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 June 30, 2021

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.)**
1405 Research Blvd, Suite 125 Rockville, MD	**20850**
(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 July 31, 2021 was 30,588,495.

Table of Contents

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)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 15,599	$ 16,596
Marketable securities	146,899	—
Deferred offering costs	—	2,105
Prepaid expenses	2,643	1,375
Other current assets	472	—
Total current assets	165,613	20,076
Property and equipment, net	2,111	1,266
Deposits	-	86
Total assets	$ 167,724	$ 21,428
Liabilities, convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,828	$ 3,882
Other liabilities	1,095	948
Total current liabilities	3,923	4,830
Debt	567	567
Other non-current liabilities	109	138
Total liabilities	4,599	5,535
Commitments and contingencies (Note 8)		
Convertible preferred stock (Series AA) (Note 9)	—	61,411
Convertible preferred stock (Series BB) (Note 9)	—	10,925
Stockholders' equity (deficit):		
Common stock, $0.0001 par value; 1,230,000,000 shares authorized as of June 30, 2021, 30,588,495 shares and 1,875,422 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	3	—
Additional paid-in capital	293,378	55,969
Accumulated deficit	(130,155)	(112,412)
Accumulated other comprehensive loss	(101)	—
Total stockholders' equity (deficit)	163,125	(56,443)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 167,724	$ 21,428

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)

	Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Operating expenses:				
Research and development	$ 5,898	$ 2,858	$ 9,263	$ 5,053
General and administrative	3,886	1,311	8,490	3,219
Alvaxa IPR&D	—	738	—	738
Total operating expenses	9,784	4,907	17,753	9,010
Loss from operations	(9,784)	(4,907)	(17,753)	(9,010)
Other income (expense):				
Interest income	188	—	188	—
Interest expense, including $0 and $645 with related parties in the three months and six months ended June 30, 2021 and 2020, respectively	(147)	(3)	(150)	(1,632)
Fair value adjustments on embedded debt derivatives, including $0 and $575 with related parties in the three months and six months ended June 30, 2021 and 2020, respectively	—	—	—	995
Loss on fixed asset disposition	(28)	—	(28)	—
Gain on debt extinguishment	—	—	—	45
Net loss	(9,771)	(4,910)	(17,743)	(9,602)
Cumulative dividends on convertible preferred stock	—	—	—	(104)
Net loss attributable to common stockholders	$ (9,771)	$ (4,910)	$ (17,743)	$ (9,706)
Net loss per common share, basic and diluted	$ (0.32)	$ (3.02)	$ (0.72)	$ (6.87)
Weighted-average number of shares used in computing net loss per common share, basic and diluted	30,588,495	1,625,011	24,778,949	1,413,062
Comprehensive loss:				
Net loss	$ (9,771)	$ (4,910)	$ (17,743)	$ (9,602)
Other comprehensive items:				
Unrealized loss on marketable securities	(101)	—	(101)	—
Total other comprehensive loss	(101)	—	(101)	—
Total comprehensive loss	$ (9,872)	$ (4,910)	$ (17,844)	$ (9,602)

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 A-F)		Convertible Preferred Stock (Series AA)		Convertible Preferred Stock (Series BB)		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Amount	
Balance at December 31, 2019	15,257,663	$ 47,545	—	$ —	—	$ —	369,491	$ —	$ 23,650	$ (92,312)	$ —	$ (68,662)
Stock-based compensation expense	—	—	—	—	—	—	—	—	194	—	—	194
Conversion of series A,B,C,D,E,F preferred stock into common stock	(15,257,663)	(47,545)	—	—	—	—	627,871	—	47,545	—	—	47,545
Conversion of common stock into series AA preferred stock	—	—	210,310,025	17,274	—	—	(148,732)	—	(17,274)	—	—	(17,274)
Preferred stock issued in exchange for note redemption	—	—	188,173,050	15,456	—	—	—	—	—	—	—	—
Issuance of series AA preferred stock	—	—	128,655,262	10,567	—	—	—	—	—	—	—	—
Issuance of common stock warrants	—	—	—	—	—	—	634,118	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	(4,692)	—	(4,692)
Balance at March 31, 2020	—	$ —	527,138,337	$ 43,297	—	$ —	1,482,748	$ —	$ 54,115	$ (97,004)	$ —	$ (42,889)
Stock-based compensation expense	—	—	—	—	—	—	—	—	163	—	—	163
Issuance of common stock related to Alvaxa acquisition	—	—	—	—	—	—	304,376	—	541	—	—	541
Net loss	—	—	—	—	—	—	—	—	—	(4,910)	—	(4,910)
Balance at June 30, 2020	—	$ —	527,138,337	$ 43,297	—	$ —	1,787,124	$ —	$ 54,819	$ (101,914)	$ —	$ (47,095)
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, net of issuance costs	—	—	—	—	—	—	8,030,295	1	138,488	—	—	138,489
Issuance 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
Stock-based compensation expense	—	—	—	—	—	—	—	—	1,745	—	—	1,745
Unrealized loss on marketable securities	—	—	—	—	—	—	—	—	—	—	(101)	(101)
Net loss	—	—	—	—	—	—	—	—	—	(9,771)	—	(9,771)
Balance at June 30, 2021	—	$ —	—	$ —	—	$ —	30,588,495	$ 3	$ 293,379	$ (130,155)	$ (101)	$ 163,125

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)

	For the Six Months Ended June 30,	
	2021	2020
Operating activities		
Net loss	$ (17,743)	$ (9,602)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	3,095	357
Depreciation and amortization	220	75
Accretion on debt	-	1,578
Accretion on marketable securities	145	-
Fair value adjustments on embedded debt derivatives	-	(995)
Interest on capital lease	5	6
Issuance of common stock for Alvaxa acquisition	-	541
Loss on fixed asset disposition	28	-
Gain on debt extinguishment	-	(45)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,740)	(829)
Deposits	86	(36)
Accounts payable and accrued liabilities	(1,148)	47
Accrued interest	-	50
Other liabilities	238	(374)
Net cash used in operating activities	(16,814)	(9,227)
Investing activities		
Purchases of property and equipment	(1,103)	(54)
Purchases of short-term investments	(147,145)	-
Alvaxa IPR&D acquisition	-	(197)
Net cash used in investing activities	(148,248)	(251)
Financing activities		
Proceeds from the PPP loan	-	567
Proceeds from the exercise of common stock warrants and options	1	-
Capital lease payments	(21)	(21)
Proceeds on the issuance of series AA convertible preferred stock	-	10,567
Proceeds from issuance of common stock upon initial public offering, net of issuance costs	140,594	-
Proceeds on the issuance of series BB convertible preferred stock	23,491	-
Net cash provided by financing activities	164,065	11,113
Net (decrease) increase in cash and cash equivalents	(997)	1,635
Cash and cash equivalents at beginning of period	16,596	251
Cash and cash equivalents at end of period	$ 15,599	$ 1,886
Supplemental disclosure of noncash financing and investing information:		
Property and equipment additions included in accounts payable and accrued liabilities	$ 56	$ 777
Issuance costs included in accounts payable and accrued liabilities	$ 534	$ —
Interest on financing	$ 5	$ 6
Conversion of series A, B, C, D, E, F convertible preferred stock into common stock	$ —	$ 47,545
Conversion of series AA and BB convertible preferred stock into common stock	$ 95,826	$ —
Conversion of common stock into series AA convertible preferred stock	$ —	$ 17,274
Convertible preferred stock issued in exchange for note redemption	$ —	$ 15,456

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 product 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 $17.7 million for the six months ended June 30, 2021. As of June 30, 2021, the Company had an accumulated deficit of $130.2 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 June 30, 2021 of $162.5 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

The Company classifies deposits in banks, money market funds and cash invested temporarily in various instruments with maturities of three months or less at the time of purchase as cash and cash equivalents. At June 30, 2021, 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 income (loss).

Recently Issued Accounting Standards Updates

In February 2016, the FASB issued Accounting Standards Updates ("ASU") No. 2016-02, *Leases (Topic 842)*, as amended, with guidance regarding the accounting for and disclosure of leases. The update requires lessees to recognize the liabilities related to all leases, including operating leases on the balance sheet. This update also requires lessees and lessors to disclose key information about their leasing transactions. This update is effective for entities other than public business entities, including emerging growth companies that elected to defer compliance with new or revised financial accounting standards until a company that is not an issuer is required to comply with such standards, for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the impact of adopting ASU No. 2016-02 on the condensed consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (*Topic 820*), Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. This update removed the following disclosure requirements: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; and (3) the valuation processes for Level 3 fair value measurements. Additionally, this update added the following disclosure requirements: (1) the changes in unrealized gains and losses for the period included in other comprehensive income and loss for recurring Level 3 fair value measurements held at the end of the reporting period; (2) the range and weighted average of

significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. The Company adopted ASU No. 2018-13 on January 1, 2020 and it did not have a material effect on the condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. ASU No. 2019-12 eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. This update is effective for entities other than public business entities, including emerging growth companies that elected to defer compliance with new or revised financial accounting standards until a company that is not an issuer is required to comply with such standards, for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. The Company adopted ASU No. 2019-12 on January 1, 2020 and it did not have a material effect on the condensed consolidated financial statements and related disclosures.

3. MARKETABLE SECURITIES

Marketable securities consist of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Commercial paper	$ 59,955	$ 3	$ (8)	$ 59,950
Corporate bonds	86,045	-	(91)	85,954
U.S. Government agencies	1,000	-	(5)	995
Total	$ 147,000	$ 3	$ (104)	$ 146,899

As of June 30, 2021, 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 $65.4 million that had maturities of one to three years.

As of June 30, 2021, $91 thousand and $13 thousand of unrealized losses are 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 six months ended June 30, 2021.

4. PROPERTY AND EQUIPMENT, NET

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

	June 30, 2021	December 31, 2020
Office equipment and furniture	$ 385	$ 94
Research equipment	2,470	1,767
Total property and equipment	2,855	1,861
Less accumulated depreciation and amortization	(744)	(595)
Property and equipment, net	$ 2,111	$ 1,266

Depreciation and amortization expense for the three months ended June 30, 2021 and 2020 was $122 thousand and $52 thousand, respectively, and for the six months ended June 30, 2021 and 2020 was $220 thousand and $75 thousand, respectively.

5. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following (in thousands):

	June 31, 2021	December 31, 2020
Compensation and benefits	$ 1,095	$ 916
Other	-	32
Total other current liabilities	$ 1,095	$ 948

6. 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 accrues on the outstanding principal at a rate of 1.0% per annum. The Company has applied for forgiveness and the application is currently under review. To the extent the PPP Loan amount is not forgiven the Company will make equal monthly payments of principal and interest, beginning after determination of forgiveness by the lender.

7. 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 June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents				
Money market funds	$ 13,868	$ -	$ -	$ 13,868
Investments:				
Commercial paper	-	59,950	-	59,950
Corporate bonds	-	85,954	-	85,954
U.S. Government agencies	-	995	-	995
Total	$ 13,868	$ 146,899	$ -	$ 160,767

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.

The Company's embedded debt derivatives during 2020 are measured at fair value using a probability-weighted discounted cash flow valuation methodology. The determination of the fair value of embedded debt derivatives includes inputs not observable in the market and as such, represents a Level 3 measurement. The methodology utilized requires inputs based on certain subjective assumptions, including probabilities of debt settlement scenarios and a discount rate. This approach results in the classification of these embedded debt derivatives as Level 3 of the fair value hierarchy.

The assumptions utilized to value the embedded debt derivatives during the six months ended June 30, 2020 prior to the settlement of such instruments included the actual outcome of the underling debt host contract, whether it was settled on a qualified financing prior to the contractual maturity date or settlement at the contractual maturity date. For the six months ended June 30, 2020, the Company recognized $1.0 million of income in the condensed consolidated statement of operations as other income—fair value adjustments on embedded debt derivatives. The fair value of the embedded debt derivate was zero as of June 30, 2020.

The following table provides a reconciliation of embedded debt derivatives measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Amount
Balance at December 31, 2019	$ 3,920
Change in fair value	(995)
Settlement	(2,925)
Balance at June 30, 2020	$ —

There were no transfers among Level 1, Level 2 or Level 3 categories in the three or six months ended June 30, 2021 or June 30, 2020.

8. COMMITMENTS AND CONTINGENCIES

Operating Lease

As of June 30, 2021, the Company leases office facilities and other equipment under operating leases, which expire at various dates through 2027. Lease expense for the three months ended June 30, 2021 and 2020 was $272 thousand and $356 thousand, respectively, and for the six months ended June 30, 2021 and 2020 was $506 thousand and $660 thousand, respectively.

The following table presents the future annual minimum payments required under noncancellable operating leases at June 30, 2021 (in thousands):

Remainder of 2021	$ 680
2022	1,584
2023	1,605
2024	1,640
2025	1,688
2026	1,414
2027	59
Total operating lease obligations	$ 8,670

As of June 30, 2021, the Company has letters of credit agreements outstanding totaling $678 thousand as security for office facility operating leases.

Capital Lease

In June 2021 the Company terminated its leases for research equipment.

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 (the "COVID-19 outbreak") 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 outbreak 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 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak 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 outbreak 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 in 2021.

9. 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 six months ended June 30, 2021:

	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, 2020	412,262	$ 9.60	6.71	$ 1,380
Granted	1,648,709	$ 0.01		
Exercised	(1,648,709)	$ (0.01)		
Expired	—			
Outstanding at June 30, 2021	412,262	$ 9.60	6.22	$ 2,265

10. 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 IPO. The 2021 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 will automatically increase 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.

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 IPO. A total of 333,333 shares of common stock were initially reserved for issuance under this plan, which will automatically increase on January 1 of each calendar year, beginning on January 1, 2022 through January 1, 2031, by 1.0% of the total shares of common stock outstanding on December 31st of the preceding calendar year, or the Evergreen Measurement Date; provided, that the number of shares added to the share reserve will be reduced automatically to the extent necessary to avoid causing the share reserve to exceed a number of shares equal to 1.0% of the shares of common stock outstanding on the applicable Evergreen Measurement Date and the board of directors may act prior to the first day of any calendar year to provide that there will be no January 1 increase in the share reserve for such calendar year or that the increase in the share reserve for such calendar year will be a lesser number of shares of the Company's common stock than would otherwise occur.

Stock Options

During 2021, the Company granted options to purchase shares of common stock to employees, consultants, and nonexecutive directors pursuant to the 2018 Plan and 2021 Plan, respectively. 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 $12.95.

The following is a summary of the stock option award activity during the six months ended June 30, 2021:

	Number of Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2020	1,947,123	$ 5.70	9.56	$ 10,284
Granted	1,529,492	$ 16.97		
Exercised	—	$ —		
Forfeited	(262,498)	$ (6.13)		
Expired	—	$ —		
Outstanding at June 30, 2021	3,214,117	$ 11.02	9.29	$ 13,648
Exercisable at June 30, 2021	607,865	$ 12.66	8.88	$ 4,490
Options expected to vest as of June 30, 2021	2,606,252	$ 10.64	9.43	$ 9,158

The total fair value of options vested during the six months ended June 30, 2021 was $1.7 million.

At June 30, 2021, there was approximately $21.0 million of unrecognized stock-based compensation expense associated with the stock options, which is expected to be recognized over a weighted-average period of 3.36 years.

Common Stock Warrants

The following is a summary of the employee-issued common stock warrant activity during the six months ended June 30, 2021:

	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, 2020	57,212	$ 7.62	3.64	$ 98
Granted	—	$ —		
Exercised	—	$ —		
Expired	—	$ —		
Outstanding and exercisable at June 30, 2021	57,212	$ 7.62	3.14	$ 226

As of June 30, 2021 there was no unrecognized stock-based compensation expense associated with the common stock warrants.

For the six months ended June 30, 2021, 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:

	Six Months Ended June 30, 2021
Volatility	90.55%-98.04%
Expected life (years)	5.52-6.08
Risk-free interest rate	0.5%–1.1%
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 and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Research and development	$ 639	$ 51	$ 1,148	$ 102
General and administrative	1,106	112	1,946	255
Total stock-based compensation expense	$ 1,745	$ 163	$ 3,094	$ 357

11. 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 June 30, 2021 and 2020, the Company accrued expense of $76 thousand and $26 thousand, respectively. During the six months ended June 30, 2021 and 2020, the Company accrued expenses of $105 thousand and $52 thousand, respectively.

12. RELATED-PARTY TRANSACTIONS

Debt

During March 2020, a principal owner of the Company purchased the 2019 Special Note directly from the original holder.

Consulting Agreement

During 2020, the Company entered into an agreement with a principal owner of the Company to provide consulting services to the Company in exchange for $1,500 thousand. Under the terms of the agreement, the Company recorded expense of $1,125 thousand in 2020, with the $1,500 thousand payment made in January 2021. The contract was completed and the remaining balance of $375 thousand under the agreement was recorded as an expense in January 2021.

13. INCOME TAXES

The Company recorded no provision for income taxes for the three and six months ended June 30, 2021 and 2020.

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.

14. 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	$ (9,771)	$ (4,910)	$ (17,743)	$ (9,602)
Cumulative dividends on convertible preferred stock	—	—	—	(104)
Net loss attributable to common stockholders	$ (9,771)	$ (4,910)	$ (17,743)	$ (9,706)
Net loss per share—basic and diluted	$ (0.32)	$ (3.02)	$ (0.72)	$ (6.87)
Weighted-average number of shares used in computing net loss per share—basic and diluted	30,588,495	1,625,011	24,778,949	1,413,062

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 Six Months Ended	
	2021	2020
Convertible preferred stock	—	527,138,337
Stock options to purchase common stock	3,214,117	77,604
Warrants issued to employees and contractor to purchase common stock	57,212	57,420
Warrants issued related to convertible notes and other equity agreements	412,262	412,262

15. SUBSEQUENT EVENTS

On August 6, 2021, the Small Business Administration (“SBA”) approved the forgiveness for the full amount of the PPP Loan disclosed in Note 6, which included principal of $567 thousand, plus interest.

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, 2020, which are included in our Annual Report on Form 10-K filed with the SEC on March 30, 2021.

Overview

We are developing a pipeline of medicines designed to fulfill the substantial potential of the immune system to defeat cancer and other diseases. Our research investment today is directed toward two immuno-oncology platforms, (i) our ImmunoPhage™ platform and Phortress™ library and (ii) our Tumor Microenvironment Antibody biologics, or TMAb platform:

ImmunoPhage platform and Phortress Library.

Our proprietary ImmunoPhage platform is a powerful, self-adjuvanted and highly differentiated immunotherapy. We use inactivated bacteriophage virus, which is ubiquitous and has the potential to induce a robust, focused and coordinated innate and adaptive immune response. In addition, as part of this platform, we are creating an expanding library of pre-manufactured immunophages, which we refer to as our Phortress library. The versatility of our ImmunoPhage platform allows us to design product candidates in a modular, off-the-shelf fashion based on a cocktail of common and patient-specific antigens built from the Phortress library.

Our ImmunoPhage platform is designed to deliver three distinct technological advantages over existing platforms: 1) the use of bacteriophage to deliver a highly immunogenic vaccine strategy; 2) gene transfer technology for exquisite targeting of antigen presenting cells, or APCs; and 3) speed-to-treatment capabilities via the Phortress library.

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. SNS-401-NG is being designed on an improved and proprietary bacteriophage construct based on learnings from our first-generation product candidate, SNS-301, which we discontinued development of in June 2021. We intend to initiate IND-enabling studies for this product candidate in the second half of 2022. 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.

TMAb platform

Our TMAb platform is comprised of human monoclonal antibodies and alpaca-derived nanobodies selectively active in the tumor microenvironment. We are initially focusing our research for this platform on an immune checkpoint regulator V-set Immunoglobulin Domain Ig Suppressor of T cell activation, or VISTA, which may play a role in both intrinsic and acquired PD-1/PD-L1 resistance, and V-Set And Immunoglobulin Domain Containing 4, or VSIG4, a potent inhibitor of T cell activity, often overexpressed on macrophages within the tumor microenvironment. Through the targeted use of this platform, we believe we can further enhance activity of cancer therapies either as a monotherapy or synergistic with PD-1/PD-L1 inhibition.

TMAb platform product candidates: SNS-VISTA and VSIG4 program

SNS-VISTA has been designed to selectively target pH-sensitive antibodies that bind only at the tumor site, as opposed to at the physiological site. Antibodies that bind at the physiological site in the tumor may encounter a “sink”, which may prevent effective binding and lead to toxicities.

We have identified a set of fully-human, highly selective pH-dependent anti-VISTA antibodies, which we are evaluating preclinically. In August 2021, we announced early in vivo data. In a human VISTA knock-in mouse model, these parental antibodies significantly enhanced ani-tumor responses in combination with PD-1 blockade compared to treatment with PD-1 blockade alone.

We plan to present preclinical data from the SNS-VISTA program at a scientific conference in 2021 and to initiate IND-enabling studies by the end of 2021.

VSIG4 is a B7-family related protein and a potent inhibitor of T cell activity, often overexpressed on macrophages within the tumor microenvironment. VSIG4 may play a role in enforcing the immunosuppressive program in macrophage-rich tumors. Inhibition of VSIG4 activity could also enhance T cell-mediated anti-tumor immune responses. We anticipate the selection of a product candidate from this program in 2023.

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 $17.7 million and $9.6 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $130.2 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-VISTA, VSIG4 and SNS-401-NG.
- continue the research and development of our other product candidates;
- invest in our ImmunoPhage and TMAb 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

Recent Security Issuances

From December 2020 through January 2021, we issued and sold 165,956,208 shares of our Series BB convertible preferred stock at a purchase price of $0.207383 per share for aggregate gross proceeds of $34.4 million, of which approximately $23.5 million was received in January 2021.

In February 2021, we issued and sold an aggregate of 8,030,295 shares of our common stock at a price to the public of $19.00 per share for aggregate gross proceeds of $152.6 million in our initial public offering.

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.

Alvaxa IPR&D

On May 18, 2020, we acquired Alvaxa Biosciences, or Alvaxa, in a cash and stock purchase pursuant to a Stock Purchase Agreement. Under the terms of the Stock Purchase Agreement, we acquired Alvaxa's existing camelid nanobodies and other biomaterials, or the Biomaterials, expertise in nanobody discovery, as well as a license agreement with a research organization. The former majority shareholder of Alvaxa is our current Chief Scientific Officer. Under the Stock Purchase Agreement, we paid $197 thousand to settle liabilities assumed from Alvaxa and issued 304,376 shares of our common stock to the shareholders of Alvaxa. We have evaluated the acquisition under ASC 805, Business Combinations and determined this to be an asset acquisition.

The 304,376 shares of common stock was valued at $1.78 per share, or $541 thousand in total, based on a valuation determined with the assistance of a third party. We determined that substantially all the value acquired in the transaction related to the Biomaterials and represents in-process research and development, or IPR&D. The liabilities of $197 thousand assumed were related to previously incurred employee costs as well as contractually required vendor payments. The consideration transferred in this transaction was recorded as an expense in the IPR&D line item within our Statement of Operations during the six months ended June 30, 2020.

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 June 30, 2021 and 2020

The following sets forth our results of operations for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		
(in thousands)	**2021**	**2020**	**Change**
Operating expenses:			
Research and development	$ 5,898	$ 2,858	$ 3,040
General and administrative	3,886	1,311	2,575
Alvaxa IPR&D	—	738	(738)
Total operating expenses	9,784	4,907	4,877
Loss from operations	(9,784)	(4,907)	(4,877)
Total other income (expense)	13	(3)	16
Net loss	$ (9,771)	$ (4,910)	$ (4,861)

Research and Development Expenses

Research and development expenses were $5.9 million for the three months ended June 30, 2021, compared to 2.9 million for the three months ended June 30, 2020. The increase of $3.0 million was primarily attributable to increased headcount to support our research, development, and manufacturing activities as well as increased consulting related to our ImmunoPhage platform.

General and Administrative Expenses

General and administrative expenses were $3.9 million for the three months ended June 30, 2021, compared to $1.3 million for the three months ended June 30, 2020. The increase of $2.6 million was primarily attributable to increased personnel costs, including stock-based compensation, to support our business, as well as increased professional service fees and directors and officers insurance costs.

Comparison of the Six Months Ended June 30, 2021 and 2020

The following sets forth our results of operations for the six months ended June 30, 2021 and 2020:

(in thousands)	Six Months Ended June 30, 2021	2020	Change
Operating expenses:			
Research and development	$ 9,263	$ 5,053	$ 4,210
General and administrative	8,490	3,219	5,271
Alvaxa IPR&D	—	738	(738)
Total operating expenses	17,753	9,010	8,743
Loss from operations	(17,753)	(9,010)	(8,743)
Total other income (expense)	10	(592)	602
Net loss	$ (17,743)	$ (9,602)	$ (8,141)

Research and Development Expenses

Research and development expenses were $9.3 million for the six months ended June 30, 2021, compared to $5.1 million for the six months ended June 30, 2020. The increase of $4.2 million was primarily attributable to increased headcount to support our research, development, and manufacturing activities as well as increased consulting related to our product and candidate selection process.

General and Administrative Expenses

General and administrative expenses were $8.5 million for the six months ended June 30, 2021, compared to $3.2 million for the six months ended June 30, 2020. The increase of $5.3 million was primarily attributable to increased personnel costs, including stock-based compensation, to support our business, as well as increased professional service fees and directors and officers insurance costs.

Other Income (Expense)

Other income increased by $0.6 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020, which was primarily attributable to fair value adjustments of embedded derivative liabilities associated with certain convertible debt, as well as lower interest expense on debt due to the redemption of convertible debt in 2020.

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 $17.7 million and $9.6 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had an accumulated deficit of $130.2 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 June 30, 2021, we had cash,cash equivalents and marketable securities of $162.5 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:

	Six Months Ended June 30,	
(in thousands)	**2021**	**2020**
Net cash used in operating activities	$ (16,814)	$ (9,227)
Net cash used in investing activities	(148,248)	(251)
Net cash provided by financing activities	164,065	11,113
Net (decrease) increase in cash and cash equivalents	$ (997)	$ 1,635

Operating Activities

During the six months ended June 30, 2021, our operating activities used $16.8 million of cash, primarily resulting from our net loss. During the six months ended June 30, 2020, our operating activities used $9.2 million of cash, primarily resulting from our net loss. The increase in net cash used in operating activities for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 is attributed to the increase in net loss.

Investing Activities

During the six months ended June 30, 2021 and 2020, our net cash used in investing activities was $148.2 million and $0.1 million, respectively. The $148.1 increase was primarily a result of investing our net proceeds from our initial public offering and Series AA and Series BB convertible preferred stock financings in short-term marketable securities.

Financing Activities

During the six months ended June 30, 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. During the six months ended June 30, 2020, net cash provided by financing activities was $11.1 million primarily from the issuance of Series AA convertible preferred stock.

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-401-NG and SNS-VISTA 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 half of 2024. 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.

Internal Control Over Financial Reporting

During the audit of our financial statements for the year ended December 31, 2020, material weaknesses were identified in our internal control over financial reporting. Under standards established by the PCAOB, a “material weakness” is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

We are in the process of implementing a number of measures to address the material weaknesses and deficiencies that have been identified including: (i) hiring additional accounting and financial reporting personnel with generally accepted accounting principles in the United States, or US GAAP, and SEC reporting experience, (ii) developing, communicating and implementing an accounting policy manual for our accounting and financial reporting personnel for recurring transactions and period-end closing processes, and (iii) establishing effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of our company’s consolidated financial statements and related disclosures.

These additional resources and procedures are designed to enable us to broaden the scope and quality of our internal review of underlying information related to financial reporting and to formalize and enhance our internal control procedures. With the oversight of senior management and our audit committee, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the material weaknesses.

We intend to complete the implementation of our remediation plan during the remainder of 2021. Although we believe that our remediation plan will improve our internal control over financial reporting, additional time may be required to fully implement it and to make conclusions regarding the effectiveness of our internal control over financial reporting. Our management will closely monitor and modify, as appropriate, the remediation plan to eliminate the identified material weakness.

If our remediation of the material weaknesses is not effective, or if we experience additional material weaknesses or otherwise fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations. Accordingly, there could continue to be a reasonable possibility that a material misstatement of our financial statements would not be prevented or detected on a timely basis. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weaknesses we have identified or avoid potential future material weaknesses.

We, and our independent registered public accounting firm, were not required to report on our evaluation of the Company's internal control over financial reporting as of June 30, 2021 in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required by reporting requirements under Section 404 of the Sarbanes-Oxley Act.

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 June 30, 2021, there were no significant changes to our critical accounting policies disclosed in our audited financial statements for the year ended December 31, 2020, which are included in our Annual Report on Form 10-K, as filed with the SEC on March 30, 2021.

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 Senior Vice President of Finance and Administration, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. Based on this evaluation, and due to the material weaknesses described elsewhere in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, the Chief Executive Officer and Senior Vice President of Finance and Administration concluded that, as of June 30, 2021, our disclosure controls and procedures were not effective.

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 June 30, 2021 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, 2020, filed with the Securities and Exchange Commission on March 30, 2021. 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.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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	First Amended and Restated Employment Agreement, dated April 28, 2021, by and between the Company and Erin Colgan (incorporated by reference to exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No 001-39980) file with the SEC on May 3 2021).
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 June 30, 2021, 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: August 11, 2021

By: /s/ John Celebi

John Celebi

President and Chief Executive 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 June 30, 2021 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)) 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) 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

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

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

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

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

Date: August 11, 2021

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 June 30, 2021 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)) 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) 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

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

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

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

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

Date: August 11, 2021

By: /s/ Erin Colgan
Erin Colgan
Senior Vice President of Finance and Administration
(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 June 30, 2021, 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 11th day of August 2021.

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

/s/ Erin Colgan
Erin Colgan
Senior Vice President of Finance and Administration
(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