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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

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: 001-39980

Sensei Biotherapeutics, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**83-1863385**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
451 D Street, Suite 710 Boston, MA	**02210**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (240) 243-8000

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, $0.0001 par value per share	SNSE	The Nasdaq Stock Market LLC

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

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

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

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

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

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

The number of shares of Registrant's Common Stock outstanding as of May 6, 2022 was 30,628,813.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

SENSEI BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 8,721	$ 7,159
Marketable securities	127,503	140,462
Prepaid expenses	2,554	547
Other current assets	199	374
Total current assets	138,977	148,542
Right of use assets - operating leases, net	6,267	—
Right of use assets - financing leases, net	2,551	—
Property and equipment, net	2,204	4,644
Other non-current assets	39	39
Total assets	$ 150,038	$ 153,225
Liabilities, convertible preferred stock and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,100	$ 2,456
Compensation and employee benefits liabilities	560	1,753
Operating lease liabilities, current	1,160	—
Financing lease liabilities, current	786	680
Total current liabilities	7,606	4,889
Operating lease liabilities, non-current	5,278	—
Financing lease liabilities, non-current	1,846	1,674
Other non-current liabilities	—	149
Total liabilities	14,730	6,712
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, $0.0001 par value and 250,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 30,682,813 and 30,609,029 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	3	3
Additional paid-in capital	297,815	296,049
Accumulated deficit	(161,611)	(149,206)
Accumulated other comprehensive loss	(899)	(333)
Total stockholders' equity	135,308	146,513
Total liabilities and stockholders' equity	$ 150,038	$ 153,225

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

SENSEI BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except share and per share data)

	For the Three Months Ended March 31,	
	2022	2021
Operating expenses:		
Research and development	$ 7,455	$ 3,365
General and administrative	5,032	4,604
Total operating expenses	12,487	7,969
Loss from operations	(12,487)	(7,969)
Other income (expense):		
Realized gain on marketable securities	15	—
Interest income	310	—
Interest expense	(243)	(3)
Net loss	(12,405)	(7,972)
Net loss attributable to common stockholders	$ (12,405)	$ (7,972)
Net loss per common share, basic and diluted	$ (0.40)	$ (0.42)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	30,647,679	18,904,853
Comprehensive loss:		
Net loss	$ (12,405)	$ (7,972)
Other comprehensive items:		
Unrealized loss on marketable securities	(566)	—
Total other comprehensive loss	(566)	—
Total comprehensive loss	$ (12,971)	$ (7,972)

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

SENSEI BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK, COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands, except share data)

	Convertible Preferred Stock (Series AA)		Convertible Preferred Stock (Series BB)		Common Stock		Additional Paid-In	Accumulated	Accumulated Other	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Comprehensive Loss	Equity (Deficit)
Balance at December 31, 2020	747,683,172	$ 61,411	52,680,306	$ 10,925	1,875,422	$ —	$ 55,969	$ (112,412)	$ —	$ (56,443)
Stock-based compensation expense	—	—	—	—	—	—	1,349	—	—	1,349
Issuance of series BB preferred stock	—	—	113,275,902	23,491	—	—	—	—	—	—
Conversion of preferred stock to common stock upon closing of the initial public offering	(747,683,172)	(61,411)	(165,956,208)	(34,416)	19,034,069	2	95,826	—	—	95,828
Issuance of common stock upon closing of the initial public offering, net of issuance costs	—	—	—	—	8,030,295	1	138,488	—	—	138,489
Exercise of common stock warrants	—	—	—	—	1,648,709	—	1	—	—	1
Net loss	—	—	—	—				(7,972)		(7,972)
Balance at March 31, 2021	—	$ —	—	$ —	30,588,495	$ 3	$ 291,633	$ (120,384)	$ —	$ 171,252
Balance at December 31, 2021	—	$ —	—	$ —	30,609,029	$ 3	$ 296,049	$ (149,206)	$ (333)	$ 146,513
Stock-based compensation expense	—	—	—	—	—	—	1,515	—	—	1,515
Exercise of options into common stock	—	—	—	—	73,784	—	237	—	—	237
Employee stock purchase plan expense	—	—	—	—	—	—	14	—	—	14
Unrealized loss on marketable securities	—	—	—	—	—	—	—	—	(566)	(566)
Net loss	—	—	—	—	—	—	—	(12,405)	—	(12,405)
Balance at March 31, 2022	—	$ —	—	$ —	30,682,813	$ 3	$ 297,815	$ (161,611)	$ (899)	$ 135,308

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

SENSEI BIOTHERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net loss	$ (12,405)	$ (7,972)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	1,515	1,349
Depreciation and amortization	157	98
Accretion on marketable securities	197	—
Interest on finance lease	—	3
Non-cash lease expense	291	—
Amortization of financing lease right-of-use assets	177	—
Realized gain on marketable securities	(15)	—
Changes in operating assets and liabilities:		
Prepaid expenses	(2,007)	(1,992)
Other assets	175	50
Accounts payable and accrued liabilities	2,644	(1,880)
Compensation and employee benefits	(1,193)	(475)
Operating lease liabilities	(271)	—
Other liabilities	(15)	52
Net cash used in operating activities	(10,750)	(10,767)
Investing activities		
Purchases of property and equipment	(19)	(487)
Purchases of short-term investments	(8,017)	—
Sales of short-term investments	12,365	—
Maturities of short-term investments	7,864	—
Net cash provided by (used in) investing activities	12,193	(487)
Financing activities		
Principle payments from financing leases	(133)	(10)
Proceeds from the exercise of common stock options	238	1
Employee stock purchase plan expense	14	—
Proceeds on the issuance of series BB convertible preferred stock	—	23,491
Proceeds from issuance of common stock upon initial public offering, net of issuance costs	—	140,594
Net cash provided by financing activities	119	164,076
Net increase in cash and cash equivalents	1,562	152,822
Cash and cash equivalents at beginning of period	7,159	16,596
Cash and cash equivalents at end of period	$ 8,721	$ 169,418
Supplemental disclosure of noncash financing information:		
Property and equipment additions included in accounts payable and accrued liabilities	$ 11	$ 15
Deferred offering costs included in accounts payable and accrued liabilities	$ —	$ 534
Interest on financing	$ —	$ 3
Conversion of series AA and BB convertible preferred stock into common stock	$ —	$ 95,826
Initial measurement of operating lease right-of-use assets	$ 6,558	$ —
Initial measurement of operating lease liabilities	$ 5,580	$ —
Initial measurement of finance lease right-of-use assets	$ 411	$ —

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

1. ORGANIZATION AND OPERATIONS

Business

Sensei Biotherapeutics, Inc. (the "Company" or "Sensei") is a biopharmaceutical company that was incorporated in 1999 as a Maryland corporation until incorporated in Delaware on December 1, 2017. The Company is engaged in the discovery, development and delivery of next generation immunotherapies with an initial focus on treatments for cancer.

Liquidity and capital resources

Since its inception, the Company has devoted substantially all of its resources to advancing development of its portfolio of programs, establishing and protecting its intellectual property, conducting research and development activities, organizing and staffing the Company, business planning, raising capital and providing general and administrative support for these operations. The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry including, but not limited to, technical risks associated with the successful research, development and manufacturing of product candidates, development by competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations and the ability to secure additional capital to fund operations. Current and future programs will require significant research and development efforts, including extensive preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure. Even if the Company's drug development efforts are successful, it is uncertain when, if ever, the Company will realize significant revenue from product sales.

Since its inception, the Company has incurred substantial losses and had a net loss of $12.4 million for the three months ended March 31, 2022. As of March 31, 2022, the Company had an accumulated deficit of $161.6 million. The Company expects to generate operating losses and negative operating cash flows for the foreseeable future.

In February 2021, the Company completed its initial public offering ("IPO"), in which the Company issued and sold 8,030,295 shares of its common stock at a public offering price of $19.00 per share, for aggregate gross proceeds of $152.6 million. The Company received $138.5 million in net proceeds after deducting underwriting discounts and estimated offering expenses payable by the Company.

The Company expects that its cash, cash equivalents and marketable securities as of March 31, 2022 of $136.2 million will be sufficient to fund its operations for at least the next twelve months from the date of issuance of these financial statements. The Company will need additional financing to support its continuing operations and pursue its growth strategy. Until such time as the Company can generate significant revenue from product sales, if ever, it expects to finance its operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. The Company may be unable to raise additional funds or enter into such other agreements when needed on favorable terms or at all. The inability to raise capital as and when needed would have a negative impact on the Company's financial condition and its ability to pursue its business strategy. The Company will need to generate significant revenue to achieve profitability, and it may never do so.

Reverse stock split

On January 29, 2021, the Company effected a reverse stock split of the Company's common stock on a 48-for-1 basis (the "Reverse Stock Split"). In connection with the Reverse Stock Split, the conversion ratio for the Company's Series AA and Series BB convertible preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was decreased in proportion to the Reverse Stock Split. Accordingly, all common stock share and per share amounts, as well as all preferred stock conversion ratios, for all periods presented in these financial statements have been retroactively adjusted, to reflect this reverse stock split and adjustment of the Series AA and BB convertible preferred stock conversion ratios.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company has prepared the accompanying condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States ("US GAAP"). The condensed consolidated financial statements include those accounts of the Company and its subsidiaries after elimination of all intercompany accounts and transactions.

Unaudited interim financial information

The condensed consolidated financial statements of the Company included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from these condensed consolidated financial statements, as is permitted by such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K. The results for any interim period are not necessarily indicative of results for any future period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting periods presented. Estimates are used for, but are not limited to, depreciation of equipment, the Company's enterprise value, fair value of financial instruments, the Company's ability to continue as a going concern and contingencies. Actual results may differ from those estimates.

Cash and cash equivalents

Cash equivalents are highly liquid investments with an original maturity of 90 days or less at the date of purchase and consist of time deposits and investments in money market funds with commercial banks and financial institutions. At March 31, 2022, cash and cash equivalents included cash on deposit at commercial banks and a money market fund that invests in U.S. Government securities.

Marketable securities

Investments consist of marketable securities with original maturities greater than 90 days. The Company has classified its investments with maturities beyond one year as short-term, based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. The Company considers its investment portfolio of marketable securities to be available-for-sale. Accordingly, these investments are recorded at fair value (level 2). Unrealized gains and losses are reported as the accumulated other comprehensive items in stockholders' equity. Amortization and accretion of premiums and discounts are recorded in other income (expense). Realized gains or losses on debt securities are included in interest income or interest expense, respectively. If any adjustment to fair value reflects a decline in value of the investment, the Company considers all available evidence to evaluate the extent to which the decline is other than temporary and, if so, marks the investment to market on the Company's statement of operations and comprehensive loss.

Leases

Prior to January 1, 2022, the Company accounted for leases in accordance with ASC 840, Leases ("ASC 840"). At lease inception, the Company determined if an arrangement was an operating or capital lease. For operating leases, the Company recognized rent expense, inclusive of rent escalations, holidays and lease incentives, on a straight-line basis over the lease term. The difference between rent expense recorded and the amount paid was charged to deferred rent. The Company presented lease incentives as deferred rent and amortized the incentives as a reduction to rent expense on a straight-line basis over the lease term. The Company classified deferred rent as current and noncurrent liabilities based on the portion of the deferred rent that was scheduled to mature within the proceeding twelve months.

Effective January 1, 2022, the Company accounts for leases in accordance with Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASC 842"). At contract inception, the Company determines if an arrangement is or contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If determined to be or contain a lease, the lease is assessed for classification as either an operating or finance lease at the lease commencement date, defined as the date on which the leased asset is made available for use by the Company, based on the economic characteristics of the lease. For each lease with a term greater than twelve months, the Company records a right-of-use asset and lease liability.

A right-of-use asset represents the economic benefit conveyed to the Company by the right to use the underlying asset over the lease term. A lease liability represents the obligation to make lease payments arising from the lease. The Company elected the practical expedient to not separate lease and non-lease components for all classes of underlying assets and therefore measures each lease payment as the total of the fixed lease and associated non-lease components. Lease liabilities are measured at lease commencement and calculated as the present value of the future lease payments in the contract using the rate implicit in the contract, when available. If an implicit rate is not readily determinable, the Company uses an incremental borrowing rate measured as the rate at which the Company could borrow, on a fully collateralized basis, a commensurate loan in the same currency over a period consistent with the lease term at the commencement date. Right-of-use assets are measured as the lease liability plus initial direct costs and prepaid lease payments, less lease incentives granted by the lessor. The lease term is measured as the noncancelable period in the contract, adjusted for any options to extend or terminate when it is reasonably certain the Company will extend the lease term via such options based on an assessment of economic factors present as of the lease commencement date. The Company elected the practical expedient to not recognize leases with a lease term of twelve months or less.

Components of a lease are split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) are allocated, based on the respective relative fair values, to the lease components and non-lease components. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all of the contract consideration to the lease component only.

The Company's operating and finance leases are presented in the consolidated balance sheet as lease right-of-use assets, classified as noncurrent assets, and lease liabilities, classified as current and noncurrent liabilities. Operating and finance lease expense is recognized on a straight-line basis over the lease term. Variable costs associated with a lease, such as maintenance and utilities, are not included in the measurement of the lease liabilities and right-of-use assets but rather are expensed when the events determining the amount of variable consideration to be paid have occurred.

ASC 842 provides several optional practical expedients in transition. The Company applied the 'package of practical expedients' which allow the Company to not reassess whether existing or expired arrangements contain a lease, the lease classification of existing or expired leases, or whether previous initial direct costs would qualify for capitalization under ASC 842.

The adoption of ASC 842 resulted in the recognition of operating lease liabilities of $6.7 million and operating right-of-use assets of $6.6 million, along with the write-off of certain deferred rent balances of $0.1 million within the Company's condensed consolidated balance sheets as of January 1, 2022. Leases previously reported as capital leases are now referred to as finance leases. The adoption did not have a significant impact on the Company's condensed consolidated statements of operations and comprehensive loss and condensed consolidated statements of cash flows.

Recently Issued Accounting Standards Updates

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which was subsequently amended in November 2018 through ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses." ASU No. 2016-13 will require entities to estimate lifetime expected credit losses for trade and other receivables, net investments in leases, financing receivables, debt securities and other instruments, which will result in earlier recognition of credit losses. Further, the new credit loss model will affect how entities in all industries estimate their allowance for losses for receivables that are current with respect to their payment terms. ASU No. 2018-19 further clarifies that receivables arising from operating leases are not within the scope of Topic 326. Instead, impairment from receivables of operating leases should be accounted for in accordance with Topic 842, Leases. As per the latest ASU 2020-02, FASB deferred the timelines for certain small public and private entities, thus the new guidance will be adopted by the Company for the annual reporting period beginning January 1, 2023, including interim periods within that annual reporting period. The standard will apply as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company does not expect adoption of this new guidance to have a material impact on its results of operations, financial condition, and financial statement disclosures.

3. MARKETABLE SECURITIES

Marketable securities consist of the following as of March 31, 2022 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Commercial paper	$ 39,494	$ -	$ (30)	$ 39,464
Corporate bonds	81,908	$ 3	$ (602)	$ 81,309
U.S. Government agencies	7,000	$ -	$ (270)	$ 6,730
Total	$ 128,402	$ 3	$ (902)	$ 127,503

As of March 31, 2022, all marketable securities held by the Company had remaining contractual maturities of one year or less, except for corporate bonds and U.S. government agencies securities with a fair value of $62.5 million that had maturities of one to three years.

As of March 31, 2022, $118 thousand and $781 thousand of unrealized losses were associated with marketable securities with contractual maturities of one year or less and more than one year, respectively.

There were no impairments of the Company's assets measured and carried at fair value during the three months ended March 31, 2022.

4. PROPERTY AND EQUIPMENT, NET

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

	March 31, 2022	December 31, 2021
Research equipment	$ 2,761	$ 4,974
Office equipment and furniture	536	606
Leaseholder improvement	253	253
Total property and equipment	3,550	5,833
Less accumulated depreciation and amortization	(1,346)	(1,189)
Property and equipment, net	$ 2,204	$ 4,644

Depreciation and amortization expense for the three months ended March 31, 2022 and 2021 was $157 thousand and $98 thousand, respectively.

Effective January 1, 2022, the Company adopted ASC 842 and reclassed capital leases that were previously classified as property and equipment, net were presented separately under right of use assets - financing leases, net on the Company's condensed consolidated balance sheet. $2.2 million relates to items previously classified under research equipment and $70 thousand relates to items previously classified under office equipment and furniture on the table above. These leases are further described in Note 7.

5. DEBT

In May 2020, the Company received $567 thousand in loan funding from the Paycheck Protection Program ("PPP") pursuant to the Coronavirus Aid, Relief, and Economic Security Act, as amended by the Flexibility Act, and administered by the Small Business Administration. The unsecured loan (the "PPP Loan") is with Silicon Valley Bank.

Under the terms of the PPP Loan, interest accrued on the outstanding principal at a rate of 1.0% per annum. On August 6, 2021, the Small Business Administration approved the forgiveness for the full amount of the PPP Loan, which included principal of $567 thousand, plus interest. The Company recognized a gain on debt extinguishment in other income (expense) on the Consolidated Statement of Operations and Comprehensive Loss for the year ended December 31, 2021.

6. FAIR VALUE MEASUREMENTS

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

	Fair value measurements at March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market funds	$ 5,248	$ -	$ -	$ 5,248
Investments:				
Commercial paper	-	39,464	-	39,464
Corporate bonds	-	81,309	-	81,309
U.S. Government agencies	-	6,730	-	6,730
Total	$ 5,248	$ 127,503	$ -	$ 132,751

When developing fair value estimates, the Company maximizes the use of observable inputs and minimizes the use of unobservable inputs. When available, the Company uses quoted market prices to measure fair value. The valuation technique used to measure fair value for the Company's Level 1 and Level 2 assets is a market approach, using prices and other relevant information generated by market transactions involving identical or comparable assets. If market prices are not available, the fair value measurement is based on models that use primarily market-based parameters including yield curves, volatilities, credit ratings and currency rates. In certain cases where market rate assumptions are not available, the Company is required to make judgments about assumptions market participants would use to estimate the fair value of a financial instrument.

There were no transfers among Level 1, Level 2 or Level 3 categories in the three months ended March 31, 2022 or 2021.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

As of March 31, 2022, the Company leases office and laboratory facilities under operating leases, which expire at various dates through 2027. As part of its adoption of ASC 842, the Company recorded operating right-of-use assets and operating lease liabilities for these leases as of January 1, 2022.

On May 14, 2021, the Company commenced a lease for approximately 10,082 square feet at 451 D Street in Boston, MA. This serves as the Company's principal executive and administrative offices as well as laboratory space. The Company will pay a base monthly rent in the amount of $69 thousand during the first 12 months of the lease. Base monthly rent will increase annually, over the base monthly rent then in effect, by 3%.

On October 1, 2021, the Company commenced a lease for additional space of approximately 4,258 square feet at 451 D Street in Boston, MA. The Company will pay a base monthly rent in the amount of $33 thousand during the first 12 months of the lease. Base monthly rent will increase annually, over the base monthly rent then in effect, by 3%.

The lease terms for both leases at 451 D Street in Boston expire on September 30, 2026, with a one-time option to renew for a period of five years. The renewal periods are not included in the measurement of these leases as the Company is not reasonably certain of exercising them. Both leases are secured with a letter of credit for $628 thousand.

On November 1, 2020, the Company commenced a lease for approximately 7,643 square feet of space at 1405 Research Blvd in Rockville, MD. This serves primarily as laboratory space. The Company paid a base monthly amount of $25 thousand during the first 12 months. Base monthly rent will increase annually, over the base monthly rent then in effect, by 3%. The lease is secured with a letter of credit for $50 thousand and the term expires on February 28, 2027.

Finance Leases

The Company leases research equipment and furniture under finance leases. As part of its adoption of ASC 842, the Company recorded financing right-of-use assets and financing lease liabilities for these leases as of January 1, 2022.

On April 20, 2021, the Company entered into a finance lease agreement with a third-party company related to various research equipment and furniture, which included the Company selling specific equipment for $293 thousand, resulting in a gain on the sale of $20 thousand, and leasing it back for a four-year period. The associated lease facility includes up to $5 million for the purchase of equipment on an as needed basis. As of March 31, 2022, the Company had $2.7 million available for purchases under this arrangement. The Company has an option to purchase the equipment at fair market value, not to exceed 15% of the original equipment cost, or to renew the lease for an additional one- or two-year period at a mutually agreed upon rate.

On September 27, 2021, the Company commenced a lease for various research equipment. The terms of the four-year lease specify a monthly payment of $13 thousand, with the option to purchase the equipment for fair market value, to be determined by the lessor, at the end of the lease.

The following table contains a summary of the lease costs recognized under ASC 842 pertaining to the Company's finance and operating leases for the three months ended March 31, 2022 (in thousands):

	Three Months Ended March 31, 2022
Lease Cost:	
Amortization of finance right-of-use assets	$ 177
Interest on finance lease liabilities	46
Operating lease cost	414
Variable lease cost	173
Total lease costs	$ 810

The following table contains a summary of other information pertaining to the Company's finance and operating leases for the three months ended March 31, 2022 (in thousands, except lease term and discount rate):

	Three Months Ended March 31, 2022
Other Operating Lease Information:	
Operating cash flows for operating leases	$ 392
Operating cash flows for finance leases	$ 46
Financing cash flows from finance leases	$ 133
Weighted average remaining lease term	
Operating leases	4.6 years
Financing leases	3.7 years
Weighted average discount rate	
Operating leases	7.6%
Financing leases	8.3%

The following table presents supplemental balance sheet information related to operating and financing leases as of March 31, 2022 (in thousands):

	March 31, 2022
Operating leases	
Right-of-use assets	$ 6,267
Right-of-use lease liabilities, current	$ 1,160
Right-of-use lease liabilities, noncurrent	5,278
Total operating lease liabilities	$ 6,438
Financing leases	
Right-of-use assets, net	$ 2,551
Right-of-use lease liabilities, current	$ 786
Right-of-use lease liabilities, noncurrent	1,846
Total financing lease liabilities	$ 2,632

The following table presents the maturity of the Company's operating and finance lease liabilities as of March 31, 2022 (in thousands):

	Operating	Financing
Remainder of 2022	$ 1,196	$ 609
2023	1,628	812
2024	1,640	714
2025	1,689	683
2026	1,413	80
Thereafter	59	—
Total future minimum lease payments	$ 7,625	$ 2,898
Less amount representing interest	1,187	266
Total lease liabilities	$ 6,438	$ 2,632

The following table presents operating lease commitments as reflected under ASC 840 as of December 31, 2021 (in thousands):

	Operating
2022	1,585
2023	1,606
2024	1,641
2025	1,689
2026	1,413
2027	59
Total operating lease obligations	$ 7,993

The following table presents finance lease commitments as reflected under ASC 840 as of December 31, 2021 (in thousands):

	Financing
2022	$ 699
2023	674
2024	674
2025	553
2026	47
Total capital lease obligations	2,647
Less amount representing interest	(293)
Present value of minimum capital lease obligations	$ 2,354

License Agreements

In the normal course of business, the Company enters into licensing agreements with various parties to obtain the right to make, use, and sell licensed products currently in development.

Litigation

The Company records estimated losses from loss contingencies, such as a loss arising from a litigation, when it determines that it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Litigation is subject to many factors that are difficult to predict so that there can be no assurance, in the event of a material unfavorable result in one or more claims, the Company will not incur material costs.

During 2017, the Company became actively involved in a matter pending in the Ontario (Canada) Superior Court of Justice which names, among multiple other defendants, the Company and two former officers of the Company. The claims pending in this matter allege breach of contract by the Company and seek declaratory and other relief, including monetary damages from the Company, and the individual defendants, including the Company's former officers. The claims by such plaintiffs were originally made in a lawsuit filed in Ontario during October 2011, but was not pursued by such plaintiffs in any material manner until 2017. The Company believes that there is no merit to the claims alleged against the Company and its former officers, including no alleged breach of contract by the Company, and intends to vigorously defend against the claims pertaining to the Company and its former officers. At the present stage of the suit, management believes the outcome in this matter is not likely to have any material impact on the Company's results, cash flows, or financial position.

Coronavirus pandemic

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 pandemic continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 pandemic and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 pandemic on its results of operations, financial condition, or liquidity. Although the Company cannot estimate the length or gravity of the impact of the COVID-19 pandemic at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity during the remainder of 2022 and beyond.

8. EQUITY

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

Series BB Convertible Preferred Stock Issuance

In January 2021, the Company issued and sold 113,275,902 shares of Series BB convertible preferred stock at $0.207383 per share in exchange for $23.5 million in gross proceeds.

Initial Public Offering

In February 2021, the Company completed its IPO in which the Company issued and sold 8,030,295 shares of its common stock, including 1,030,243 shares pursuant to the partial exercise of the underwriters' option to purchase additional shares, at a public offering price of $19.00 per share, for aggregate gross proceeds of $152.6 million. The Company received approximately $138.5 million in net proceeds after deducting underwriting discounts and estimated offering expenses payable by the Company.

Upon closing of the IPO on February 8, 2021, all of the Company's outstanding preferred stock converted into an aggregate of 19,034,069 shares of common stock.

On February 8, 2021, in connection with the IPO, the Company filed an Amended and Restated Certificate of Incorporation (the "Amended Certificate") with the Secretary of State of the State of Delaware. The Amended Certificate, among other things: (i) authorized 250,000,000 shares of common stock; (ii) eliminated all references to the previously existing series of preferred stock; and (iii) authorized 10,000,000 shares of undesignated preferred stock that may be issued from time to time by the Company's board of directors in one or more series.

Common Stock Warrants

The following is a summary of the common stock warrant activity related to common stock warrants issued in conjunction with equity and debt fundraising events for the three months ended March 31, 2022:

	Number of Common Stock Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	412,262	$ 9.81	5.71	$ 723
Granted	—	$ —		
Exercised	—	$ —		
Expired	—			
Outstanding at March 31, 2022	412,262	$ 9.81	5.47	$ —

9. STOCK-BASED COMPENSATION

2018 Equity Incentive Plan

The Company's 2018 Stock Incentive Plan (the "2018 Plan"), provided for the Company to grant qualified incentive options, nonqualified options, stock grants and other stock-based awards to employees and non-employees to purchase the Company's common stock. Upon the effectiveness of the 2021 Plan (as defined below), no further issuances will be made under the 2018 Plan.

2021 Stock Option and Incentive Plan

The 2021 Equity Incentive Plan (the "2021 Plan") was approved by the board of directors on January 27, 2021, and the Company's stockholders on January 28, 2021 and became effective on the execution of the underwriting agreement related to the initial public offering. The 2021 Plan, which superseded the Company's previous equity incentive plan, provides for the grant of incentive stock options to employees, including employees of any parent or subsidiary corporations, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of stock awards to employees, directors, and consultants, including employees and consultants of the Company's affiliates. The number of shares initially reserved for issuance under the 2021 Plan was 5,000,000, which began automatically increasing on January 1 of each calendar year, starting on January 1, 2022 through January 1, 2031, in an amount equal to 4.0% of the total number of shares of the Company's capital stock outstanding on the last day of the calendar month before the date of each automatic increase, or a lesser number of shares determined by the board of directors. There were 2,504,400 shares reserved for issuance pursuant to the 2021 Plan as of March 31, 2022.

2021 Employee Stock Purchase Plan

The 2021 Employee Stock Purchase Plan (the "2021 ESPP") was approved by the Company's board of directors on January 27, 2021 and became effective on the execution of the underwriting agreement related to the initial public offering. A total of 333,333 shares of common stock were initially reserved for this issuance under the 2021 ESPP, which will automatically increase on January 1 of each calendar year, beginning on January 1, 2022 through January 1, 2031, by an amount equal to 1.0% of the total shares of common stock outstanding on December 31st of the preceding calendar year. The purchase price of the shares under the 2021 ESPP are at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the purchase date. As of March 31, 2022, the Company had issued 11,700 shares under the 2021 ESPP. As of March 31, 2022, 627,723 shares were available to be issued under the 2021 ESPP. The Company recognized no share-based compensation expense related to the ESPP for the three months ended March 31, 2022.

Stock Options

During 2022, the Company granted options to purchase shares of common stock to employees, consultants, and nonexecutive directors pursuant to the 2021 Plan. The Company uses the Black-Scholes option-pricing model to estimate the fair value of the stock options on the grant dates at a weighted average fair value of $3.13 per share.

The following is a summary of the stock option award activity during the three months ended March 31, 2022:

	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	3,026,464	$ 10.84	8.51	$ 6,403
Granted	681,704	$ 4.05		
Exercised	(73,784)	$ 3.22		
Forfeited	(206,800)	$ 9.58		
Expired	—	$ —		
Outstanding at March 31, 2022	3,427,584	$ 9.73	8.58	$ —
Options expected to vest as of March 31, 2022	2,262,393	$ 8.03	9.12	$ —
Exercisable at March 31, 2022	1,165,191	$ 13.03	7.53	$ —

The aggregate intrinsic value of stock options exercised in the three months ended March 31, 2022 was $0.1 million.

The total fair value of options vested during the three months ended March 31, 2022 was $4.1 million.

At March 31, 2022, there was approximately $15.2 million of unrecognized stock-based compensation expense associated with the stock options, which is expected to be recognized over a weighted-average period of 2.87 years.

Restricted Stock Units

The Company has granted restricted stock units with service vesting based conditions.

The following is a summary of the restricted stock unit activity during the three months ended March 31, 2022:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2021	—	—
Granted	205,201	$ 4.02
Unvested at March 31, 2022	205,201	$ 4.02

Pursuant to the 2021 Plan, the Company granted restricted stock units which vest annually over a period of one, two or four years. No restricted stock units vested during the three months ended March 31, 2022.

At March 31, 2022, there was approximately $0.8 million of unrecognized stock-based compensation expense associated with the restricted stock units which is expected to be recognized over a weighted-average period of 3.63 years.

Common Stock Warrants

The following is a summary of the employee-issued common stock warrant activity during the three months ended March 31, 2022:

	Number of Common Stock Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	57,004	$ 6.94	2.91	$ 2
Granted	—	$ —		
Exercised	—	$ —		
Expired	—	$ —		
Outstanding and exercisable at March 31, 2022	57,004	$ 6.94	2.66	$ —

As of March 31, 2022 there was no unrecognized stock-based compensation expense associated with the common stock warrants.

For the three months ended March 31, 2022, the Company utilized the Black-Scholes option-pricing model for estimating the fair value of the stock options granted. The following table presents the assumptions and the Company's methodology for developing each of the assumptions used:

	Three Months Ended March 31,	
	2022	2021
Volatility	93.67%-95.8%	91.5%-98.04%
Expected life (years)	5.84-7	5.52-6.08
Risk-free interest rate	1.7%–2.4%	0.5%-0.1.0%
Dividend rate	—%	—%

- Volatility—The Company estimates the expected volatility of its common stock at the date of grant based on the historical volatility of comparable public companies over the expected term.
- Expected life—The expected life is estimated as the contractual term.
- Risk-free interest rate—The risk-free rate for periods within the estimated life of the stock award is based on the U.S. Treasury yield curve in effect at the time of grant.
- Dividend rate—The assumed dividend yield is based upon the Company's expectation of not paying dividends in the foreseeable future.

Stock-based compensation expense was recorded in the following line items in the condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	2021
Research and development	$ 555	$ 509
General and administrative	960	840
Total stock-based compensation expense	$ 1,515	$ 1,349

10. EMPLOYEE RETIREMENT PLAN

The Company maintains a defined contribution 401(k) profit-sharing plan (the “Plan”) for all employees. Under the Plan, participants may make voluntary contributions up to the maximum amount allowable by law. The Plan is based on employees’ salary deferral, and the Company matches employees’ contributions up to 4% of the employees’ base salary. Employees are 100% vested in the Company’s match contributions. During the three months ended March 31, 2022 and 2021, the Company's matching contributions were $106 thousand and $29 thousand, respectively.

11. RELATED-PARTY TRANSACTIONS

Service Agreement

During 2020, the Company entered into a service agreement with Hope Farms at Disco Bay LLC ("Hope Farms") to provide animal vaccination testing and provide samples to the Company. The Company’s Chief Research and Development Officer is a co-founder and partial owner of Hope Farms. Further, the CEO of Hope Farms is the spouse of the Company’s Chief Research and Development Officer.

Expenses booked by the Company relating to this service agreement for the three months ended March 31, 2022 and 2021 were $28 thousand and $52 thousand, respectively. In the first quarter of 2022, the Company also made a payment of $47 thousand to Hope Farms that was outstanding at the end of 2021.

12. INCOME TAXES

The Company recorded no provision for income taxes for the three months ended March 31, 2022 and 2021.

Deferred tax assets and deferred tax liabilities are recognized based on temporary differences between the financial reporting and tax bases of assets and liabilities using statutory rates. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of net operating loss carryforwards and research and development credits. Under the applicable accounting standards, management has considered the Company’s history of losses and concluded that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against the Company’s otherwise recognizable net deferred tax assets.

13. NET LOSS PER SHARE

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

	Three Months Ended March 31,	
	2022	2021
Net loss	$ (12,405)	$ (7,972)
Net loss attributable to common stockholders	$ (12,405)	$ (7,972)
Net loss per share—basic and diluted	$ (0.40)	$ (0.42)
Weighted-average number of shares used in computing net loss per share—basic and diluted	30,647,679	18,904,853

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

	For the Three Months Ended March 31,	
	2022	2021
Stock options to purchase common stock	3,427,584	3,157,199
Unvested restricted stock units	205,201	—
Warrants issued to employees and contractor to purchase common stock	57,212	57,212
Warrants issued related to convertible notes and other equity agreements	412,262	412,262

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements contained in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "may," "might," "can," "will," "to be," "could," "would," "should," "expect," "intend," "plan," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "likely," "continue," "ongoing" or similar expressions, or the negative of such words, are intended to identify "forward-looking statements." We have based these forward-looking statements on our current expectations and projections about future events. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include those below in this Quarterly Report on Form 10-Q and those in our Annual Report on Form 10-K, in each case under the caption "Risk Factors," and in our other filings with the Securities and Exchange Commission, or SEC. Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes for the year ended December 31, 2021, which are included in our Annual Report on Form 10-K filed with the SEC on March 15, 2022.

Overview

We are a biopharmaceutical company engaged in the discovery, development, and delivery of next-generation immunotherapies with an initial focus on treatments for cancer. Our focus is to leverage well characterized biological targets to generate novel product candidates that incorporate next generation technologies or approaches. We have built a robust set of R&D capabilities and infrastructure to support the discovery and advancement of our product candidates. Our goal is to efficiently develop these product candidates by incorporating state-of-the-art biomarker approaches and mechanistic understanding into clinical trial designs targeted to well-defined patient populations.

We have developed two platforms that are designed to address resistance to immunotherapy. Our TMAb™ (Tumor Microenvironment Activated Biologics) platform generates next-generation antibodies that block key immune checkpoints selectively within the tumor microenvironment. Our ImmunoPhage™ platform is a pioneering approach to cancer therapy that utilizes and combines aspects of vaccine, gene therapy, and personalized medicine approaches. Both platforms are designed to work independently or have the potential to be combined for to create powerful rational drug combinations.

Our Pipeline

We currently have four investigational products in various stages of early development:

- **SNS-101** is our monoclonal antibody targeting the immune checkpoint VISTA and is currently in IND-enabling studies. In the second half of 2021, we selected our clinical candidate antibody and initiated GMP manufacturing and IND-enabling studies.
- **SNS-102** is our monoclonal antibody targeting VSIG4, an immune checkpoint often expressed on macrophages. We believe that VSIG4 is a key player in macrophage polarization.
- **SNS-103** is our monoclonal antibody targeting ENTPDase1, also known as CD39. ENTPDase1 is the rate-limiting enzyme in the breakdown of extracellular ATP, leading to the production of adenosine, a well-established immunosuppressive pathway.
- **SNS-401-NG** is our ImmunoPhage candidate being developed initially for the treatment of patients with Merkel cell carcinoma, or MCC. SNS-401-NG is designed to deliver a personalized cocktail of off-the-shelf premanufactured ImmunoPhage aimed at driving a patient-specific constellation of anti-tumor T cells.

SNS-101: Monoclonal Antibody Targeting VISTA

We believe that anti-VISTA antibodies have the potential to become the backbone of the next generation of cancer immunotherapy. Based on our expertise and deep understanding of this myeloid checkpoint target, our human monoclonal antibody targeting VISTA is designed to overcome the challenges of the previous generation of anti-VISTA monoclonal antibodies and has the potential to become first anti-VISTA monoclonal antibody approved for as a therapeutic agent.

Based on the unique biology of VISTA, we believe that there are three critical design parameters required to achieve optimal biologic activity of inhibitory anti-VISTA antibodies:

1. Block the pH-dependent binding of VISTA to PSGL-1 on T cells at low pH

2. Selectively bind VISTA at low pH to avoid TMDD and on-target/off-tumor side effects

3. Utilize an Fc-competent IgG backbone to engage and activate $FcgR^+$ myeloid cells within the tumor

SNS-101 is a fully human monoclonal IgG1 antibody that has been designed to selectively binds active (low pH) VISTA, but not inactive VISTA in the blood. In preclinical studies, we have observed that SNS-101 binds to VISTA at low pH with a greater than 600-fold differential affinity compared to VISTA at physiological pH of 7.4. SNS-101 has shown favorable pharmacokinetic properties, demonstrating sustained higher serum drug concentrations of SNS-101 compared to anti-VISTA antibodies that bind blood elements at physiological pH. In addition, in the MC38 syngeneic mouse model, SNS-101 has shown significant activity in combination with anti-PD-1.

Based on the totality of the preclinical data to date and the promising profile of this antibody, we have initiated both IND-enabling studies and GMP manufacturing for SNS-101. We expect to submit an IND in the first half of 2023.

SNS-102: Monoclonal antibody targeting VSIG-4

VSIG-4 (V-set and Ig domain-containing 4; also known as CRIg, or complement receptor of the Ig superfamily) is a B7-related protein, which is highly expressed on macrophages, including TAMs. VSIG-4 has been shown to be a potent inhibitor of T cell proliferation and inhibits proinflammatory macrophage activity through metabolic reprogramming. These complementary immunosuppressive features of VSIG-4 make it an interesting and high-potential myeloid immunotherapeutic target.

Expression of VSIG-4 in normal tissues, chiefly on tissue-resident macrophage populations such as the Kupffer cells of the liver, suggest the presence of a large peripheral target sink and potential for on-target/off-tumor toxicities. Taken together, these features make VSIG-4 a strong candidate for a TMAb-based approach.

We have generated antibodies and are currently screening to identify a lead monoclonal antibody for SNS-102. We expect to select a product candidate and initiate IND-enabling studies in 2023.

SNS-103: Monoclonal antibody targeting ENTPDase1 (CD39)

ENTPDase1 (also known as CD39, or ecto-nucleoside triphosphate diphosphohydrolase-1) is the upstream, rate-limiting enzyme, leading to the breakdown of extracellular adenosine triphosphate, or ATP. Extracellular ATP represents a potent immunologic “danger signal”, which drives immune activation. The ultimate downstream product of this pathway, adenosine, has potent immunosuppressive activity through binding to adenosine receptors. Upregulation of CD39 by tumors is common and leads to decreased extracellular ATP and a diminished anti-tumor immune response.

Pharmacologic inhibition of CD39 activity has shown anti-tumor activity in a variety of experimental tumor models. Several of these molecules are currently being evaluated as cancer therapeutics in early phase clinical trials. CD39, although upregulated in tumors, is also expressed in normal tissue on a variety of different cell populations. The expression of CD39 on endothelial cells is particularly problematic, as this is anticipated to result in significant on-target/off-tumor binding, leading to TMDD, a poor PK profile and potential toxicities.

We have initiated a TMAb antibody campaign aimed at developing an anti-CD39 inhibitory antibody with high selectivity for CD39 in the tumor microenvironment, or TME, versus normal tissue environments. We expect to select a product candidate in 2023.

ImmunoPhage product candidate: SNS-401-NG

SNS-401-NG, our multi-antigenic personalized ImmunoPhage candidate, is being developed in collaboration with the University of Washington.

We intend to initially develop SNS-401-NG for the treatment of Merkel cell carcinoma or MCC, an aggressive form of skin cancer commonly driven by the Merkel Cell Polyoma Virus. If clinical proof of concept is achieved, we plan to evaluate a broader basket study in patients with head and neck cancer, lung cancer, melanoma, and triple negative breast cancer based on the prevalence of Phortress antigens.

We do not have any product candidates approved for sale, have not generated any revenue from product sales, and do not expect to generate any revenue from product sales for at least the next several years. We have largely funded our operations with proceeds from the sale of convertible preferred stock, common stock and convertible debt. Through the date of this report, we have raised an aggregate of $123.4 million of gross proceeds from private placements of our equity and convertible debt securities and net proceeds of $138.5 million from our initial public offering, or IPO, in February 2021.

We have incurred significant operating losses over the last several years. Our net loss was $12.4 million and $8.0 million for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, we had an accumulated deficit of $161.6 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- prepare to submit INDs and then initiate clinical development of product candidates, including SNS-101;
- continue the research and development of our other product candidates;
- invest in our TMAb and ImmunoPhage platforms;
- seek to discover and develop additional product candidates or acquire or in-license drugs, product candidates or technologies;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure and scale up manufacturing capabilities to commercialize any product candidates for which we may obtain regulatory approval;
- manufacture our product candidates or otherwise secure the clinical and commercial supply of our product candidates;
- hire additional research and development and selling, general and administrative personnel;
- maintain, expand and protect our intellectual property portfolio; and
- incur additional costs associated with operating as a public company.

Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our accounts payable and accrued expenses. We expect to continue to incur net losses and negative cash flows for the foreseeable future, and we expect our research and development expenses, general and administrative expenses, and capital expenditures will continue to increase. In particular, we expect our expenses to increase as we continue our development of, and seek regulatory approvals for, our product candidates, as well as hire additional personnel, pay fees to outside consultants, lawyers and accountants, and incur other increased costs associated with being a public company. In addition, if we seek and obtain regulatory approval to commercialize any product candidate, we will also incur increased expenses in connection with commercialization and marketing of any such product.

Impact of COVID-19

In March 2020, COVID-19 was declared a global pandemic by the World Health Organization and to date, the COVID-19 pandemic continues to present a substantial public health and economic challenge around the world. The length of time and full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain, subject to change and are difficult to predict. While we continue to conduct our research and development activities, the COVID-19 pandemic may cause disruptions that impact the timing of our planned and ongoing pre-clinical trials and affect our ability to complete preclinical studies, future clinical trials or to procure items that are essential for our research and development activities.

In addition, a further recurrence of COVID-19 cases could cause other widespread or more severe impacts depending on where infection rates are highest. We plan to continue to closely monitor the ongoing impact of the COVID-19 pandemic on our employees and our business operations, as we deal with the disruptions and uncertainties relating to the COVID-19 pandemic. In an effort to provide a safe work environment for our employees, we have, among other things, implemented various social distancing measures in our office and labs including replacing in-person meetings with virtual interactions, and are working remotely when possible. We expect to continue to take actions as may be required or recommended by government authorities or as we determine are in the best interests of our employees and other business partners in light of the pandemic. To date, there has not been a significant impact on our product candidate development or on the rest of our pipeline; however we cannot at this time predict the specific extent, duration, or full impact that the COVID-19 pandemic could potentially have on our ongoing business plan, financial condition and operations.

Components of Our Results of Operations

Operating Expenses

Research and Development Expense

Our research and development expense consists of expenses incurred in connection with the discovery and development of our product candidates. These expenses include:

- expenses incurred under agreements with CROs, as well as investigative sites and consultants that conduct our preclinical studies and clinical trials;
- the cost of manufacturing our product candidates including the potential cost of CMOs that manufacture product for use in our preclinical studies and clinical trials and perform analytical testing, scale-up and other services in connection with our development activities;

- the cost of outsourced professional scientific development services;
- employee-related expenses, including salaries, benefits and stock-based compensation for employees engaged in the research and development function;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- fees for maintaining licenses and other amounts due under our third party licensing agreements;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses for utilities and other facility-related costs.

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

Our direct external research and development expenses consist primarily of external costs, such as fees paid to CROs, CMOs, research/testing laboratories and outside consultants in connection with our preclinical development, process development, manufacturing and clinical development activities. We do not allocate these costs to specific product candidates because many of them are deployed across several of our development programs and, as such, are not separately classified. We use internal resources primarily to conduct research and manage our preclinical development, outsourced clinical trials, process development, manufacturing and clinical development activities. These employees work across multiple development programs and, therefore, we do not track their costs by program and, as such, are not separately classified. Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect our research and development expenses to increase significantly over the next several years as we increase personnel costs, including stock-based compensation, conduct our preclinical studies and clinical trials, and prepare regulatory filings for our product candidates.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from any of our other product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the scope, progress, outcome and costs of our preclinical studies, our current product candidates and any other product candidates we may acquire or develop;
- manufacturing of our product candidates or making arrangements with potential third-party manufacturers for both clinical and commercial supplies of these product candidates;
- successful patient enrollment in, and the initiation, duration and completion of clinical trials;
- the cost of gaining regulatory approvals for our product candidates, subject to the successful outcome of ongoing and future clinical trials; and
- the extent of any required post-marketing approval commitments to applicable regulatory authorities.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals, and the expense of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights. We may never succeed in achieving regulatory approval for any of our product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development. Product commercialization will take several years and significant additional development costs.

General and Administrative Expense

General and administrative expenses consist principally of salaries and related costs for personnel in executive, administrative, finance and legal functions, including stock-based compensation, travel expenses and recruiting expenses. Other general and

administrative expenses include facility related costs, patent filing and prosecution costs and professional fees for legal, auditing and tax services, and insurance costs.

We anticipate that our general and administrative expenses will increase as a result of increased payroll, expanded infrastructure and higher consulting, legal and tax-related services associated with maintaining compliance with Nasdaq listing and SEC requirements, accounting and investor relations costs, and director and officer insurance premiums associated with being a public company.

Other Income (Expense)

Our other income (expense) consists of changes in the fair value of our derivative liability related to an embedded derivative on certain convertible debt, realized gain or loss on short-term investments, gain on debt extinguishments, accretion expense on short-term investments and interest expense.

Income Taxes

Since our inception, we have not recorded any income tax benefits for the net losses we have incurred or for the research and development tax credits earned in each year, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credit carryforwards will not be realized.

Results of Operations

Comparison of the Three Months Ended March 31, 2022 and 2021

The following sets forth our results of operations for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,		
(in thousands)	**2022**	**2021**	**Change**
Operating expenses:			
Research and development	$ 7,455	$ 3,365	$ 4,090
General and administrative	5,032	4,604	428
Total operating expenses	12,487	7,969	$ 4,518
Loss from operations	(12,487)	(7,969)	(4,518)
Total other income (expense)	82	(3)	85
Net loss	$ (12,405)	$ (7,972)	$ (4,433)

Research and Development Expenses

Research and development expenses were $7.5 million for the three months ended March 31, 2022, compared to $3.4 million for the three months ended March 31, 2021. The increase of $4.1 million was primarily attributable to $1.4 million of increased expenses relating to manufacturing contracts, $1.2 million of increased personnel cost, including stock-based compensation and incentives, to support our research, development and manufacturing activities, $1.0 million of additional expenses relating to lab supply purchases and equipment, $0.5 million of increased research fees and $0.2 million of higher facilities expense, partially offset by $0.3 million of lower expense associated with clinical trials.

General and Administrative Expenses

General and administrative expenses were $5.0 million for the three months ended March 31, 2022, compared to $4.6 million for the three months ended March 31, 2021. The increase of $0.4 million was primarily attributable to $0.4 million of higher licenses and fees costs, $0.2 million of increased directors and officers insurance costs, $0.2 million of higher facilities expense and $0.1 million of increased personnel cost, including stock-based compensation and incentives, partially offset by $0.3 million of lower expense for legal fees and $0.2 million of lower consulting expenses.

Other Income (Expense)

Other income was $0.1 million for the three months ended March 31, 2022, compared to other expense of $0.0 million for the three months ended three months ended March 31, 2021. The increase was primarily attributable to $0.1 million of investment related interest.

Liquidity and Capital Resources

Sources of Liquidity

We have not generated any product revenue and have incurred net losses and negative cash flows from our operations. We have financed our operations through sales of our common stock, convertible preferred stock and convertible debt. Through the date of this report, we have raised an aggregate of $123.4 million of gross proceeds from private placements of our equity and convertible debt securities and net proceeds of $138.5 million from our initial public offering, or IPO, in February 2021. Our net loss was $12.4 million and $8.0 million for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022, we had an accumulated deficit of $161.6 million. Our primary use of cash is to fund operating expenses, which consist primarily of research and development expenditures, and to a lesser extent, general and administrative expenditures.

As of March 31, 2022, we had cash, cash equivalents and marketable securities of $136.2 million. From December 2020 to January 2021, we issued and sold 165,956,208 shares of Series BB convertible preferred stock to a group of investors, in exchange for $34.4 million of new gross proceeds, of which approximately $23.5 million was received in January 2021. In February 2021, we issued an aggregate of 8,030,295 shares of common stock in our initial public offering at a price to the public of $19.00 per share, for aggregate gross proceeds of $152.6 million. We paid underwriting discounts and commissions of $10.7 million, and we also incurred expenses of $3.4 million in connection with the offering. As a result, the net offering proceeds to us, after deducting underwriting discounts and commissions and offering expenses, were $138.5 million.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods below:

	Three Months Ended March 31,	
(in thousands)	**2022**	**2021**
Net cash used in operating activities	$ (10,750)	$ (10,767)
Net cash provided by (used in) investing activities	12,193	(487)
Net cash provided by financing activities	119	164,076
Net increase in cash and cash equivalents	$ 1,562	$ 152,822

Operating Activities

During the three months ended March 31, 2022, our operating activities used $10.8 million of cash, primarily resulting from our $12.4 million net loss and a $0.8 million decrease in our operating assets and liabilities, partially offset by increases in non-cash charges of $2.3 million. During the three months ended March 31, 2021, our operating activities used $10.8 million of cash, primarily resulting from our $8.0 million net loss and a $4.2 million decrease in our operating assets and liabilities, partially offset by increases in non-cash charges of $1.5 million.

Investing Activities

During the three months ended March 31, 2022, net cash provided by investing activities was $12.2 million, primarily due to $20.2 million in sales and maturities of short-term investments, partially offset by $8.0 million in purchases of short-term investments. During the three months ended March 31, 2021, net cash used in investing activities was $0.5 million related to purchases of property and equipment.

Financing Activities

During the three months ended March 31, 2022, net cash provided by financing activities was $0.1 million, primarily from $0.2 million of proceeds from the exercise of stock options, offset by principle payments for financing leases. During the three months ended March 31, 2021, net cash provided by financing activities was $164.1 million, primarily from the net proceeds from the issuance of common stock as part of our initial public offering, as well as proceeds from the issuance of Series BB convertible preferred stock prior to the initial public offering.

Material Cash Requirements

Our material cash requirements will have an impact on our future liquidity. Our material cash requirements represent material expected or contractually committed future payment obligations. We believe that we will be able to fund these obligations through cash from our existing balances of cash, cash equivalents and marketable securities.

Operating Leases

We have operating lease arrangements for our corporate offices, lab facilities and an executive residence. As part of its adoption of ASC 842, we recorded operating right-of-use assets and operating lease liabilities for these leases as of January 1, 2022. As of March 31, 2022, we had operating lease payment obligations of $7.6 million, with $1.2 million payable for the remainder of 2022. See Note 7 in our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional information.

Finance Leases

We lease research equipment, furniture and a vehicle under finance leases. As part of its adoption of ASC 842, we recorded financing right-of-use assets and financing lease liabilities for these leases as of January 1, 2022. As of March 31, 2022, we had finance lease payment obligations of $2.9 million, with $0.6 million payable for the remainder of 2022. See Note 7 in our financial statements included elsewhere in this Form 10-Q for additional information.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, continue or initiate clinical trials of, and potentially seek marketing approval for, our product candidates. In addition, we expect to incur significant costs associated with operating as a newly public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company. The timing and amount of our operating expenditures will depend largely on:

- the initiation, progress, timing, costs and results of current and future preclinical studies and clinical trials for SNS-101, SNS-102, SNS-103, SNS-401-NG and our other product candidates;
- the cost and timing of the manufacture of additional clinical trial material as well as any costs related to the scale-up of manufacturing activities;
- the costs to seek regulatory approvals for any product candidates that successfully complete clinical trials;
- the extent to which we or any third-party service providers on whom we rely experience delays or interruptions to preclinical studies and clinical trials, or to our supply chain due to the COVID-19 pandemic;
- the need to hire additional clinical, quality assurance, quality control and other scientific personnel;
- the number and characteristics of product candidates that we develop or may in-license;
- the outcome, timing and cost of meeting and maintaining compliance with regulatory requirements;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the terms of any collaboration agreements we may choose to enter into, including the achievement of milestones or occurrence of other developments that trigger payments under any license or collaboration agreements we might have at such time;
- the cost associated with the expansion of our operational, financial and management systems and increased personnel, including personnel to support our operations as a public company; and
- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we choose to commercialize our products, if approved, on our own.

We expect our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements at least into the first quarter of 2025. We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of product discovery, preclinical studies and clinical trials;
- the scope, prioritization and number of our research and development programs;

- the costs, timing and outcome of regulatory review of our product candidates;
- our ability to establish and maintain collaborations on favorable terms, if at all;
- the extent to which we are obligated to reimburse, or entitled to reimbursement of, clinical trial costs under collaboration agreements, if any;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other product candidates and technologies;
- the costs of securing manufacturing arrangements for commercial production;
- the costs of establishing or contracting for sales and marketing capabilities if we obtain regulatory approvals to market our product candidates; and
- the impact of the COVID-19 pandemic and the corresponding responses of businesses and governments.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. We do not currently have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect your rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, debt financing would result in fixed payment obligations.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the U.S. Securities and Exchange Commission.

Critical Accounting Policies and Significant Judgements and Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our financial statements, which are prepared in accordance with US GAAP. The preparation of our financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

We define our critical accounting policies as those accounting principles that require us to make subjective estimates and judgments about matters that are uncertain and are likely to have a material impact on our financial condition and results of operations, as well as the specific manner in which we apply those principles. During the three months ended March 31, 2022, there were no significant changes to our critical accounting policies disclosed in our audited financial statements for the year ended December 31, 2021, which are included in our Annual Report on Form 10-K, as filed with the SEC on March 15, 2022.

Recent Accounting Pronouncements

See Note 2 in our condensed consolidated financial statements included elsewhere in this Form 10-Q for a description of recent accounting pronouncements applicable to our financial statements. Other than as disclosed in our financial statements, we do not expect that any recently issued accounting standards will have a material impact on our financial statements or will otherwise apply to our operations.

Emerging Growth Company and Smaller Reporting Company Status

We qualify as an EGC, as defined in the JOBS Act. As an EGC, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies, including reduced disclosure about our executive compensation arrangements, exemption from the requirements to hold non-binding advisory votes on executive compensation and golden parachute payments and exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions until the last day of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We would cease to be an EGC earlier if we have more than $1.07 billion in annual revenue, we have more than $700.0 million in market value of our stock held by non-affiliates (and we have been a public company for at least 12 months and have filed one annual report on Form 10-K) or we issue more than $1.0 billion of non-convertible debt securities over a three-year period. For so long as we remain an EGC, we are permitted, and intend, to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not EGCs. We may choose to take advantage of some, but not all, of the available exemptions.

In addition, the JOBS Act provides that an EGC can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an EGC to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to “opt out” of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that we either (i) irrevocably elect to “opt out” of such extended transition period or (ii) no longer qualify as an EGC. Therefore, the reported results of operations contained in our consolidated financial statements may not be directly comparable to those of other public companies.

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

If we are a smaller reporting company at the time we cease to be an EGC, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to EGCs, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Item 10 of Regulation S-K and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2022.

Changes in Internal Control over Financial Reporting:

There were no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2022 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings. From time to time, we may become involved in other litigation or legal proceedings relating to claims arising from the ordinary course of business.

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 the trading price of our securities. Such risks may be amplified by the COVID-19 pandemic and its potential impact on our business and the global economy. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission on March 15, 2022. There have been no material changes to the risk factors described in that report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds from Initial Public Offering of Common Stock

On February 3, 2021, our Registration Statement on Form S-1, as amended (File No. 333-252704) was declared effective in connection with our initial public offering, or IPO, pursuant to which we sold 8,030,295 shares of our common stock, including the partial exercise of the underwriters' option to purchase additional shares, at a price to the public of $19.00 per share. The initial closing of our initial public offering occurred on February 8, 2021. We received net proceeds from the initial public offering of $138.5 million (after deducting underwriters' discounts and commissions and additional offering related costs of $14.1 million). Citigroup, Piper Sandler & Co. and Berenberg acted as joint book-running managers for the IPO. Oppenheimer & Co. acted as the lead manager for the IPO.

No expenses incurred by us in connection with our initial public offering were paid directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities, or (iii) any of our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service.

There has been no material change in the planned use of proceeds from our initial public offering from those disclosed in the final prospectus for our initial public offering dated as of February 3, 2021, and filed with the SEC on February 4, 2021 pursuant to Rule 424(b)(4).

(c) Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits, Financial Statement Schedules.

(3) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-39980), filed with the SEC on February 11, 2021).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-39980), filed with the SEC on February 11, 2021).
10.1	Open Market Sales Agreement℠, dated March 15, 2022, by and between the Registrant and Jefferies LLC (incorporated by reference to Exhibit 1.2 to the Registrant's Registration Statement on Form S-3 (File No. 333-263567), filed with the SEC on March 15, 2022).
10.2	Amended and Restated Employment Agreement, dated January 1, 2022, by and between the Registrant and Erin Colgan (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K (File No. 001-39980), filed with the SEC on March 15, 2022).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2022, formatted in Inline Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Convertible Preferred Stock, Common Stock and Stockholders' Equity (Deficit), (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements (filed herewith)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** This certification is being furnished solely to accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Sensei Biotherapeutics, Inc.

Date: May 10, 2022

By: /s/ John Celebi
John Celebi
President and Chief Executive Officer

By: /s/ Erin Colgan
Erin Colgan
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Celebi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Sensei Biotherapeutics, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 10, 2022

By: /s/ John Celebi
John Celebi
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Erin Colgan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Sensei Biotherapeutics, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 10, 2022

By: /s/ Erin Colgan

Erin Colgan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), John Celebi, President and Chief Executive Officer of Sensei Biotherapeutics, Inc. (the "Company"), and Erin Colgan, Senior Vice President of Finance and Administration of the Company, each hereby certifies that, to the best of his or her knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 10th day of May 2022..

/s/ John Celebi
John Celebi
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Erin Colgan
Erin Colgan
Chief Financial Officer
(Principal Financial Officer)

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