estimated period to complete the Development Activities using an input method reflecting the costs incurred (including resources consumed and labor hours expended) related to the Development Activities. The Company will defer revenue recognition related to the CD123 Option. If Gilead exercises the CD123 Option and obtains an exclusive license, the Company will recognize revenue as it fulfills its obligations under the Gilead Agreement. If the CD123 Option is not exercised, the Company will recognize the entirety of the revenue in the period when the CD123 Option expires.

During the three months ended March 31, 2024 and 2023, the Company recorded revenue of \$0.3 million and \$0.4 million, respectively, related to the Gilead Agreement. As of March 31, 2024, \$58.0 million in revenue was deferred under this agreement, \$1.8 million of which was current and \$56.2 million of which was non-current. As of December 31, 2023, \$58.3 million in revenue was deferred under this agreement, \$2.2 million of which was current and \$56.1 million of which was non-current.

In September 2023, the Company and Gilead executed a Letter Agreement through which Gilead nominated the first of the two research programs contemplated in the Gilead Agreement (First Research Program), the Company granted Gilead a research license, and the parties agreed on a research plan for the First Research Program under which the Company will provide research and development services. Gilead paid the Company a \$15.7 million nomination fee. The Company evaluated the Letter Agreement under the terms of ASC 606, and concluded that it is a modification to the Gilead Agreement that results in a separate contract since the modification is for additional goods and services that are distinct and at standalone selling price. The Company determined that the license and the related research and development activities were not distinct from one another, as the license has limited value without the performance of the research and development activities. As such, the Company determined that these should be combined into a single performance obligation. Gilead also has the exclusive option to pay the Company \$10.0 million to obtain a license to exploit the research molecule and research product with respect to the First Research Program. The Company determined that this exclusive option does not provide a material right, as there is no discount on its standalone selling price.

In accordance with ASC 606, the Company determined that the initial transaction price for the First Research Program agreement was \$15.7 million, consisting of the non-refundable payment paid by Gilead. The Company is recognizing revenue over the estimated period to complete the services using the input method reflecting the costs incurred (including resources consumed and labor hours expended) related to the research and development services.

During the three months ended March 31, 2024, the Company recorded revenue of \$0.7 million related to the First Research Program. As of March 31, 2024, \$14.2 million in revenue was deferred under this agreement, all of which was current. As of December 31, 2023, \$14.9 million in revenue was deferred under this agreement, \$11.8 million of which was current and \$3.1 million of which was non-current.

Manufacturing Services Agreement

Incyte

In January 2022, the Company entered into a Manufacturing and Clinical Supply Agreement with Incyte (Incyte Manufacturing and Clinical Supply Agreement) to provide manufacturing services to produce certain Incyte bulk drug substance over a three-year period at one of the Company's manufacturing facilities. Under the terms of the Incyte Manufacturing and Clinical Supply Agreement, the Company received an upfront payment of \$10.0 million and is eligible to receive annual fixed payments paid quarterly over the term of the contract totaling \$14.4 million. The Company will also be reimbursed for materials used to manufacture product as well as other costs incurred to provide manufacturing services. In July 2022, the Company and Incyte executed an amendment to the Incyte Manufacturing and Clinical Supply Agreement which extended the term for one year and provided for an additional annual fixed payment of \$5.1 million (July 2022 Incyte Amendment).

The Company evaluated the Incyte Manufacturing and Clinical Supply Agreement and the July 2022 Incyte Amendment under the provisions of ASC 606 and identified one performance obligation to provide manufacturing runs to Incyte, as and when requested by Incyte, over the term of the contract that is part of a series of goods and services. The Company determined that the transaction price consists of the upfront payment of \$10.0 million and the annual fixed payments totaling \$19.5 million. The Company will recognize revenue over time on a straight-line basis as the manufacturing services are provided to Incyte, as the Company determined that its efforts in providing the manufacturing services will be incurred evenly throughout the performance period and therefore straight-line revenue recognition closely approximates the level of effort for the manufacturing services. Variable consideration relating to the reimbursed materials and other reimbursed costs incurred to manufacture product for Incyte will be allocated to the related manufacturing activities and will be recognized as revenue as those activities occur. Materials purchased by the Company to manufacture the product for Incyte are considered costs to fulfill a contract and will be capitalized and expensed as the materials are used to provide the manufacturing services.

During the three months ended March 31, 2024 and 2023 the Company recognized revenue of \$2.1 million and \$3.6 million, respectively, under the Incyte Manufacturing and Clinical Supply Agreement. As of March 31, 2024, \$6.1 million in revenue was deferred under this agreement, all of which was current. As of December 31, 2023, \$7.0 million in revenue was deferred under this agreement, all of which was current.

Government Agreement

NIAID Contract

The Company entered into a contract with NIAID, effective as of September 15, 2015, to perform product development and to advance up to two DART molecules, MGD014 and MGD020 (NIAID Contract). Under the NIAID Contract, the Company will develop these product candidates for Phase 1/2 clinical trials as therapeutic agents, in combination with latency reversing treatments, to deplete cells infected with human immunodeficiency virus (HIV) infection. NIAID does not receive goods or services from the Company under this contract, therefore the Company does not consider NIAID to be a customer and concluded this contract is outside the scope of ASC 606.

Since the inception of the NIAID Contract, NIAID has exercised the two options contemplated in the original contract and executed modifications such that the total funded contract value as of March 31, 2024 is \$25.1 million. In addition, the most recent modification changed the period of performance under the NIAID Contract to end in September 2024. During the three months ended March 31, 2024 and 2023, the Company recognized revenue under the NIAID Contract of \$0.4 million and \$0.3 million, respectively.

8. Stock-Based Compensation

Employee Stock Purchase Plan

In May 2017, the Company's stockholders approved the 2016 Employee Stock Purchase Plan (the 2016 ESPP). The 2016 ESPP is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended (IRC), and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The Company reserved 800,000 shares of common stock for issuance under the 2016 ESPP. The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 10% of their eligible compensation, subject to any plan limitations. The 2016 ESPP provides for six-month offering periods ending on May 31 and November 30 of each year. At the end of each offering period, employees are able to purchase shares at 85% of the fair market value of the Company's common stock on the last day of the offering period. During the three months ended March 31, 2024, no shares of common stock were purchased under the 2016 ESPP.

Employee Stock Incentive Plans

In October 2013, the Company implemented the 2013 Equity Incentive Plan (2013 Plan). The 2013 Plan provides for the grant of stock options and other stock-based awards, as well as cash-based performance awards. In May 2023, the 2013 Plan was terminated, and no further awards may be issued under the plan. If an option granted under the 2013 Plan expires or terminates for any reason without having been fully exercised, if any shares of restricted stock are forfeited, or if any award terminates, expires or is settled without all or a portion of the shares of common stock covered by the award being issued, such shares will become available for issuance under the 2023 Equity Incentive Plan (2023 Plan).

The 2023 Plan was effective as of stockholder approval in May 2023. The 2023 Plan provides for grants of stock options and other stock-based awards, as well as cash-based performance awards. Initially, the maximum number of shares of the Company's common stock that may be issued under the 2023 Plan will not exceed 4,850,000 shares. If an option expires or terminates for any reason without having been fully exercised, if any shares of restricted stock are forfeited, or if any award terminates, expires or is settled without all or a portion of the shares of common stock covered by the award being issued, such shares are available for the grant of additional awards. However, any shares that are withheld (or delivered) to pay withholding taxes or to pay the exercise price of an option are not available for the grant of additional awards.

The following stock-based compensation expense was recognized for the periods indicated (in thousands):

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2024 | 2023 |
| Research and development | \$ 2,829 | \$ 2,461 |
| Selling, general and administrative | 2,724 | 2,372 |
| Total stock-based compensation expense | \$ 5,553 | \$ 4,833 |

Employee stock options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model using the assumptions in the following table for options issued during the period indicated:

| | Three Months Ended March 31, | |
|-------------------------|------------------------------|---------------|
| | 2024 | 2023 |
| Expected dividend yield | 0% | 0% |
| Expected volatility | 94.9% - 95.5% | 92.6% - 94.3% |
| Risk-free interest rate | 4.0% - 4.4% | 3.6% - 4.2% |
| Expected term | 6.06 years | 5.88 years |

The following table summarizes stock option activity during the three months ended March 31, 2024:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (in thousands) |
|--------------------------------|------------|---------------------------------|---|--|
| Outstanding, December 31, 2023 | 12,223,637 | \$ 15.11 | 6.7 | |
| Granted | 1,654,555 | 17.99 | | |
| Exercised | (257,683) | 10.24 | | |
| Forfeited | (22,343) | 11.04 | | |
| Expired | (23,810) | 23.99 | | |
| Outstanding, March 31, 2024 | 13,574,356 | 15.54 | 6.8 | \$ 46,445 |
| As of March 31, 2024: | | | | |
| Exercisable | 8,150,261 | 18.58 | 5.5 | 18,242 |
| Vested and expected to vest | 12,411,841 | 15.98 | 6.6 | 40,279 |

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2024 and 2023 was \$14.17 and \$3.77, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2024 was \$1.9 million and de minimis for the three months ended March 31, 2023. The total cash received for options exercised during the three months ended March 31, 2024 was \$2.6 million and was de minimis for the three months ended March 31, 2023. The total fair value of shares vested in the three months ended March 31, 2024 and 2023 was approximately \$3.9 million and \$4.4 million, respectively. As of March 31, 2024, the total unrecognized compensation expense related to unvested stock options, net of related forfeiture estimates, was approximately \$34.7 million, which the Company expects to recognize over a weighted-average period of approximately 1.6 years.

Restricted Stock Units

Restricted stock units (RSUs) are valued based on the closing price of the Company's common stock on the date of the grant. The fair value of RSUs is recognized and amortized on a straight-line basis over the requisite service period of the award.

The following table summarizes RSU activity during the three months ended March 31, 2024:

| | Shares | Weighted-Average Grant Date Fair Value |
|--------------------------------|-----------|--|
| Outstanding, December 31, 2023 | 905,614 | \$ 5.97 |
| Granted | 591,215 | 18.30 |
| Vested | (370,891) | 7.21 |
| Forfeited | (3,828) | 12.80 |
| Outstanding, March 31, 2024 | 1,122,110 | 12.03 |

At March 31, 2024, there was \$10.3 million of total unrecognized compensation cost related to unvested RSUs, which the Company expects to recognize over a remaining weighted-average period of approximately 1.8 years.

9. In-licensing arrangement

In January 2022, the Company entered into a non-exclusive license agreement with Synaffix B.V., a Lonza company, (Synaffix) to develop, manufacture and commercialize up to three antibody-drug conjugate targets using Synaffix's proprietary technology. The Company made an upfront payment to Synaffix upon contract execution. In March 2023, the Company and Synaffix amended the agreement, adding four additional targets. Assuming all seven targets are successfully developed and commercialized, the Company would be obligated to pay up to \$2.8 billion for development, regulatory and sales milestones.

Finally, pursuant to the terms of this license agreement, as amended, upon commencement of commercial sales of any products developed from these targets, the Company would be required to pay Synaffix tiered royalties in the low-single digit percentages on net sales of the respective products. The Company may terminate this agreement at any time with 30 days' notice to Synaffix. Amounts paid to Synaffix under this agreement are recorded as research and development expense in the consolidated statement of operations. The Company incurred \$2.4 million and \$1.7 million in expense under this agreement during the three months ended March 31, 2024 and 2023, respectively.

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

The following discussion of our financial condition and results of operations is based upon our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared by us in accordance with U.S. generally accepted accounting principles (GAAP), for interim periods and with Regulation S-X promulgated under the Securities Exchange Act of 1934, as amended. This discussion and analysis should be read in conjunction with these unaudited consolidated financial statements and the notes thereto as well as in conjunction with our audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Overview

We are a biopharmaceutical company focused on discovering, developing, manufacturing and commercializing innovative antibody-based therapeutics for the treatment of cancer. We have a pipeline of product candidates designed to target either various tumor-associated antigens or immune checkpoint molecules. These candidates are being evaluated in clinical trials sponsored by us or our collaborators or are in preclinical development. Our clinical product candidates include multiple oncology programs which have either been created using our proprietary, antibody-based technology platforms or enabled through our technology licensing arrangements with other companies. We believe our product candidates have the potential, if approved for marketing by regulatory authorities, to have a meaningful effect on treating patients' unmet medical needs as monotherapy or, in some cases, in combination with other therapeutic agents. To date, three products originating from our pipeline of proprietary or partnered product candidates have received U.S. Food and Drug Administration (FDA) approval. In March 2021, we and our commercialization partner commenced U.S. marketing of MARGENZA (margetuximab-cmkb), a human epidermal growth factor receptor 2 (HER2) antagonist indicated, in combination with chemotherapy, for the treatment of adult patients with metastatic HER2-positive breast cancer who have received two or more prior anti-HER2 regimens, at least one of which was for metastatic disease. In November 2022, the FDA approved TZIELD™ (teplizumab-mzwv) to delay the onset of Stage 3 Type 1 Diabetes (T1D) in adult and pediatric patients aged 8 years and older with Stage 2 T1D. Teplizumab was acquired from us by Provention Bio, Inc. (Provention) in 2018, pursuant to an asset purchase agreement (Provention APA). In March 2023, the FDA approved ZYNYZ™ (retifanlimab-dlwr), a humanized monoclonal antibody targeting programmed death receptor-1 (PD-1). Retifanlimab was previously developed by us and licensed to Incyte Corporation (Incyte) pursuant to an exclusive global collaboration and license agreement in October 2017.

Our operations to date have concentrated on developing our technology platforms, identifying potential product candidates, undertaking preclinical studies, conducting clinical trials, developing collaborations, operating manufacturing facilities, business planning and raising capital. We only began generating revenues from the sale of products in 2021. We have financed our operations primarily through the public and private offerings of our securities, and collaborations with other biopharmaceutical companies. Although it is difficult to predict our funding requirements, we anticipate that our cash, cash equivalents and marketable securities as of March 31, 2024, combined with anticipated and potential collaboration payments, product revenue, contract manufacturing revenue, and royalties, should enable us to fund our operations into 2026. Our expected funding requirements reflect anticipated expenditures related to the Phase 2 TAMARACK clinical trial of vobramitamab duocarmazine (vobra duo) in metastatic castration-resistant prostate cancer (mCRPC), our Phase 2 LORIKEET study of lorigerlimab in mCRPC as well as our other clinical and preclinical studies currently ongoing.

Through March 31, 2024, we had an accumulated deficit of \$1.2 billion. We expect that over the next several years this deficit will increase as we continue to incur research and development expense in connection with our ongoing activities and several clinical studies.

Macroeconomic Conditions

The global economy, credit markets and financial markets have and may continue to experience significant volatility as a result of significant worldwide events, including adverse events involving financial institutions or the financial services industry, inflation and rising interest rates and geopolitical upheaval (collectively, the Macroeconomic Conditions). These Macroeconomic Conditions have and may continue to create supply chain disruptions, inventory disruptions, and fluctuations in economic growth, including fluctuations in employment rates, inflation, energy prices and consumer sentiment. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions. Prolonged uncertainty with respect to Macroeconomic Conditions could cause further economic slowdown or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

Collaborations

We pursue a balanced approach between product candidates that we develop ourselves and those that we develop with our collaborators. Under our strategic collaborations to date, we have received significant non-dilutive funding and continue to have rights to additional funding upon completion of certain research, achievement of key product development milestones and royalties and other payments upon the commercial sale of products. Our current collaborations include the following:

- *Incyte*. We have an exclusive global collaboration and license agreement with Incyte for retifanlimab, an investigational monoclonal antibody that inhibits PD-1 (Incyte License Agreement). Under this agreement, as amended, Incyte has obtained exclusive worldwide rights for the development and commercialization of retifanlimab in all indications, while we retain the right to develop our pipeline assets in combination with retifanlimab. We received an upfront payment of \$150.0 million and milestone payments totaling \$115.0 million from Incyte through March 31, 2024, including \$15.0 million upon the FDA approval of ZYNYZ (retifanlimab-dlwr) in March 2023. We are eligible to receive an additional \$320.0 million in development and regulatory milestones and \$330.0 million in commercial milestones. We are also eligible to receive tiered royalties of 15% to 24% on any global net sales and we have the option to co-promote retifanlimab with Incyte. We retain the right to develop our pipeline assets in combination with retifanlimab, with Incyte commercializing retifanlimab and us commercializing our asset(s), if any such potential combinations are approved. We also have an agreement with Incyte under which we are to perform development and manufacturing services for Incyte's clinical needs of retifanlimab (Incyte Clinical Supply Agreement) and another agreement under which we are entitled to manufacture a portion of Incyte's global commercial supply of retifanlimab (Incyte Commercial Supply Agreement).
- *Gilead*. In 2022, we and Gilead Sciences, Inc. (Gilead) entered into an exclusive option and collaboration agreement (Gilead Agreement) to develop and commercialize MGD024 and create bispecific cancer antibodies using our DART platform and undertake their early development under a maximum of two separate bispecific cancer target research programs. Under the Gilead Agreement, we will continue the ongoing phase 1 trial for MGD024 according to a development plan, during which Gilead will have the right to exercise an option granted to Gilead to obtain an exclusive license to develop and commercialize MGD024 and other bispecific antibodies of ours that bind CD123 and CD3 (CD123 Option). The agreement also grants Gilead the right, within its first two years, to nominate a bispecific cancer target set for up to two research programs conducted by us and to exercise separate options to obtain an exclusive license for the development, commercialization and exploitation of molecules created under each research program (Research Program Option). As part of the Gilead Agreement, Gilead paid us a non-refundable upfront payment of \$60.0 million and we will be eligible to receive up to \$1.7 billion in target nomination, option fees, and development, regulatory and commercial milestones, assuming Gilead exercises the CD123 Option and Research Program Option, successfully develops and commercializes MGD024 or other CD123 products developed under the agreement, and products result from the two additional research programs. Assuming exercise of the CD123 Option, we will also be eligible to receive tiered, low double-digit royalties on worldwide net sales of MGD024 (or other CD123 products developed under the agreement) and assuming exercise of the Research Program Option, a flat royalty on worldwide net sales of any products resulting from the two research programs. In 2023, Gilead nominated the first of the two research programs contemplated in the Gilead Agreement (First Research Program) and paid us a \$15.7 million nomination fee. We granted Gilead a research license, and the parties agreed on a research plan for the First Research Program under which we will provide research and development services. On January 11, 2024, the parties amended the Gilead Agreement to revise certain matters related to intellectual property in the performance of the research plans under the agreement.

Critical Accounting Estimates

Our critical accounting estimates are policies which require the most significant judgments and estimates in the preparation of our consolidated financial statements. A summary of our critical accounting estimates is presented in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes with respect to our critical accounting estimates during the three months ended March 31, 2024.

Results of Operations

Revenue

The following represents a comparison of our revenue for the three months ended March 31, 2024 and 2023 (dollars in millions):

| | Three Months Ended March 31, | | | |
|------------------------------------|------------------------------|----------------|------------------|--------------|
| | 2024 | 2023 | Change | % |
| Collaborative and other agreements | \$ 1.4 | \$ 16.7 | \$ (15.3) | (92)% |
| Product sales, net | 4.9 | 3.5 | 1.4 | 40 % |
| Contract manufacturing | 2.3 | 3.6 | (1.3) | (36)% |
| Royalty revenue | 0.1 | 0.4 | (0.3) | (75)% |
| Government agreements | 0.4 | 0.3 | 0.1 | 33 % |
| Total revenue | <u>\$ 9.1</u> | <u>\$ 24.5</u> | <u>\$ (15.4)</u> | <u>(63)%</u> |

The decrease in revenue of \$15.4 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was primarily due to:

- a decrease of \$15.0 million due to milestone payments under the Incyte License Agreement received in the first quarter of 2023;
- a decrease of \$1.4 million in revenue recognized under the Incyte Manufacturing and Clinical Supply Agreement; and
- a decrease of \$1.3 million in revenue recognized under the Incyte Clinical Supply Agreement.

These decreases were partially offset by:

- an increase of \$1.4 million in MARGENZA net product sales; and
- an increase of \$0.6 million in revenue recognized under the Gilead Agreement.

Revenue from collaborative and other agreements may vary substantially from period to period depending on the progress made by our collaborators with their product candidates and the timing of milestones achieved under current agreements, and whether we enter into additional collaboration agreements.

Cost of Product Sales

Cost of product sales was \$0.3 million and \$0.1 million for the three months ended March 31, 2024 and 2023, respectively. Cost of product sales consists primarily of product royalties and fill finish costs. Product sold during both periods consisted of drug product that was previously charged to research and development expense prior to FDA approval of MARGENZA, which favorably impacted our gross margin. We expect cost of product sales to continue to be positively impacted as we sell through this drug product.

Cost of Manufacturing Services

Cost of manufacturing services was \$1.8 million and \$3.4 million for the three months ended March 31, 2024 and 2023, respectively. Cost of manufacturing services for both periods includes the costs to provide manufacturing services to produce certain Incyte bulk drug substance under the Incyte Manufacturing and Clinical Supply Agreement. We expect cost of manufacturing services to vary from period to period based on the agreed-upon manufacturing schedule.

Research and Development Expense

The following represents a comparison of our research and development expense for the three months ended March 31, 2024 and 2023 (dollars in millions):

| | Three Months Ended March 31, | | | |
|--|-------------------------------------|----------------|---------------|------------|
| | 2024 | 2023 | Change | % |
| Vobramitamab duocarmazine | \$ 9.7 | \$ 9.1 | \$ 0.6 | 7 % |
| Lorigerlimab | 9.6 | 7.6 | 2.0 | 26 % |
| MGC028 | 6.1 | 0.8 | 5.3 | 663 % |
| Other antibody-drug conjugates (ADCs) | 4.6 | 3.1 | 1.5 | 48 % |
| MGC026 | 4.0 | 5.2 | (1.2) | (23)% |
| Margetuximab | 3.1 | 5.3 | (2.2) | (42)% |
| MGD024 | 2.8 | 1.6 | 1.2 | 75 % |
| Next-generation T-cell engagers (a) | 2.5 | 2.9 | (0.4) | (14)% |
| Retifanlimab | 1.0 | 0.3 | 0.7 | 233 % |
| DART molecules under HIV government contract | 0.7 | 0.5 | 0.2 | 40 % |
| IMGC936 | 0.5 | 0.8 | (0.3) | (38)% |
| Enoblituzumab | 0.3 | 1.5 | (1.2) | (80)% |
| Flotetuzumab | 0.1 | 2.2 | (2.1) | (95)% |
| Tebotelimab | 0.1 | 2.6 | (2.5) | (96)% |
| Other programs (a) | 0.9 | 2.4 | (1.5) | (63)% |
| Total research and development expense | <u>\$ 46.0</u> | <u>\$ 45.9</u> | <u>\$ 0.1</u> | <u>— %</u> |

(a) Includes research and discovery projects, as well as early preclinical molecules and molecules not advanced to clinical development.

Our research and development expense for the three months ended March 31, 2024 increased by \$0.1 million compared to the three months ended March 31, 2023 primarily due to:

- increased development costs related to MGC028;
- increased clinical trial costs related to lorigerlimab;
- increased development costs for other ADCs; and
- increased development and clinical costs related to MGD024.

These increases were offset by:

- decreased development, manufacturing and clinical trial costs related to tebotelimab;
- decreased development and clinical trial costs related to margetuximab, including expenses under the 2018 Zai Lab Agreement;
- decreased development and clinical trial costs related to flotetuzumab due to discontinued development of this molecule;
- decreased clinical trial costs related to enoblituzumab; and
- decreased development costs related to other programs.

There are uncertainties associated with our research and development expenses for future quarters which are impacted by multiple variables, including timing of wind down activities for recently closed studies and current and expected expenditures associated with our ongoing clinical studies.

Selling, General and Administrative Expense

Selling, general and administrative expenses were \$14.7 million and \$13.5 million for the three months ended March 31, 2024 and 2023, respectively. The increase is primarily due to increased stock-based compensation expense and other professional fees.

Liquidity and Capital Resources

Cash Flows

The following table represents a summary of our cash flows for the three months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | |
|---|------------------------------|-----------------|
| | 2024 | 2023 |
| | (dollars in millions) | |
| Net cash provided by (used in): | | |
| Operating activities | \$ (45.6) | \$ (12.8) |
| Investing activities | 24.8 | 28.1 |
| Financing activities | 0.2 | 100.1 |
| Net change in cash and cash equivalents | <u>\$ (20.6)</u> | <u>\$ 115.4</u> |

Operating Activities

Net cash used in operating activities consists of our net loss adjusted for non-cash items such as depreciation and amortization expense and stock-based compensation and changes in working capital. Net cash used in operating activities for the three months ended March 31, 2023 benefited from \$15.0 million in milestones received from Incyte under the Incyte License Agreement and \$15.0 million received from Provention Bio, Inc. related to the TZIELD approval milestone.

Investing Activities

Net cash provided by investing activities during the three months ended March 31, 2024 and 2023 is primarily due to maturities of marketable securities, partially offset by purchases of marketable securities.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2023 includes net cash proceeds from our Royalty Purchase Agreement with DRI Healthcare Acquisitions LP of \$99.7 million.

Our multiple product candidates currently under development will require significant additional research and development efforts that include extensive preclinical studies and clinical testing, and regulatory approval prior to commercial use. Our future success is dependent on our ability to identify and develop our product candidates, and ultimately upon our ability to attain profitable operations. We have devoted substantially all of our financial resources and efforts to research and development and general and administrative expense to support such research and development. Net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital, and accordingly, our ability to execute our future operating plans.

As a biotechnology company, we have primarily funded our operations with proceeds from the sale of our common stock in equity offerings and revenue from our multiple collaboration agreements. Management regularly reviews our available liquidity relative to our operating budget and forecast to monitor the sufficiency of our working capital, and anticipates continuing to draw upon available sources of capital, including equity and debt instruments, to support our product development activities. There can be no assurances that new sources of capital will be available to us on commercially acceptable terms, if at all. Also, any future collaborations, strategic alliances and marketing, distribution or licensing arrangements may require us to give up some or all rights to a product or technology at less than its full potential value. If we are unable to enter into new arrangements or to perform under current or future agreements or obtain additional capital, we will assess our capital resources and may be required to delay, reduce the scope of, or eliminate one or more of our product research and development programs or clinical studies, and/or downsize our organization. Although it is difficult to predict our funding requirements, we anticipate that our cash, cash equivalents and marketable securities as of March 31, 2024 combined with anticipated and potential collaboration payments, product revenue, contract manufacturing revenue, and royalties, should enable us to fund our operations into 2026. Our expected funding requirements reflect anticipated expenditures related to the Phase 2 TAMARACK clinical trial of vobra duo in mCRPC, our Phase 2 study of lorigerlimab in mCRPC as well as our other clinical and preclinical studies currently ongoing.

Material Cash Requirements

During the three months ended March 31, 2024, there were no significant changes to our material cash requirements, including contractual and other obligations, as presented in 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 fiscal year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2024, our exposure to market risk has not changed materially since December 31, 2023. For more information on financial market risks related to changes in interest rates, reference is made to Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contained in Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on March 7, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in our periodic reports filed with the SEC (such as this Quarterly Report on Form 10-Q) has been appropriately recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on their evaluation of our disclosure controls and procedures as of March 31, 2024, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended March 31, 2024 that materially affected, or are reasonably likely to materially effect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are or may be involved in various legal or regulatory proceedings, claims or class actions related to alleged patent infringements and other intellectual property rights, or alleged violation of commercial, corporate, securities, labor and employment, and other matters incidental to our business. We do not currently, however, expect such legal proceedings to have a material adverse effect on our business, financial condition or results of operations. However, depending on the nature and timing of a given dispute, an eventual unfavorable resolution could materially affect our current or future results of operations or cash flows.

Item 1A. Risk Factors

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and trading price of our securities. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes in the risk factors described in Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023.

Item 5. Other Information

10b5-1 Trading Plans

During the three months ended March 31, 2024 the following Section 16 officers and directors adopted, modified or terminated a "Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K of the Exchange Act):

- Thomas Spitznagel, Ph.D., Senior Vice President, Technical Operations, adopted a new trading plan on March 12, 2024 (with the first trade possible under the new plan no sooner than July 2, 2024). The trading plan will be effective until July 2, 2026 and covers the potential sale of up to 398,990 shares of the Company's common stock.

Item 6. Exhibits

| | |
|---------|---|
| 10.1+ | First Amendment to the Collaboration and License Agreement by and between the Company and Gilead Sciences, Inc., dated January 11, 2024 |
| 31.1* | Rule 13a-14(a) Certification of Principal Executive Officer |
| 31.2* | Rule 13a-14(a) Certification of Principal Financial Officer |
| 32.1** | Section 1350 Certification of Principal Executive Officer |
| 32.2** | Section 1350 Certification of Principal Financial Officer |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Schema Document |
| 101.CAL | XBRL Calculation Linkbase Document |
| 101.DEF | XBRL Definition Linkbase Document |
| 101.LAB | XBRL Labels Linkbase Document |
| 101.PRE | XBRL Presentation Linkbase Document |
| 104 | Cover Page Interactive Data (formatted as Inline XBRL and contained in Exhibit 101 filed herewith) |

+ Portions of this document (indicated by “[***]”) have been omitted because they are not material and are the type that MacroGenics, Inc. treats as private and confidential.

* Filed herewith

** Furnished herewith

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.

MACROGENICS, INC.

BY: /s/ Scott Koenig
Scott Koenig, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

BY: /s/ James Karrels
James Karrels
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 9, 2024

CERTAIN PORTIONS OF THIS EXHIBIT (INDICATED BY [***]) HAVE BEEN EXCLUDED PURSUANT TO ITEM 601(B)(10) OF REGULATION S-K BECAUSE THEY ARE BOTH NOT MATERIAL AND ARE THE TYPE THAT THE COMPANY TREATS AS PRIVATE AND CONFIDENTIAL.

EXECUTION VERSION

**FIRST AMENDMENT
TO THE COLLABORATION AND LICENSE AGREEMENT**

This First Amendment to the Collaboration and License Agreement (this “**First Amendment**”) is entered into and effective as of January 11, 2024 (the “**First Amendment Effective Date**”), by and between MacroGenics, Inc. (“**MacroGenics**”), and Gilead Sciences, Inc. (“**Gilead**”). Each of MacroGenics and Gilead may be referred to herein as a “**Party**” or together as the “**Parties**.” Unless otherwise specified or defined herein, any capitalized terms used but not defined in this First Amendment will have the meaning assigned to them in the Collaboration Agreement.

WHEREAS, the Parties are parties to that certain Collaboration and License Agreement, dated as of October 14, 2022 [***] (collectively, the “**Collaboration Agreement**”); and

WHEREAS, the Parties wish to amend the Collaboration Agreement to provide for the provision of certain Materials Controlled by Gilead to MacroGenics for the performance of activities under the CD123 Development Plan or the Research Plans.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. The following provision is hereby inserted in the Collaboration Agreement as a new Section 3.1(e) (Gilead Assigned Improvement Know-How License):

(e) **Gilead Assigned Improvement Know-How License.** Subject to the terms and conditions of this Agreement (including Section 3.5 (Retained Rights)), MacroGenics hereby grants to Gilead a royalty-free, perpetual, irrevocable, exclusive license, [***], under (i) any MacroGenics Licensed Patents that include Valid Claims that specifically claim Gilead Assigned Improvement Know-How to Exploit such Gilead Assigned Improvement Know-How for any purpose outside of this Agreement (which, for clarity, shall exclude any Exploitation of Licensed Molecules or Licensed Products, the MacroGenics Platform or any MacroGenics Licensed Technology) and (ii) any Know-How conceived or reduced to practice by MacroGenics or Gilead in the course of conducting activities under this Agreement that constitutes an improvement, modification or enhancement of any Materials provided by Gilead pursuant to Section 3.9 (Materials Transfer) and all Patents that Cover such Know-How solely to Exploit such Materials outside of this Agreement (which, for clarity, shall exclude any Exploitation of Licensed Molecules or Licensed Products, the MacroGenics Platform or any MacroGenics Licensed Technology). Notwithstanding any provision to the contrary in this Agreement, Section 3.3(b) (Sublicensing by Gilead) will not apply to sublicenses of the licenses granted under this Section 3.1(e) (Gilead Assigned Improvement Know-How License).

2. Section 3.9 (Materials Transfer) of the Collaboration Agreement is hereby deleted and replaced in its entirety as follows:

3.9 Materials Transfer. In order to facilitate the activities under, or to confirm any results of, a Program, either Party may provide to the other Party certain biological materials or chemical compounds Controlled by the supplying Party (collectively, “**Materials**”). Except as otherwise expressly set forth under this Agreement, all such Materials delivered to the other Party will remain the sole property of the supplying Party, will be used only in the performance of activities conducted in accordance with the CD123 Development Plan or applicable Research Plan or to confirm any results of a Program, will not be used or delivered to or for the benefit of any Third

Party without the prior written consent of the supplying Party (except for Permitted Subcontractors performing any activities under the CD123 Development Plan or a Research Plan), and will be used in compliance with Applicable Law and Regulations (including GLP, cGMP, and cGCP, as applicable). Each Party will use the Materials supplied under this Agreement with prudence and appropriate caution in any experimental work as not all of their characteristics may be known. The supplying Party will provide the other Party the most current material safety data sheet for the Materials upon transfer of any Materials. Prior to the supply of any Materials by or on behalf of the supplying Party, the Parties will, upon the supplying Party's request, enter into a material transfer agreement with respect to such supply in the form attached as **Exhibit A**. Except as expressly set forth in this Agreement, THE MATERIALS ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

3. Section 16.1(d) (Gilead Agent Improvement IP) of the Collaboration Agreement is hereby deleted and replaced in its entirety as follows:

(d) Gilead Assigned Improvement IP. Gilead shall own all Know-How, whether patentable or not, conceived or reduced to practice by MacroGenics or Gilead in the course of conducting activities under this Agreement, in each case that (i) [***], which Know-How arises from [***] under this Agreement or (ii) [***] under this Agreement (in each case ((i) and (ii)), "**Gilead Assigned Improvement Know-How**"), together with all Patents that Cover such Gilead Assigned Improvement Know-How but do not Cover MacroGenics Platform Improvement Know-How or any Licensed Molecule or a Licensed Product (in whole or in part) ("**Gilead Assigned Improvement Patents**"). MacroGenics shall, and hereby does (and shall cause its Related Parties and its and their respective Representatives to), assign to Gilead all of its and their right, title and interest in and to Gilead Assigned Improvement IP. Upon Gilead's written request, MacroGenics shall, and shall cause its Related Parties and its and their respective Representatives to, execute and deliver such instruments and do such acts and things as may be necessary under Applicable Laws and Regulations, or as Gilead may reasonably request, to effectuate and confirm the vesting of all right, title and interest in and to the Gilead Assigned Improvement IP in Gilead.

4. The following provision is hereby inserted in the Collaboration Agreement as a new Section 16.2(a)(vii) (Prosecution of Patents Disclosing Gilead Assigned Improvement Know-How):

(vii) Prosecution of Patents Disclosing Gilead Assigned Improvement Know-How.

(1) Notification. Notwithstanding any provision to the contrary in this Agreement, prior to filing any application for any Patent in any jurisdiction that discloses any Gilead Assigned Improvement Know-How, MacroGenics will notify Gilead reasonably in advance of any such anticipated filings, and the Parties will work together to avoid MacroGenics filing any application for any Patent that would constitute prior art that would reasonably be expected to impact Gilead's ability to file a Patent application disclosing such Gilead Assigned Improvement Know-How. At

Gilead's request, MacroGenics will reasonably delay any application for any Patent that discloses any Gilead Assigned Improvement Know-How for [***] in order to enable Gilead to first seek patent protection of such Gilead Assigned Improvement Know-How.

(2) Prosecution. MacroGenics will provide Gilead with a reasonable opportunity, [***] in advance of any relevant deadline, to review and comment on its efforts to prepare, file, prosecute, and maintain any Patent that disclose any Gilead Assigned Improvement Know-How, including by providing Gilead with a copy of all material communications from any patent authority regarding claims of such Patents that specifically claim Gilead Assigned Improvement Know-How, and by providing drafts of any material filings or responses to be made to such patent authorities in advance of submitting such filings or responses with respect to such claims of such Patents. In addition, at Gilead's request, the Parties will, and will cause their Affiliates to, cooperate and implement reasonable patent filing and prosecution strategies (including filing divisionals, continuations or otherwise) so that, to the extent reasonably feasible, the Gilead Assigned Improvement Know-How and the MacroGenics Platform Improvement Know-How are pursued in mutually exclusive patent applications.

5. Section 18.9(a)(ii) of the Collaboration Agreement is hereby deleted and replaced in its entirety as follows:
 - (ii) Except for the license granted by MacroGenics to Gilead under Section 3.1(e) (Gilead Assigned Improvement Know-How License), the licenses and sublicenses granted to each Party under this Agreement (or with respect to the Terminated Programs, as applicable), including pursuant to Section 3.1(a) through Section 3.1(d) (Licenses to Gilead) and Section 3.2 (Licenses to MacroGenics), shall terminate and Gilead will cease any and all Exploitation of the Terminated Products as soon as is reasonably practicable under Applicable Laws and Regulations; *provided* that such licenses will continue as necessary for the Parties to complete the orderly wind-down of their activities under this Agreement in accordance with Applicable Laws and Regulations and as otherwise required in accordance with Section 18.9(a)(iii) (In General) [***];
6. The defined term “**Gilead Agent Improvement IP**” is hereby deleted and replaced by “**Gilead Assigned Improvement IP**” in each instance that such term is used in the Collaboration Agreement.
7. The defined term “**Gilead Agent Improvement Know-How**” is hereby deleted and replaced by “**Gilead Assigned Improvement Know-How**” in each instance that such term is used in the Collaboration Agreement.
8. The defined term “**Gilead Agent Improvement Patents**” is hereby deleted and replaced by “**Gilead Assigned Improvement Patents**” in each instance that such term is used in the Collaboration Agreement.
9. **General Provisions.** This First Amendment will be deemed to be incorporated into, and made a part of, the Collaboration Agreement, and the Collaboration Agreement and this First Amendment will be read, taken, and construed as one and the same agreement (including with respect to the provisions set forth in Article 19 (Miscellaneous) of the Collaboration Agreement which will, as applicable, be deemed to apply to this First Amendment *mutatis mutandis*), and the term “Agreement” in the Collaboration Agreement shall be deemed to refer to the Collaboration Agreement as amended by this First Amendment. In the event of any express conflict or inconsistency between this First Amendment, on one hand, and the Collaboration Agreement on the other hand, the terms and conditions of this First Amendment will control. This First

Amendment, together with the Collaboration Agreement, sets forth the complete, final, and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions, and understandings between the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings between the Parties existing as of the First Amendment Effective Date with respect to the subject matter hereof. Except as expressly set forth in this First Amendment, all terms and conditions of the Collaboration Agreement will remain in full force and effect during the effective period thereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this First Amendment to be duly executed and delivered by their respective authorized representatives as of the First Amendment Effective Date.

MACROGENICS, INC.

GILEAD SCIENCES, INC.

By: [***]

By: [***]

Name: [***]

Name: [***]

Title: [***]

Title: [***]

[Signature Page to First Amendment to the Collaboration Agreement]

Exhibit A

Form of Material Transfer Agreement

[**]

I, Scott Koenig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of MacroGenics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Scott Koenig
Scott Koenig, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: May 9, 2024

I, James Karrels, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of MacroGenics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James Karrels

James Karrels
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: May 9, 2024

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Scott Koenig, President and Chief Executive Officer (principal executive officer) of MacroGenics, Inc. (the Registrant), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of the Registrant (the Report), that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Scott Koenig

Name: Scott Koenig, M.D., Ph.D.

Date: May 9, 2024

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)**

I, James Karrels, Senior Vice President and Chief Financial Officer (principal financial officer) of MacroGenics, Inc. (the Registrant), certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended March 31, 2024 of the Registrant (the Report), that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ James Karrels

Name: James Karrels

Date: May 9, 2024