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

FORM 10-Q

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

For the quarterly period ended September 30, 2026

OR

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

For the transition period from _____ to _____

Commission file number 001-40215

Instil Bio, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**83-2072195**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3963 Maple Avenue, Suite 350 **Dallas, Texas**	**75219**
(Address of Principal Executive Offices)	(Zip Code)

(972) 499-3350
Registrant's telephone number, including area code
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, $0.000001 par value per share	TIL	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 and posted on its corporate web site, if any, 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 files). Yes ☒ No ☐

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

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 7(a)(2)(B) of the Securities Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class of Common Stock	Outstanding at
6,781,976 shares of Common Stock, $0.000001 par value per share	November 12, 2026

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Part I. Financial Information
Item 1. Financial Statements (Unaudited)

INSTIL BIO, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,544	$ 6,638
Restricted cash	385	166
Marketable securities	59,526	69,491
Prepaid expenses and other current assets	3,056	4,030
Assets held for sale	—	112,096
Total current assets	65,511	192,421
Property, plant and equipment, net	111,096	126
Operating lease right-of-use assets	2,053	238
Long-term investments	4,636	—
Accrued rent receivable	8,522	7,664
Other long-term assets	3,827	4,066
Total assets	$ 195,645	$ 204,515
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 363	$ 779
Accrued expenses and other current liabilities	5,927	6,251
Total current liabilities	6,290	7,030
Operating lease liabilities, non-current	1,734	—
Loan payable	85,057	84,806
Other long-term liabilities	—	8
Total liabilities	93,081	91,844
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, par value $0.000001 per share; 10,000,000 shares authorized; zero shares issued and outstanding as of September 30, 2026, and December 31, 2025	—	—
Common stock, par value $0.000001 per share; 300,000,000 shares authorized; 6,781,976 shares issued and outstanding as of September 30, 2026, and December 31, 2025	—	—
Additional paid-in capital	843,942	840,937
Accumulated other comprehensive loss	(672)	(583)
Accumulated deficit	(740,706)	(727,683)
Total stockholders' equity	102,564	112,671
Total liabilities and stockholders' equity	$ 195,645	$ 204,515

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

INSTIL BIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Operating expenses:				
In-process research and development	$ —	$ —	$ —	$ 10,000
Research and development	233	9,127	1,172	21,241
General and administrative	5,833	6,344	17,510	22,689
Restructuring and impairment charges, net	(81)	—	1,092	16,622
Total operating expenses	5,985	15,471	19,774	70,552
Loss from operations	(5,985)	(15,471)	(19,774)	(70,552)
Interest income	615	893	1,925	3,112
Interest expense	(1,554)	(1,582)	(4,688)	(4,398)
Other rental income	2,697	2,691	8,090	8,076
Gain on contract termination	—	—	1,620	—
Other (expense) income, net	(4)	(118)	(196)	267
Net loss	(4,231)	(13,587)	(13,023)	(63,495)
Other comprehensive loss:				
Foreign currency translation	(31)	122	87	(351)
Unrealized (loss) gain on available-for-sale securities, net	(54)	71	(176)	(33)
Net comprehensive loss	$ (4,316)	$ (13,394)	$ (13,112)	$ (63,879)
Net loss per share:				
Basic and Diluted	$ (0.62)	$ (2.01)	$ (1.92)	$ (9.58)
Weighted-average shares used in computing net loss per share:				
Basic and Diluted	6,781,976	6,757,742	6,781,976	6,629,949

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

INSTIL BIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance - December 31, 2025	6,781,976	$ —	$ 840,937	$ (583)	$ (727,683)	$ 112,671
Stock-based compensation	—	—	985	—	—	985
Net loss	—	—	—	—	(4,371)	(4,371)
Other comprehensive income	—	—	—	51	—	51
Balance - March 31, 2026	6,781,976	—	841,922	(532)	(732,054)	109,336
Stock-based compensation	—	—	1,036	—	—	1,036
Net loss	—	—	—	—	(4,421)	(4,421)
Other comprehensive loss	—	—	—	(55)	—	(55)
Balance - June 30, 2026	6,781,976	—	842,958	(587)	(736,475)	105,896
Stock-based compensation	—	—	984	—	—	984
Net loss	—	—	—	—	(4,231)	(4,231)
Other comprehensive loss	—	—	—	(85)	—	(85)
Balance - September 30, 2026	6,781,976	$ —	$ 843,942	$ (672)	$ (740,706)	$ 102,564

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

INSTIL BIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance - December 31, 2024	6,525,887	$ —	$ 824,780	$ (228)	$ (656,286)	$ 168,266
Issuance of common stock upon exercise of stock options	33,040	—	404	—	—	404
Stock-based compensation	—	—	3,495	—	—	3,495
Net loss	—	—	—	—	(28,514)	(28,514)
Other comprehensive loss	—	—	—	(223)	—	(223)
Balance - March 31, 2025	6,558,927	—	828,679	(451)	(684,800)	143,428
Issuance of common stock upon exercise of stock options	5,952	—	71	—	—	71
Issuance of common stock in at-the-market offering, net of $0.3 million in issuance costs	185,837	—	6,611	—	—	6,611
Stock-based compensation	—	—	1,824	—	—	1,824
Net loss	—	—	—	—	(21,394)	(21,394)
Other comprehensive loss	—	—	—	(354)	—	(354)
Balance - June 30, 2025	6,750,716	—	837,185	(805)	(706,194)	130,186
Issuance of common stock upon exercise of stock options	31,260	—	378	—	—	378
Stock-based compensation	—	—	1,768	—	—	1,768
Net loss	—	—	—	—	(13,587)	(13,587)
Other comprehensive income	—	—	—	193	—	193
Balance - September 30, 2025	6,781,976	$ —	$ 839,331	$ (612)	$ (719,781)	$ 118,938

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

INSTIL BIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net loss	$ (13,023)	$ (63,495)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	3,005	7,087
Non-cash lease expense	101	214
Foreign exchange remeasurement loss (gain)	97	(503)
Impairment of property, plant and equipment and estimated cost to sell, net	181	16,569
Depreciation	983	522
Restructuring costs	(109)	(91)
In-process research and development expenses	—	10,000
Amortization (accretion) on invested securities	333	(70)
Non-cash interest expense	551	598
Loss on disposals of property and equipment	2	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	974	4,484
Other long-term assets	201	345
Accrued rent receivable	(859)	(3,093)
Accounts payable	(415)	264
Operating lease liabilities	(189)	(1,561)
Long term liabilities	(8)	—
Accrued expenses and other current liabilities	(209)	(813)
Net cash used in operating activities	(8,384)	(29,543)
Cash flows from investing activities:		
Purchase of marketable securities	(60,581)	(83,465)
Maturities of marketable securities	65,400	110,700
Cash received from held for sale assets	—	423
Acquired in-process research and development	—	(10,000)
Net cash provided by investing activities	4,819	17,658
Cash flows from financing activities:		
Proceeds from at-the-market offering, net of $0.3 million in issuance costs	—	6,611
Proceeds from exercise of stock options	—	853
Loan agreement closing costs	(300)	(172)
Net cash (used in) provided by financing activities	(300)	7,292
Net decrease in cash, cash equivalents and restricted cash	(3,865)	(4,593)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10)	39
Cash, cash equivalents and restricted cash—beginning of period	6,804	10,635
Cash, cash equivalents and restricted cash—end of period	$ 2,929	$ 6,081
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,137	$ 3,664
Supplemental disclosure of non-cash information:		
Non-cash increase in operating lease right-of-use assets and lease liabilities resulting from lease modifications	$ 2,213	$ —
Purchases of property, plant and equipment in accounts payable and accrued expenses and other current liabilities	$ 40	$ —

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

INSTIL BIO, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

Instil Bio, Inc. (the "Company") is a biotechnology company building a portfolio of asset-focused subsidiaries to develop novel therapies for unmet medical needs.

In January 2026, the Company announced that its wholly owned subsidiary, Axion Bio, Inc. ("Axion Bio"), was discontinuing development of AXN-2510, its former lead product candidate. See Note 14 for further information.

The Company is actively seeking to in-license or acquire and develop additional novel therapeutic candidates in diseases with significant unmet medical need.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of September 30, 2026, the condensed consolidated balance sheets for the nine months ended September 30, 2026 and year ended December 31, 2025 (see Note 15), the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2026 and 2025 (see Note 15), the condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2026 and 2025 (see Note 15), and the results of its cash flows for the nine months ended September 30, 2026 and 2025 (see Note 15). The financial data and other information disclosed in these notes related to the three and nine months ended September 30, 2026 and 2025 are also unaudited. The results for the three and nine months ended September 30, 2026 are not necessarily indicative of results to be expected for the year ending December 31, 2026, any other periods, or any future year period. The Company has evaluated subsequent events through the date the condensed consolidated financial statements were issued.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and the related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the Securities and Exchange Commission ("SEC") on March 27, 2026.

Segments

Operating segments are identified as components of an entity for which separate discrete financial information is available and that is regularly reviewed by the chief operating decision-maker, the Company's Chief Executive Officer, in deciding how to allocate resources to an individual segment and in assessing performance. The Company has determined it operates in a single operating segment and has one operating segment. See Note 4 for further information.

Cash, Cash Equivalents, Restricted Cash, Marketable Securities and Long-Term Investments

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. Cash equivalents include amounts invested in money market accounts.

As of September 30, 2026, restricted cash consisted of a cash reserve allocated for future tax payments related to the 2024 Loan (as defined in Note 10) and credit card collateral. As of December 31, 2025, restricted cash consisted solely of a cash reserve allocated to future tax payments related to the 2024 Loan. There was $0.4 million and $0.2 million of restricted cash as of September 30, 2026 and December 31, 2025, respectively, on the Company's condensed consolidated balance sheets.

The Company's investments in marketable securities and long-term investments have been classified and accounted for as available-for-sale. The Company classifies its maturities as either short-term or long-term based on each instrument's underlying contractual maturity date, which are carried at their fair values based on the quoted market prices of the securities. Unrealized gains and losses are reported as accumulated other comprehensive loss. Realized gains and losses on available-for-sale securities are included in net loss in the period earned or incurred. As of September 30, 2026 and December 31, 2025, marketable securities and long-term investments consisted of U.S. Treasury bills.

The Company evaluates its available-for-sale debt securities for expected credit losses on a periodic basis in accordance with Accounting Standards Codification, or ASC, Topic 326. In assessing whether a credit loss exists, the Company considers, among other factors, the credit quality and financial condition of the issuer, payment history, current and forecasted economic conditions, the extent to which fair value is less than amortized cost, and the collectability of contractual cash flows. The Company's investment portfolio consists primarily of investment-grade debt securities. If the Company determines that a decline in fair value is attributable to credit-related factors, an allowance for credit losses is recorded through earnings for the amount of the credit loss, limited to the difference between the security's amortized cost basis and fair value. Any portion of an unrealized loss that is not attributable to credit-related factors is recognized in other comprehensive income in the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2026 and December 31, 2025, the Company determined that no allowance for credit losses was required on its investments.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the amounts shown in the condensed consolidated statements of cash flows (in thousands):

	September 30, 2026	December 31, 2025
Cash and cash equivalents	$ 2,544	$ 6,638
Restricted cash	385	166
Cash, cash equivalents and restricted cash	$ 2,929	$ 6,804

Going Concern

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management evaluated the Company's ability to continue as a going concern for the twelve months following the issuance of the condensed consolidated financial statements. As disclosed and defined in Note 10, the 2024 Loan has a scheduled maturity date in January 2027, with a total principal of $85.6 million, which is in excess of cash, cash equivalents, marketable securities and long-term investments on hand as of September 30, 2026, which management has concluded is an indicator of substantial doubt about the Company's ability to continue as a going concern.

The Company may seek to cause Complex Therapeutics LLC to refinance or restructure the 2024 Loan, sell the Tarzana facility (the Tarzana facility consists of two buildings (collectively "the building") and the underlying land), to repay the 2024 Loan, or seek additional financing in the form of equity or debt instruments. There can be no assurance that new financing or other forms of funding will be available on favorable terms or at all. During the three months ended September 30, 2026, the Company delivered an irrevocable notice of its election to extend the

maturity by one year to January 2028. The Company believes the remaining conditions required for the extension described in Note 10 are within its control. Upon satisfaction of those conditions, the 2024 Loan will mature in January 2028. The Company concluded that management's plans, principally Complex Therapeutics LLC's September 2026 election to extend the maturity of the 2024 Loan to January 2028, alleviate the conditions that raise substantial doubt about the Company's ability to continue as a going concern.

Assets Held for Sale

The Company classifies long-lived assets or disposal groups to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the asset or disposal group; the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal group; the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond the Company's control extend the period of time required to sell the asset or disposal group beyond one year, and actions required to complete the plan to sell have been initiated.

The Company initially measures a long-lived asset or disposal group that is held for sale at the lower of its carrying value or fair value less any cost to sell. Fair value is estimated by the Company through evaluations of quoted market prices received for other comparable held for sale assets sold by the Company. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset or disposal group until the date of sale. The Company assesses the fair value of a long-lived asset or disposal group less any cost to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying value of the asset or disposal group, as long as the new carrying value does not exceed the carrying value of the asset at the time it was initially classified as held for sale. Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Company ceases depreciation, if any, and reports long-lived assets in the line item "assets held for sale" in its condensed consolidated balance sheets. Refer to Note 3 for further details.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or that the useful life is shorter than originally estimated. Recoverability is generally assessed by comparing the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated over its remaining useful life. If such assets are impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. If the useful life is shorter than originally estimated, the Company depreciates or amortizes the remaining carrying value over the revised shorter useful life. See Note 3 and Note 14 for more information.

Leases

The Company determines if an arrangement is or contains a lease at contract inception by assessing whether the arrangement contains an identified asset and whether the lessee has the right to control such asset. Lessees are required to classify leases as either finance or operating leases and to record a right-of-use ("ROU") asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight-line basis over the term of the lease. The Company determines the initial classification and measurement of its ROU assets and lease liabilities at the lease commencement date and thereafter if modified. For leases with a term greater than 12 months, the Company records the lease liability at the present value of lease payments over the term. The term of the Company's leases equals the non-cancellable period of the lease, including any rent-free periods provided by the lessor, and also includes options to extend or terminate the lease that the Company is reasonably certain to exercise. The ROU asset equals the carrying amount of the related lease liability, adjusted for

any lease payments made prior to lease commencement, any deferred rent upon adoption, and lease incentives provided by the lessor.

The Company has elected, for all classes of underlying assets, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Lease cost for short-term leases is recognized on a straight-line basis over the lease term. The Company estimates its incremental borrowing rate based on the rate of interest that the Company would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments in a similar economic environment and over a similar term.

Variable lease payments are expensed as incurred and do not factor into the measurement of the applicable ROU asset or lease liability. Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation. Lease costs for the Company's operating leases are recognized on a straight-line basis within operating expenses over the lease term. The Company's lease agreements may contain non-lease components such as common area maintenance, operating expenses or other costs, which are expensed as incurred for all classes of assets. The Company's leases do not contain any residual value guarantees. See Note 9.

Research and Development Expenses

Research and development costs are expensed as incurred. Clinical trial and other development costs incurred by third parties are expensed as the contracted work is performed. The Company accrues for costs incurred as the services are being provided by monitoring the status of the trial or project and the invoices received from its external service providers. The Company adjusts its accrual as actual costs become known. Where contingent milestone payments are due to third parties under research and development arrangements or license agreements, the milestone payment obligations are expensed when the milestone results are achieved.

Recent Accounting Pronouncements Not Yet Adopted

In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40) ("ASU 2024-03"). The amendments in this update require disclosure, in the notes to the financial statements, of specific expense categories present within expense captions presented on the face of the income statement within continuing operations of public business entities. The amendments in this update are effective for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027. The Company is currently evaluating the impact of ASU 2024-03 on its condensed consolidated financial statements and related disclosures.

In May 2026, the FASB issued ASU No. 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818) ("ASU 2026-02") to provide recognition, measurement, presentation, and disclosure guidance for environmental credits and environmental credit obligations. Upon adoption, the Company will be required to account for environmental credits and environmental credit obligations under the new guidance. The standard is effective for annual reporting periods beginning after December 15, 2027, with early adoption permitted. The standard should be adopted on a retrospective basis. The Company is currently evaluating the impact of ASU 2026-02 on its condensed consolidated financial statements and related disclosures.

A variety of proposed or otherwise potential accounting standards are currently being studied by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Company has not yet determined the effect, if any, that the implementation of such proposed standards would have on the Company's condensed consolidated financial statements.

3. Assets Held for Sale

In March 2025, the Company's board of directors (the "Board of Directors") approved a plan to sell the Tarzana facility. The Company engaged a broker to facilitate a potential sale of the Tarzana facility and reclassified the Tarzana facility as held for sale in the consolidated balance sheet during the year ended December 31, 2025. The

Tarzana facility is currently leased to AstraZeneca Pharmaceuticals LP ("Tenant") and Tenant has a right of first offer to purchase it. Refer to Note 9.

In May 2026, the Company determined that there had been a change to its plan with respect to the Tarzana facility. As a result, management concluded that the facility no longer met the criteria for classification as held for sale under ASC 360. Consequently, in May 2026, the Tarzana facility was reclassified as held and used and resumed depreciating the asset subject to depreciation prospectively over its remaining estimated useful life. In accordance with ASC 360, a long lived asset that ceases to be classified as held for sale is measured at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for depreciation expenses that would have been recognized had the asset been continuously classified as held and used, and (b) its fair value. The Company determined the adjusted carrying amount of the Tarzana facility to be $111.9 million, which includes $3.6 million of depreciation expense, recorded within "restructuring and impairment charges, net", that would have been recognized had the asset been continuously classified as held and used.

In accordance with ASC 360, the building and land of the Tarzana facility were measured individually when the assets were placed back into use. The Company estimated the fair value of the Tarzana facility, including separate estimates of the fair value of the land and building, using a combination of the income capitalization approach and the sales comparison approach. These valuations represent Level 3 fair value measurements within the fair value hierarchy established by ASC 820, as each relied on significant unobservable inputs. The estimated fair value of the building exceeded its adjusted carrying amount; therefore, the building was recorded at its adjusted carrying amount in accordance with ASC 360. The estimated fair value of the land was below its adjusted carrying amount and was therefore recorded at fair value. These fair value measurements are nonrecurring and were performed solely in connection with the reclassification described above.

The Company recognized a net remeasurement loss of $0.2 million related to the reclassification of the Tarzana facility from held for sale to held and used. The land was recorded at its estimated fair value of $20.4 million at the date of reclassification, while the building was recorded at its adjusted carrying amount of $91.5 million, representing its carrying value prior to classification as held for sale adjusted for depreciation that would have been recognized had the asset remained classified as held and used. The net remeasurement loss consisted of an $8.1 million impairment loss on the Tarzana facility, comprised of a $4.5 million reduction in the carrying value of the land to fair value and a $3.6 million depreciation charge that would have been recognized had the building remained classified as held and used, partially offset by a $7.9 million remeasurement benefit resulting from the reversal of previously recognized estimated cost to sell. The net remeasurement loss was recorded in the condensed consolidated statements of operations and comprehensive loss in the line item "restructuring and impairment charges, net" for the nine months ended September 30, 2026, under the same line in which the original impairment and estimated cost to sell charges had been recorded. The Company did not record any charges related to the Tarzana facility for the three months ended September 30, 2026.

For the nine months ended September 30, 2025, the Company recorded charges related to the Tarzana facility of approximately $16.6 million, consisting of $8.7 million related to impairment and $7.9 million related to the estimated cost to sell. The Company did not record any charges related to the Tarzana facility for the three months ended September 30, 2025. Refer to Note 14.

Following the reclassification, the Company recorded the Tarzana facility under "Property, plant and equipment, net" during the second quarter of 2026. The carrying value of the Tarzana facility as of September 30, 2026 was $111.0 million. The carrying value of the held for sale Tarzana facility was $112.1 million as of December 31, 2025. The facility does not currently meet the criteria for classification as held for sale and remains classified as held and used. Because a sale of the facility before the end of its estimated useful life has become more likely than not as of September 30, 2026, the Company tested the asset group, consisting of the facility and the related accrued rent receivable and unamortized leasing commissions, for recoverability as of September 30, 2026, using undiscounted cash flows weighted between sale scenarios and a scenario in which the facility continues to be held and leased, and concluded that the carrying amount of the asset group was recoverable. The conclusion is sensitive to the probability and expected price of a sale and to the Tenant's continued occupancy through the lease term.

4. Segment Reporting

The Company manages its business activities on a consolidated basis and has one reportable segment relating to the research and development of novel therapies. The Chief Executive Officer, who serves as the Company's chief operating decision maker ("CODM"), is responsible for the overall supervision, direction, and management of the business and its officers.

The CODM reviews net loss, as reported in the condensed consolidated statements of operations and comprehensive loss, as well as the progress of the Company's program(s). The CODM does not review assets in evaluating the results of the segment, and therefore, such information is not presented. All long-lived assets owned by the Company are located in the United States. The accounting policies of the segment are the same as those described in Note 2.

The following table is a summary of the segment and consolidated net loss, including significant segment expenses for the three and nine months ended September 30, 2026 and 2025 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
In-process research and development	$ —	$ —	$ —	$ 10,000
AXN-2510	223	9,040	1,151	20,351
Other program expenses[1]	10	87	21	890
General and administrative[2]	5,110	6,332	16,527	22,167
Restructuring and impairment charges, net	(81)	—	1,092	16,622
Depreciation	723	12	983	522
Interest income	(615)	(893)	(1,925)	(3,112)
Interest expense	1,554	1,582	4,688	4,398
Gain on contract termination	—	—	(1,620)	—
Other income, net	(2,693)	(2,573)	(7,894)	(8,343)
Segment and consolidated net loss	$ 4,231	$ 13,587	$ 13,023	$ 63,495

(1) Other program expenses consist of costs related to the Company's past development of its CoStAR-TIL technology and other early-stage research activities.

(2) Depreciation expense is removed from "General and administrative" and is disclosed separately.

5. Balance Sheet Components

Prepaid and other current assets

Prepaid and other current assets consisted of the following (in thousands):

	September 30, 2026	December 31, 2025
Prepaid general and administrative	$ 1,107	$ 1,170
Prepaid research and development	26	441
Tax-related receivable	24	848
Prepaid contract research organization expenses	12	431
Tenant reimbursements receivable - property taxes	1,887	992
Other current assets	—	148
Total prepaid and other current assets	$ 3,056	$ 4,030

Property, Plant and Equipment, Net

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

	September 30, 2026	December 31, 2025
Land	$ 20,400	$ —
Building	91,515	—
Office furniture and computer equipment	501	509
Leasehold improvements	40	—
Total property, plant and equipment, gross	112,456	509
Less: accumulated depreciation	(1,360)	(383)
Total property, plant and equipment, net	$ 111,096	$ 126

Depreciation expense was $0.7 million and nominal for the three months ended September 30, 2026 and 2025, respectively, and $1.0 million and $0.5 million for the nine months ended September 30, 2026 and 2025, respectively, in the condensed consolidated statements of operations and comprehensive loss. In March 2025, the Tarzana facility was classified as held for sale, and accordingly, depreciation ceased upon such classification.

In May 2026, the Company determined that the Tarzana facility no longer met the criteria for classification as held for sale and reclassified the asset as held and used. Accordingly, the carrying value of the building was adjusted to reflect the depreciation that would have been recognized had the Tarzana facility been continuously classified as held and used, as described in Note 2 and Note 3. Depreciation on the adjusted carrying value resumed prospectively in June 2026 and is reflected in accumulated depreciation above. See Note 2, Note 3 and Note 14.

Accrued Expenses and Other Current Liabilities

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

	September 30, 2026	December 31, 2025
Accrued compensation and benefits	$ 1,732	$ 2,228
Accrued operational expenses	188	43
Accrued property tax expenses	3,373	2,476
Accrued restructuring costs	—	155
Accrued research, development and clinical trial expenses	269	977
Operating lease liabilities, current	365	372
Total accrued expenses and other current liabilities	$ 5,927	$ 6,251

6. Fair Value Measurement

The carrying amounts of cash and cash equivalents, receivables, prepaid expenses, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these instruments. Cash and cash equivalents consist primarily of cash and highly liquid investments with original maturities of three months or less at the time of purchase; accordingly, their carrying amounts approximate fair value. Cash and cash equivalents are valued based upon quoted market prices in active markets for identical assets and are therefore classified as Level 1 assets. Money market funds are open-end mutual funds that invest in cash, government securities, and/or repurchase agreements that are collateralized fully. To the extent that these funds are valued based upon the reported net asset value, they are categorized in Level 1 of the fair value hierarchy.

Short-term marketable securities and long-term investments consisted of U.S. Treasury bills that are classified within Level 2 of the fair value hierarchy and are valued based on other observable inputs, including broker or dealer quotations, alternative pricing sources or U.S. Government Treasury yield of appropriate term.

The following tables provide information by level for assets and liabilities that are measured at fair value on a recurring basis:

	As of September 30, 2026			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Money market funds	$ 1,582	$ —	$ —	$ 1,582
U.S. Treasury bills	—	64,162	—	64,162
Total	$ 1,582	$ 64,162	$ —	$ 65,744

	As of December 31, 2025			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Financial Assets				
Money market funds	$ 4,339	$ —	$ —	$ 4,339
U.S. Treasury bills	—	69,491	—	69,491
Total	$ 4,339	$ 69,491	$ —	$ 73,830

There were no transfers in or out of Level 1, 2 and 3 measurements for the nine months ended September 30, 2026 and the year ended December 31, 2025. As of September 30, 2026 and December 31, 2025, there were no securities within Level 3 of the fair value hierarchy.

The fair value of the 2024 Loan (as defined in Note 10) was determined on the basis of its net present value and is considered Level 2 in the fair value hierarchy.

The following table sets forth the fair value of the 2024 Loan (in thousands):

Fair Value Measurements	Fair Value Hierarchy	September 30, 2026	December 31, 2025
2024 Loan	Level 2	$ 85,426	$ 85,507

In May 2026, the Company determined that the Tarzana facility no longer met the criteria for classification as held for sale and reclassified it as held and used. Accordingly, depreciation resumed prospectively based on the adjusted carrying value. Each asset was measured individually at the lower of its carrying amount before the Tarzana facility was classified as held for sale, with the depreciable assets adjusted for depreciation expense that would have been recognized had the Tarzana facility been continuously classified as held and used, or its fair value as of the date of the subsequent decision not to sell. The fair values of these assets are classified as Level 3 in the fair value hierarchy due to a mix of unobservable inputs utilized. As a result, the Company recognized a net remeasurement loss of $0.2 million during the second quarter of 2026, which is reflected in the nine months ended September 30, 2026 in the condensed consolidated statements of operations and comprehensive loss within the line item “restructuring and impairment charges, net.” See Note 3 and Note 14.

7. Financial Instruments

Marketable securities and long-term investments classified as available-for-sale as of September 30, 2026 and December 31, 2025 consisted of the following (in thousands):

		September 30, 2026			
	Maturity	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Treasury bills	Less than one year	$ 59,643	$ —	$ (117)	$ 59,526
U.S. Treasury bills	Between one and two years	4,643	—	(7)	4,636
	Total	$ 64,286	$ —	$ (124)	$ 64,162

		December 31, 2025			
	Maturity	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
U.S. Treasury bills	Less than one year	$ 69,439	$ 58	$ (6)	$ 69,491

As of September 30, 2026 and December 31, 2025, marketable securities that had contractual maturities less than one year are classified as current because management considers these marketable securities to be available for current operations. As of September 30, 2026, marketable securities that had contractual maturities between one and two years are classified as long-term because management considers these marketable securities to be available for operations beyond one year. The Company does not intend to sell its marketable securities and it is not likely that the Company will be required to sell these securities before recovery of their amortized cost basis. There were $59.5 million of marketable securities maturing in less than one year and $4.6 million of long-term investments maturing between one and two years classified as available-for-sale as of September 30, 2026. There were $69.5 million of marketable securities maturing in less than one year classified as available-for-sale as of December 31, 2025.

8. License and Collaboration Agreement with ImmuneOnco

On August 1, 2024, Axion Bio entered into a license and collaboration agreement (the "IO Collaboration Agreement") with ImmuneOnco Biopharmaceuticals (Shanghai) Inc. ("ImmuneOnco"), under which it in-licensed several bispecific antibodies, including AXN-2510 and AXN-27M. As part of the IO Collaboration Agreement, Axion Bio made a $10.0 million upfront payment to ImmuneOnco during the year ended December 31, 2024. This amount was fully expensed as in-process research and development ("IPR&D") in the same year.

During the year ended December 31, 2024, Axion Bio made a $5.0 million prepayment to ImmuneOnco for development costs, which was fully recognized as research and development expense by March 31, 2025. In April 2025, Axion Bio made a second $5.0 million prepayment to ImmuneOnco for development costs, which was fully recognized as research and development expense by September 30, 2025. In August 2025, Axion Bio made a third $5.0 million prepayment to ImmuneOnco for development costs, which was fully recognized as research and development expense by March 31, 2026.

In June 2025, Axion Bio achieved Investigational New Drug (IND) clearance in the United States for a Phase 1 trial of AXN-2510 in relapsed/refractory solid tumors. This milestone triggered a $10.0 million development payment to ImmuneOnco, which was paid in July 2025. This amount was fully expensed as IPR&D during the second quarter of 2025.

The expenses recognized in connection with the IO Collaboration Agreement were nil and $4.1 million for the three months ended September 30, 2026 and 2025, respectively, and $0.3 million and $22.5 million for the nine months ended September 30, 2026 and 2025, respectively. Of these amounts, $10.0 million for the nine months ended September 30, 2025 related to a milestone payment triggered by IND clearance and was recorded as IPR&D expense, with the remainder recorded as a component of research and development expense on the condensed consolidated statements of operations and comprehensive loss.

On January 5, 2026, Axion Bio and ImmuneOnco entered into an agreement terminating the IO Collaboration Agreement. Under the termination agreement, Axion Bio agreed to transfer the rights, title, and interest related to AXN-2510 and AXN-27M to ImmuneOnco, and ImmuneOnco agreed to pay Axion Bio $1.8 million, of which $1.6 million was received during the nine months ended September 30, 2026 and recorded as other income as a gain on contract termination in the condensed consolidated statements of operations and comprehensive loss. No payments were received during the three months ended September 30, 2026. The remaining $0.2 million is contingent upon the completion of specified wind-down activities and had not been earned or received as of September 30, 2026.

9. Commitments and Contingencies

Leases

Company as a Lessee: Operating Lease Obligations

The Company currently leases office spaces located in Dallas, Texas. In April 2026, the Dallas lease was extended through April 30, 2031, with scheduled rent increases on an annual basis. The lease extension agreement offers an option to early-terminate the lease as of April 30, 2029, and is not included in the measurement of the right-of-use asset or lease liability, as it is not reasonably certain to be exercised. The Company's laboratory and office space in the United Kingdom were surrendered on October 1, 2026. During April 2025, the Company terminated its prior lease for laboratory and office space in Thousand Oaks, California.

The Company's lease costs consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating lease cost	$ 123	$ 290	$ 446	$ 1,108
Variable lease cost	58	24	334	652
Total lease cost	$ 181	$ 314	$ 780	$ 1,760

The following table summarizes cash flow information related to the Company's lease obligations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Cash paid for operating lease liabilities	$ 208	$ 265	$ 569	$ 1,080

The following table summarizes the Company's lease assets and liabilities (in thousands):

	September 30, 2026	December 31, 2025
Operating lease right-of-use assets	$ 2,053	$ 238
Current operating lease liabilities	$ 365	$ 372
Non-current operating lease liabilities	$ 1,734	$ —

The following table summarizes other supplemental information related to the Company's lease obligations:

	September 30, 2026	December 31, 2025
Weighted-average remaining lease term (in years)	4.58	0.70
Weighted-average discount rate	6.35 %	6.75 %

Future minimum lease payments under operating lease liabilities were (in thousands):

	September 30, 2026
2026 (remaining three months)	$ 127
2027	514
2028	527
2029	540
2030	553
2031 and thereafter	186
Total future lease payments	2,447
Less: imputed interest	348
Total lease liability balance	2,099
Less: current portion of operating lease liabilities	365
Total operating lease liabilities, non-current	$ 1,734

Current operating lease liabilities are recorded in the line item “accrued expenses and other current liabilities” in the condensed consolidated balance sheets.

Company as a Lessor: Tarzana Facility Lease with AstraZeneca

On July 10, 2024, Complex Therapeutics LLC, a wholly owned subsidiary of the Company, entered into a lease with AstraZeneca Pharmaceuticals LP pursuant to which Tenant is leasing the facility located in Tarzana, California (the “Lease”). The Lease has an initial term of approximately 15 years, beginning on July 10, 2024 and ending on July 31, 2039, with Tenant having two consecutive options to extend the term for a five-year period each and a one-time option to terminate the Lease on the tenth anniversary of the commencement of the Lease, which, if exercised, obligates Tenant to pay Complex Therapeutics LLC a termination fee. The initial base rent was approximately $0.6 million per month (approximately $7.5 million annually) and the base rent escalates by 3% per annum. Tenant is also required to pay certain operating expenses and tax expenses as additional rent. There was rent abatement during the first year of the Lease such that Tenant paid no rent or reduced rent during this period. Tenant also has a right of first offer to purchase the premises that are subject to the Lease.

The Lease is classified as an operating lease. Fixed lease payments are recognized on a straight-line basis over the lease term. Under the Lease, variable lease payments consist of the Tenant’s monthly reimbursement of property taxes, insurance, property management and certain other operating costs that the Company pays to third parties. The reimbursements are recognized as income in the period in which the related costs are incurred. Fixed and variable lease income is recorded within the line item “other rental income” in the condensed consolidated statements of operations and comprehensive loss because leasing is not part of the Company’s core operations, and the related costs are recorded in general and administrative expenses. The Tenant’s reimbursements had previously been recorded as a reduction of general and administrative expenses; the prior periods presented have been corrected to present the reimbursements as variable lease income within the line item “other rental income”, with the related costs in general and administrative expenses. See Note 15.

Rental income related to the Lease was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Fixed lease income	$ 2,242	$ 2,242	$ 6,726	$ 6,726
Variable lease income	455	449	1,364	1,350
Total other rental income	$ 2,697	$ 2,691	$ 8,090	$ 8,076

Approximate future straight-lined contractual lease income to be recognized under the Lease in effect as of September 30, 2026, is as follows (in thousands):

	September 30, 2026
2026 (remaining three months)	$ 2,242
2027	8,968
2028	8,968
2029	8,968
2030	8,968
2031 and thereafter	76,974
Total	$ 115,088

Differences between rental income earned and amounts due per the Lease are capitalized or charged, as applicable, to accrued rent receivable. As of September 30, 2026 and December 31, 2025, the Company had accrued rent receivable of $8.5 million and $7.7 million, respectively.

Legal Proceedings

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and that such expenditures can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. The Company does not expect that the resolution of these matters will have a material adverse effect on its financial position, results of operations or cash flows.

Indemnifications

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. The Company currently has directors' and officers' insurance coverage that reduces its exposure and enables the Company to recover a portion of any future amounts paid. No liability associated with such indemnifications was recorded as of September 30, 2026 and December 31, 2025.

Other Commitments

In the normal course of business, the Company enters into contracts and various purchase agreements and commitments with third-party vendors for clinical research services, products and other services for operating purposes. These agreements generally provide for termination or cancellation at the Company's option, other than for costs already incurred.

As of September 30, 2026 and December 31, 2025, the Company had nil and $0.2 million, respectively, in commitments for contract terminations as part of the Plan (as defined in Note 14).

10. Debt

In June 2022, the Company's wholly owned subsidiaries Complex Therapeutics Mezzanine LLC and Complex Therapeutics LLC entered into a mortgage construction loan and mezzanine construction loan (together, the "Construction Loans") secured by Complex Therapeutic LLC's Tarzana, California land and building. The initial principal amount of the Construction Loans was $52.1 million, with additional future principal of up to $32.9 million to fund ongoing construction costs.

On December 20, 2024 (the "Closing Date"), Complex Therapeutics LLC entered into a Term Loan Agreement (the "2024 Loan") and related loan documents with Midland National Life Insurance Company

("Lender"), pursuant to which Lender loaned Complex Therapeutics LLC a term loan in the principal amount of $85.6 million to refinance the Construction Loans. Substantially all of the 2024 Loan proceeds were used to repay in full the Construction Loans. As of both September 30, 2026 and December 31, 2025, the outstanding principal amount under the 2024 Loan was $85.6 million. Unamortized debt issuance costs were $0.5 million and $0.8 million as of September 30, 2026 and December 31, 2025, respectively.

The 2024 Loan has a term of two years with a one-year extension option. The 2024 Loan bears interest at a fixed rate of 6.35% per annum, with interest-only payments during the term and the principal balance due in full at maturity. During the three months ended September 30, 2026, Complex Therapeutics LLC delivered irrevocable notice of its election to extend the maturity by one year to January 2028 and paid an extension fee of $0.3 million. The extension fee was capitalized and included in unamortized debt issuance costs and is being amortized over the term of the 2024 Loan as extended. The conditions required to be satisfied as of the notice date, including the debt yield and debt service coverage ratio requirements, were satisfied; the extension will take effect upon satisfaction of the remaining conditions, which are tested at the scheduled maturity date in January 2027 and consist of the absence of a potential default or event of default, the absence of material unrepaired casualty damage to or condemnation of the Tarzana facility, the deposit of any additional reserve amounts reasonably required by Lender, and payment of Lender's costs.

The 2024 Loan may be prepaid in whole but not in part. There is no prepayment fee due if the 2024 Loan is prepaid after the 12-month anniversary of the Closing Date.

The net carrying amount of the liability component of the 2024 Loan was as follows (in thousands):

	September 30, 2026	December 31, 2025
Principal amount	$ 85,600	$ 85,600
Unamortized debt issuance cost	(543)	(794)
Net carrying amount	$ 85,057	$ 84,806

The following table sets forth the interest expense recognized related to the Loan (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Contractual interest expense	$ 1,389	$ 1,389	$ 4,137	$ 3,800
Amortization of debt issuance cost	165	193	551	598
Total interest expense related to the 2024 Loan	$ 1,554	$ 1,582	$ 4,688	$ 4,398

11. Equity

Common Stock

Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends out of legally available funds when and if declared by the Company's Board of Directors, subject to the rights of holders of any classes of stock outstanding having priority rights as to dividends. No cash dividends have been declared by the Board of Directors from inception.

As of both September 30, 2026 and December 31, 2025, the Company had 6,781,976 shares of common stock outstanding.

At-the-Market Offering (ATM Program)

In March 2025, the Company entered into an Open Market Sale Agreement[SM] with Jefferies LLC ("Jefferies") pursuant to which the Company may, subject to the terms and conditions set forth in the agreement, offer and sell, from time to time, through or to Jefferies, acting as agent or principal, shares of common stock having an aggregate offering price of up to $100.0 million in one or more "at the market offerings" (the "ATM Program").

As of December 31, 2025, the Company had sold 185,837 shares of common stock under the ATM Program at a weighted-average price of $37.13 per share, for net proceeds of $6.6 million, after deducting commissions and expenses of approximately $0.3 million. The remaining availability under the ATM Program as of both December 31, 2025 and September 30, 2026 is approximately $93.1 million. There were no sales under the ATM Program during the nine months ended September 30, 2026.

Preferred Stock

The Company's current amended and restated certificate of incorporation authorizes the Company to issue up to 10,000,000 shares of preferred stock at $0.000001 par value per share. The Board of Directors is authorized to provide for the issuance of the preferred stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in subsequent resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares. As of September 30, 2026 and December 31, 2025, there were no shares of preferred stock issued or outstanding.

12. Stock-Based Compensation

2021 Equity Incentive Plan

In March 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan"), which became effective in connection with the Company's initial public offering ("IPO"). The 2021 Plan was approved by the Board of Directors and stockholders in March 2021. The 2021 Plan is an equity incentive plan pursuant to which the Company may grant the following awards: (i) incentive stock options; (ii) nonstatutory stock options; (iii) stock appreciation rights; (iv) restricted stock awards; (v) restricted stock unit awards; (vi) performance awards; and (vii) other forms of stock awards to employees, directors, and consultants, including employees and consultants of the Company's affiliates. The 2021 Plan is a successor to the Company's 2018 Stock Incentive Plan (the "2018 Plan"). Following the effectiveness of the 2021 Plan, no further grants may be made under the 2018 Plan; however, any outstanding equity awards granted under the 2018 Plan will continue to be governed by the terms of the 2018 Plan.

As of September 30, 2026, 932,486 shares of common stock remained available for issuance under the 2021 Plan. During the three and nine months ended September 30, 2026, options to purchase 6,000 and 138,033 shares of common stock were forfeited and expired under the 2021 Plan, respectively.

The following table sets forth stock-based compensation included in the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Total stock-based compensation expense	$ 984	$ 1,768	$ 3,005	$ 7,087

As of September 30, 2026, there was $7.3 million of total unrecognized compensation cost related to unvested stock options granted under the 2021 Plan, which is expected to be recognized over a weighted average period of 1.9 years.

Employee Stock Purchase Plan

In March 2021, the Company adopted the Employee Stock Purchase Plan (the "ESPP"), which became effective in connection with the IPO. The ESPP was adopted by the Board of Directors and stockholders in March 2021, but the Company has not yet commenced offerings to employees under the ESPP. As of September 30, 2026, the Company had 192,148 shares of its common stock available for future issuance under the ESPP.

13. Net Loss Per Share

The following outstanding potentially dilutive shares have been excluded from the calculation of diluted net loss per share for the periods presented due to their anti-dilutive effect:

	September 30,	
	2026	**2025**
Stock options to purchase common stock	1,425,074	1,594,174

14. Restructuring and Impairment of Long-Lived Assets

In January 2023, the Board of Directors approved a restructuring plan and the Company announced the consolidation of the ITIL-306 Phase 1 clinical trial, which included contract terminations.

In January 2024, the Board of Directors approved a comprehensive restructuring plan, which included the closure of the Company's UK manufacturing facility and clinical trial operations. In September 2024, the Board of Directors approved additional UK restructuring actions, which resulted in the elimination of the majority of the remaining UK workforce in the fall of 2024, with the remaining reduction and restructuring activities substantially completed by the end of 2024.

Collectively, the restructuring events from 2023 and 2024 are referred to as the "Plan." Certain contractual obligations associated with the Plan were settled in 2025, resulting in related cost adjustments.

In March 2025, the Board of Directors approved a plan to sell the Tarzana facility, and the Company listed the Tarzana facility for sale and reclassified it as a long-lived asset held for sale and incurred impairment charges on the facility and as well as charges related to the anticipated cost to sell the facility (collectively, the "2025 Tarzana Charges").

In January 2026, Axion Bio discontinued development of AXN-2510, and the Company terminated certain employees associated with this program (the "2026 Employee Terminations").

In May 2026, the Company determined that the Tarzana facility no longer met the criteria for classification as held for sale and reclassified the asset as held and used. In connection with the reclassification, the Company recognized an impairment charge to reduce the carrying value of the Tarzana facility to the lower of its adjusted carrying amount and fair value (the "2026 Tarzana Charges").

Restructuring and Impairment Charges, Net

The 2026 Employee Terminations, 2026 Tarzana Charges, 2025 Tarzana Charges and costs associated with the Plan are presented within the line item "restructuring and impairment charges, net" in the condensed consolidated statements of operations and comprehensive loss.

"Restructuring and impairment charges, net" consisted of a gain of $0.1 million due to a reversal of previously recognized restructuring liabilities associated with contract terminations as the related obligations were settled and extinguished during the three months ended September 30, 2026. Losses resulting from the 2026 Employee Terminations, 2026 Tarzana Charges and a reversal of costs of the Plan are presented within the $1.1 million of restructuring and impairment charges, net for the nine months ended September 30, 2026.

"Restructuring and impairment charges, net" were nil for the three months ended September 30, 2025. Losses resulting from the Plan and 2025 Tarzana Charges are presented within the $16.6 million of restructuring and impairment charges, net for the nine months ended September 30, 2025.

The following table summarizes the restructuring and impairment charges, net by category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
One-time employee termination benefits	$ —	$ —	$ 992	$ —
Contract terminations	(81)	—	(81)	53
Impairment of long-lived assets held for sale and held and used, net	—	—	181	16,569
Total restructuring and impairment charges, net	$ (81)	$ —	$ 1,092	$ 16,622

Restructuring Liability

As a result of the Plan and the 2026 Employee Terminations, a restructuring liability was recorded in the condensed consolidated balance sheets under "Accrued expenses and other current liabilities" and was measured at the amount expected to be paid, or that was paid. During the nine months ended September 30, 2026, the Company paid $0.1 million in contract terminations and $1.0 million related to employee benefits. During both the three and nine months ended September 30, 2026, the Company reversed $0.1 million in costs from contract terminations. As of September 30, 2026, the restructuring liability was fully settled.

The following table shows the restructuring liability related to the Plan and the 2026 Employee Terminations (in thousands):

	Employee Benefits	Contract Terminations	Total
Restructuring liability as of December 31, 2025	$ —	$ 155	$ 155
Additions	992	—	992
Payments	(992)	(79)	(1,071)
Adjustments	—	(76)	(76)
Restructuring liability as of September 30, 2026	$ —	$ —	$ —

15. Correction of Previously Issued Financial Statements

In connection with the preparation of its condensed consolidated financial statements for the three and nine months ended September 30, 2026, the Company identified errors in its previously issued annual and interim financial statements as further discussed below.

Tarzana Facility Lease with AstraZeneca

The Company identified errors related to (i) the recognition of property taxes on the Tarzana facility, (ii) the presentation of amounts reimbursed by Tenant for property taxes, insurance and operating costs, and (iii) the period in which certain Tenant reimbursements were recognized. These errors resulted in the following misstatements.

In accordance with SEC Staff Accounting Bulletin ("SAB) No. 99, "Materiality", and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements", the Company evaluated the errors and determined that the related impacts were not material to its financial statements for any prior annual or interim periods. However, the Company corrected these errors in the accompanying condensed consolidated financial statements, including the opening balances as of January 1, 2025, the ending balances as of December 31, 2025, and the interim periods for the three and nine months ended September 30, 2025, and the three and six months ended June 30, 2026. The applicable notes to the accompanying condensed consolidated financial statements have also been corrected to reflect the impact of the corrections of the previously filed financial statements.

Recognition of property taxes and tenant reimbursements on the Tarzana facility

Construction of the Tarzana facility was completed in September 2023. However, the Los Angeles County Assessor did not add the completed construction to the property tax roll until June 2026. In August 2026, the Company received supplemental property tax bills totaling $3.0 million for the 2023-2024, 2024-2025 and 2025-2026 tax years, none of which was accrued during the periods in which it relates. Prior to August 2026, the Company's process relied on bills received from the County and did not include an estimate of property taxes on construction not yet enrolled. The taxes were liabilities of the Company from the completion of construction and should have been estimated and accrued in each subsequent period. In accordance with the Lease, the Tenant reimburses the Company for property taxes, insurance and operating costs. The Company historically recorded reimbursements from the Tenant for property taxes, insurance and operating costs as a reduction of general and administrative expenses. Because the Company's subsidiary, Complex Therapeutics, incurs the underlying costs and is the obligor for them, the reimbursements are variable lease payments and should have been presented gross, as variable lease income in other rental income, with the related costs presented in general and administrative expenses. The portion of the supplemental property tax bills reimbursable by the Tenant under the lease, which applies to periods from January 10, 2025 through June 30, 2026 and totals $1.5 million, should have been recognized as variable lease income in each of the associated interim and annual periods. The correction increases general and administrative expenses by the tax attributable to each period presented and increases other rental income by the portion reimbursable by the Tenant. The correction also records the related receivable in prepaid expenses and other current assets and the related liability in accrued expenses and other current liabilities. The portion attributable to periods before January 1, 2025 has been corrected through the opening balances as of January 1, 2025, including the opening accumulated deficit presented in the condensed consolidated statement of stockholders' equity. The reclassification of tenant reimbursements inclusive of the portion related to supplemental property tax billings, as well as historically recognized property taxes, insurance and operating costs has no effect on net loss, net loss per share or cash flows. The unreimbursed portion of the supplemental taxes, totaling $1.5 million, increases net loss in the periods presented.

Other immaterial errors

The Company also corrected certain other errors that were immaterial individually and in the aggregate.

Materiality assessment and correction

The corrected amounts for the interim periods of 2025 and 2026 and for the year ended December 31, 2025 are presented in the tables below (in thousands, except per share amounts). The corrected amounts will be reflected when those periods are next presented in the Company's filings, including the consolidated financial statements for the year ended December 31, 2025 in the Company's Annual Report on Form 10-K for the year ending December 31, 2026. The correction had no effect on the Company's cash flows from operating, investing or financing activities in any period. The remainder of the notes to the condensed consolidated financial statements have been corrected, as applicable, to reflect these adjustments.

The following tables summarize the impact of the corrections to impacted line items within previously issued financial statements for periods presented herein or to be reflected when those period financial statements are next presented in the Company's filings (in thousands, except per share amounts):

Condensed Consolidated Balance Sheets

	As of December 31, 2025		
	As Previously Reported	Adjustment	As Corrected
Prepaid expenses and other current assets	$ 3,038	$ 992	$ 4,030
Total current assets	191,429	992	192,421
Total assets	203,523	992	204,515
Accrued expenses and other current liabilities	4,064	2,187	6,251
Total current liabilities	4,843	2,187	7,030
Total liabilities	89,657	2,187	91,844
Accumulated deficit	(726,488)	(1,195)	(727,683)
Total stockholders' equity	113,866	(1,195)	112,671
Total liabilities and stockholders' equity	$ 203,523	$ 992	$ 204,515

	As of March 31, 2026			As of June 30, 2026		
	As Previously Reported	Adjustment	As Corrected	As Previously Reported	Adjustment	As Corrected
Prepaid expenses and other current assets	$ 1,512	$ 1,370	$ 2,882	$ 1,673	$ 1,504	$ 3,177
Total current assets	188,302	1,370	189,672	71,605	1,504	73,109
Total assets	200,428	1,370	201,798	197,712	1,504	199,216
Accrued expenses and other current liabilities	3,930	2,732	6,662	2,510	2,988	5,498
Total current liabilities	4,723	2,732	7,455	3,305	2,988	6,293
Total liabilities	89,730	2,732	92,462	90,332	2,988	93,320
Accumulated deficit	(730,692)	(1,362)	(732,054)	(734,991)	(1,484)	(736,475)
Total stockholders' equity	110,698	(1,362)	109,336	107,380	(1,484)	105,896
Total liabilities and stockholders' equity	$ 200,428	$ 1,370	$ 201,798	$ 197,712	$ 1,504	$ 199,216

Condensed Consolidated Statements of Operations and Comprehensive Loss

	For the three months ended September 30, 2025		
	As Previously Reported	Adjustment	As Corrected
General and administrative	$ 5,895	$ 449	$ 6,344
Total operating expenses	15,022	449	15,471
Loss from operations	(15,022)	(449)	(15,471)
Other rental income	$ 2,242	$ 449	$ 2,691

	For the nine months ended September 30, 2025		
	As Previously Reported	Adjustment	As Corrected
General and administrative	$ 21,161	$ 1,528	$ 22,689
Total operating expenses	69,024	1,528	70,552
Loss from operations	(69,024)	(1,528)	(70,552)
Interest expense	(4,262)	(136)	(4,398)
Other rental income	6,726	1,350	8,076
Net loss	(63,181)	(314)	(63,495)
Net comprehensive loss	(63,565)	(314)	(63,879)
Net loss per share, basic and diluted	$ (9.53)	$ (0.05)	$ (9.58)

	For the year ended December 31, 2025		
	As Previously Reported	Adjustment	As Corrected
General and administrative	$ 27,221	$ 1,690	$ 28,911
Total operating expenses	78,581	1,690	80,271
Loss from operations	(78,581)	(1,690)	(80,271)
Interest expense	(5,829)	(136)	(5,965)
Other rental income	8,968	1,801	10,769
Net loss	(71,372)	(25)	(71,397)
Net comprehensive loss	(71,727)	(25)	(71,752)
Net loss per share, basic and diluted	$ (10.70)	$ (0.01)	$ (10.71)

	For the three months ended March 31, 2026		
	As Previously Reported	Adjustment	As Corrected
General and administrative	$ 5,349	$ 617	$ 5,966
Total operating expenses	7,010	617	7,627
Loss from operations	(7,010)	(617)	(7,627)
Other rental income	2,242	450	2,692
Net loss	(4,204)	(167)	(4,371)
Net comprehensive loss	(4,153)	(167)	(4,320)
Net loss per share, basic and diluted	$ (0.62)	$ (0.02)	$ (0.64)

	For the three months ended June 30, 2026			For the six months ended June 30, 2026		
	As Previously Reported	Adjustment	As Corrected	As Previously Reported	Adjustment	As Corrected
General and administrative	$ 5,130	$ 581	$ 5,711	$ 10,479	$ 1,198	$ 11,677
Total operating expenses	5,581	581	6,162	12,591	1,198	13,789
Loss from operations	(5,581)	(581)	(6,162)	(12,591)	(1,198)	(13,789)
Other rental income	2,242	459	2,701	4,484	909	5,393
Net loss	(4,299)	(122)	(4,421)	(8,503)	(289)	(8,792)
Net comprehensive loss	(4,354)	(122)	(4,476)	(8,507)	(289)	(8,796)
Net loss per share, basic and diluted	$ (0.63)	$ (0.02)	$ (0.65)	$ (1.25)	$ (0.05)	$ (1.30)

Condensed Consolidated Statements of Stockholders' Equity

Common stock, additional paid-in capital and accumulated other comprehensive loss were not affected and are not presented. Because no other component of equity changed, the adjustment to total stockholders' equity equals the adjustment to accumulated deficit in every period and is shown in a single column. Other changes in equity, principally stock-based compensation and the exercise of equity awards, were not affected and are not presented, so accumulated deficit rolls to each balance shown while total stockholders' equity does not.

	As Previously Reported		Adjustment	As Corrected	
	Accumulated Deficit	Total Stockholders' Equity	Accumulated Deficit and Total Stockholders' Equity	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2024	$ (655,116)	$ 169,436	$ (1,170)	$ (656,286)	$ 168,266
Net loss	(71,372)	(71,372)	(25)	(71,397)	(71,397)
Balance as of December 31, 2025	$ (726,488)	$ 113,866	$ (1,195)	$ (727,683)	$ 112,671

	As Previously Reported		Adjustment	As Corrected	
	Accumulated Deficit	Total Stockholders' Equity	Accumulated Deficit and Total Stockholders' Equity	Accumulated Deficit	Total Stockholders' Equity
Balance as of December 31, 2025	$ (726,488)	$ 113,866	$ (1,195)	$ (727,683)	$ 112,671
Net loss	(4,204)	(4,204)	(167)	(4,371)	(4,371)
Balance as of March 31, 2026	(730,692)	110,698	(1,362)	(732,054)	109,336
Net loss	(4,299)	(4,299)	(122)	(4,421)	(4,421)
Balance as of June 30, 2026	$ (734,991)	$ 107,380	$ (1,484)	$ (736,475)	$ 105,896

Condensed Consolidated Statements of Cash Flows

For the nine months ended September 30, 2025	As Previously Reported	Adjustment	As Corrected
Net loss	$ (63,181)	$ (314)	$ (63,495)
Prepaid expenses and other current assets	4,933	(449)	4,484
Accrued expenses and other current liabilities	$ (1,576)	$ 763	$ (813)

For the three months ended March 31, 2026	As Previously Reported	Adjustment	As Corrected
Net loss	$ (4,204)	$ (167)	$ (4,371)
Prepaid expenses and other current assets	1,526	(378)	1,148
Accrued expenses and other current liabilities	$ 54	$ 545	$ 599

For the six months ended June 30, 2026	As Previously Reported	Adjustment	As Corrected
Net loss	$ (8,503)	$ (289)	$ (8,792)
Prepaid expenses and other current assets	1,364	(512)	852
Accrued expenses and other current liabilities	$ (1,572)	$ 801	$ (771)

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

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 included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2025 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 27, 2026. We have corrected our prior period financial statements to reflect the correction of immaterial errors as described in "Note 15. Correction of Prior Period Financial Statements" to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to Instil Bio, Inc. and our consolidated subsidiaries.

Forward-Looking Statements

The information in this discussion contains forward-looking statements and information within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the "safe harbor" created by those sections. These forward-looking statements include, but are not limited to, statements concerning our strategy, future operations, expectations regarding collaborations and clinical trials, future financial position, future revenues, projected costs, prospects, and plans and objectives of management. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the SEC. The forward-looking statements are applicable only as of the date on which they are made, and we do not assume any obligation to update any forward-looking statements.

Overview

We are a biotechnology company building a portfolio of asset-focused subsidiaries to develop novel therapies for unmet medical needs. We are actively seeking to internally develop or in-license programs, building a diversified portfolio of development candidates.

Since inception, we have had significant operating losses. Our net loss was $4.2 million for the three months ended September 30, 2026 and $13.0 million for the nine months ended September 30, 2026. As of September 30, 2026, we had an accumulated deficit of $740.7 million. As of September 30, 2026, we had cash, cash equivalents, restricted cash, marketable securities and long-term investments of approximately $67.1 million, which consists of $2.5 million in cash and cash equivalents, $0.4 million in restricted cash, $59.5 million in marketable securities and $4.6 million in long-term investments. We expect to continue to incur net losses for the foreseeable future.

Components of Operating Results

Operating Expenses

In-Process Research and Development

In-process research and development, or IPR&D, expenses include IPR&D acquired as part of in-license payments made to ImmuneOnco for which there is no alternative future use, and are expensed as incurred.

Research and Development

Research and development expenses consist primarily of research and development, manufacturing, monitoring and other services payments and, to a lesser extent, salaries, benefits and other personnel-related costs, including stock-based compensation, professional service fees, and facility and other related costs. In addition, research and development expense is presented net of reimbursements from reimbursable tax and expenditure credits and grants from the UK government.

We expect our future research and development expenses to change in line with our potential business development activities and any nonclinical and clinical development activities. Our expenditures on any future nonclinical and clinical development programs are subject to numerous uncertainties in timing and cost to completion. The duration, costs and timing of clinical trials and development of product candidates will depend on a variety of factors, including:

- the scope, rate of progress and expenses of preclinical studies, clinical trials and other research and development activities;
- potential safety monitoring and other studies requested by regulatory agencies;
- significant and changing government regulation; and
- the timing and receipt of regulatory approvals, if any.

The process of conducting the necessary clinical research to obtain regulatory approval from the U.S. Food and Drug Administration, or FDA, Medicines and Healthcare Products Regulatory Agency, or MHRA, European Medicines Agency, or EMA, and comparable foreign authorities is costly and time consuming and the successful development of product candidates is highly uncertain. The risks and uncertainties associated with our research and development projects are discussed more fully in the section of this Quarterly Report titled “Risk Factors.” As a result of these risks and uncertainties, we are unable to determine with any degree of certainty the duration and completion costs of our research and development projects, or if, when or to what extent we will generate revenues from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any product candidates.

General and Administrative

General and administrative expenses consist primarily of compensation and personnel-related expenses, including stock-based compensation, for our personnel in executive, finance and other administrative functions. General and administrative expenses also include professional fees paid for accounting, auditing, legal, tax and consulting services, insurance costs, recruiting costs, travel expenses, facility and other related costs, depreciation, and other general and administrative costs.

We expect to continue to incur expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC, director and officer insurance expenses, and any investor relations related expenses, as well as other administrative and professional services.

Restructuring and Impairment Charges, Net

Restructuring and impairment charges, net for the three months ended September 30, 2026 consisted primarily of the reversal of previously recognized restructuring liabilities associated with contract terminations as the related obligations were settled and extinguished.

Restructuring and impairment charges, net for the nine months ended September 30, 2026 consisted primarily of a net remeasurement loss recognized upon reclassifying the Tarzana facility to held and used and employee termination costs, partially offset by a reversal of previously recognized cost to sell and the reversal of previously recognized restructuring liabilities associated with contract terminations as the related obligations were settled and extinguished. Restructuring and impairment charges, net for the nine months ended September 30, 2025 consisted primarily of impairment charges and related estimated cost to sell recognized in connection with classifying our Tarzana facility as held for sale, as well as contract terminations costs.

In January 2023, the Board of Directors approved a restructuring plan, and we announced the consolidation of the ITIL-306 Phase 1 clinical trial, which included contract terminations.

In January 2024, we decided to initiate closure of our UK manufacturing and clinical operations related to our past development of our CoStAR-TIL technology, and in September 2024 we decided to close most of our remaining Manchester, UK operations related to our past development of our CoStAR-TIL technology, which resulted in the elimination of the majority of the remaining UK workforce, with the remaining reduction substantially completed by the end of 2024.

Collectively, the restructuring events from 2023 and 2024 are referred to as the "Plan."

In March 2025, the Board of Directors approved a plan to sell our Tarzana facility, and we listed our Tarzana facility for sale. At such time, we reclassified the facility as a long-lived asset held for sale and incurred impairment charges related thereto, which we refer to as the 2025 Tarzana Charges.

In May 2026, we discontinued our former plan to sell the Tarzana facility, and the facility was reclassified from held for sale to held and used. In connection with the reclassification, we recognized an impairment charge to reduce the carrying value of the Tarzana facility to the lower of its adjusted carrying amount and fair value.

In January 2026, Axion Bio discontinued development of AXN-2510 and terminated certain employees associated with this program, or the 2026 Employee Terminations.

As a result of the Plan, we incurred a gain of $0.1 million due to a reversal of costs recorded within restructuring and impairment charges, net on the condensed consolidated statements of operations and comprehensive loss during the three months ended September 30, 2026. As a result of the 2026 Employee Terminations, the 2026 Tarzana Charges, and the Plan, we incurred a loss in restructuring and impairment charges, net of $1.1 million for the nine months ended September 30, 2026.

As a result of the 2025 Tarzana Charges and the Plan, we incurred a loss of $16.6 million due to restructuring and impairment charges, net on the condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2025.

Interest Income

Interest income consists of interest income from funds held in our cash and cash equivalent accounts, restricted cash, marketable securities and long-term investments.

Interest Expense

Interest expense consists of interest expense on our debt and amortization of loan origination costs.

Other Rental Income

Other rental income consists of fixed and variable lease income related to the Tarzana facility.

Gain on Contract Termination

Gain on contract termination consists of a payment received pursuant to the termination agreement between ImmuneOnco Biopharmaceuticals (Shanghai) Inc., or ImmuneOnco, and Axion Bio related to discontinuing development of AXN-2510.

Other (Expense) Income, Net

Other (expense) income, net consists primarily of foreign exchange remeasurement gain or loss and other expenses and income.

Results of Operations

Comparison of the Three Months Ended September 30, 2026 and 2025

The following table summarizes our results of operations for the three months ended September 30, 2026 and 2025 (in thousands):

	Three Months Ended September 30,		Change
	2026	2025	$
Operating expenses:			
Research and development	$ 233	$ 9,127	$ (8,894)
General and administrative	5,833	6,344	(511)
Restructuring and impairment charges, net	(81)	—	(81)
Total operating expenses	5,985	15,471	(9,486)
Loss from operations	(5,985)	(15,471)	9,486
Interest income	615	893	(278)
Interest expense	(1,554)	(1,582)	28
Other rental income	2,697	2,691	6
Other expense, net	(4)	(118)	114
Net loss	$ (4,231)	$ (13,587)	$ 9,356

Research and Development Expenses

Research and development expenses were $0.2 million and $9.1 million for the three months ended September 30, 2026 and 2025, respectively. The net decrease of $8.9 million was due to:

- $7.3 million decrease in costs related to research and clinical development activities primarily due to discontinuing development of AXN-2510;
- $1.3 million decrease in employee-related costs from reduced headcount, consisting primarily of a $1.1 million decrease in wages and benefits and a $0.2 million decrease in stock-based compensation expense; and
- $0.3 million decrease in consulting and professional services fees.

The following table shows our research and development expenses by program for the three months ended September 30, 2026 and 2025 (in thousands):

	Three months ended September 30,	
	2026	2025
Research and development:		
AXN-2510	$ 223	$ 9,040
Other program expenses [1]	10	87
Total research and development expenses by program	$ 233	$ 9,127

(1) Other program expenses consist of costs related to our past development of our CoStAR-TIL technology and other early-stage research activities.

General and Administrative Expenses

General and administrative expenses were $5.8 million and $6.3 million for the three months ended September 30, 2026 and 2025, respectively. The net decrease of $0.5 million was primarily due to:

- $0.8 million decrease in costs from reduced headcount, mainly consisting of a decrease in stock-based compensation expense of $0.6 million and a decrease in other employee-related expenses of $0.2 million; partially offset by
- $0.3 million increase in facility and other office expenses, mainly consisting of a $0.7 million increase in depreciation expense resulting from the reclassification of the Tarzana facility from held for sale to held and used in May 2026, partially offset by a decrease in facility repairs and other office expenses of $0.4 million.

Restructuring and Impairment Charges, Net

Restructuring and impairment charges, net were a reversal of costs of $0.1 million and nil for the three months ended September 30, 2026 and 2025, respectively. The net decrease of $0.1 million was due to:

- $0.1 million reversal of costs resulting from termination of contracts.

Interest Income, Interest Expense, Other Rental Income and Other Expense, Net

Interest income, interest expense, other rental income and other income (expense), net was $1.8 million and $1.9 million of income for the three months ended September 30, 2026 and 2025, respectively. The net decrease of $0.1 million was primarily due to:

- $0.3 million decrease in interest income related to our investments; partially offset by
- $0.2 million increase in foreign currency transactions gains.

Comparison of the Nine Months Ended September 30, 2026 and 2025

The following table summarizes our results of operations for the nine months ended September 30, 2026 and 2025 (in thousands):

	Nine Months Ended September 30,		Change
	2026	2025	$
Operating expenses:			
In-process research and development	$ —	$ 10,000	$ (10,000)
Research and development	1,172	21,241	(20,069)
General and administrative	17,510	22,689	(5,179)
Restructuring and impairment charges, net	1,092	16,622	(15,530)
Total operating expenses	19,774	70,552	(50,778)
Loss from operations	(19,774)	(70,552)	50,778
Interest income	1,925	3,112	(1,187)
Interest expense	(4,688)	(4,398)	(290)
Other rental income	8,090	8,076	14
Gain on contract termination	1,620	—	1,620
Other (expense) income, net	(196)	267	(463)
Net loss	$ (13,023)	$ (63,495)	$ 50,472

In-process Research and Development Expenses

In-process research and development expenses were nil and $10.0 million for the nine months ended September 30, 2026 and 2025, respectively. The net decrease of $10.0 million was due to the fact that there was no in-license payment in the nine months ended September 30, 2026 and a $10.0 million in-license payment pursuant to the license and collaboration agreement with ImmuneOnco in the nine months ended September 30, 2025.

Research and Development Expenses

Research and development expenses were $1.2 million and $21.2 million for the nine months ended September 30, 2026 and 2025, respectively. The net decrease in research and development expenses of $20.0 million was primarily due to:

- $16.0 million decrease in costs related to research and clinical development activities primarily due to discontinuing development of AXN-2510;
- $3.0 million decrease in costs from reduced headcount, consisting primarily of a $2.1 million decrease in wages and benefits and a $0.9 million decrease in stock-based compensation expense; and
- $1.0 million decrease in consulting and professional services costs.

The following table shows our research and development expenses by program for the nine months ended September 30, 2026 and 2025 (in thousands):

	Nine Months Ended September 30,	
	2026	2025
In-process research and development:		
AXN-2510	$ —	$ 10,000
Research and development:		
AXN-2510	1,151	20,351
Other program expenses [1]	21	890
Total research and development expenses by program	1,172	21,241
Total research and development by program	$ 1,172	$ 31,241

(1) Other program expenses consist of costs related to our past development of our CoStAR-TIL technology and other early-stage research activities.

General and Administrative Expenses

General and administrative expenses were $17.5 million and $22.7 million for the nine months ended September 30, 2026 and 2025, respectively. The net decrease of $5.2 million was primarily due to:

- $3.7 million decrease in costs from reduced headcount, mainly consisting of a decrease in stock-based compensation expense of $3.2 million, a decrease in wages of $0.3 million, and a decrease in other employee-related expenses of $0.2 million;
- $0.6 million decrease in facility and other office expenses, mainly consisting of a decrease in facility repairs and other office expenses of $1.1 million, partially offset by a $0.5 million increase in depreciation expense following the reclassification of the Tarzana facility from held for sale to held and used in May 2026; and
- $0.9 million decrease in consulting and professional services costs.

Restructuring and Impairment Charges, Net

Restructuring and impairment charges, net were $1.1 million and $16.6 million for the nine months ended September 30, 2026 and 2025, respectively. The net change of $15.5 million was primarily due to:

- $16.4 million decrease related to a $0.2 million impairment recognized in 2026 upon reclassifying the Tarzana facility from held for sale to held and used, consisting of a $8.1 million impairment loss partially offset by a $7.9 million reversal of estimated cost to sell, compared to a $16.6 million impairment charge and related estimated cost to sell recognized on the Tarzana facility in 2025, consisting of a $8.7 million impairment loss and $7.9 million related to the estimated cost to sell; and
- $0.1 million reversal of costs resulting from termination of contracts; partially offset by
- $1.0 million increase in severance payments and benefits continuation costs.

Interest Income, Interest Expense, Other Rental Income, Gain on Contract Termination, and Other Income (Expense), Net

Interest income, interest expense, other rental income, gain on contract termination and other income (expense), net were $6.8 million and $7.1 million of income for the nine months ended September 30, 2026 and 2025, respectively. The net decrease of $0.3 million was primarily due to:

- $1.2 million decrease in interest income related to our investments;
- $0.4 million increase in foreign currency transaction losses; and
- $0.3 million increase of interest expense from our note payable; partially offset by
- $1.6 million increase in gain on contract termination.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have not generated any revenue from product sales and we have incurred significant operating losses. We do not have any products that have achieved regulatory marketing approval and we do not expect to generate revenue from commercial sales of any product candidate for at least several years, if ever.

Prior to our initial public offering, or IPO, we funded our operations primarily through the issuance and sale of convertible preferred stock. From our inception through March 2021, prior to our IPO, we raised net cash proceeds of $380.1 million from the issuance and sale of our convertible preferred stock.

In the first quarter of 2021, we raised net proceeds of $339.0 million in our IPO, pursuant to which we sold an aggregate of 920,000 shares of common stock.

In June 2022, our wholly owned subsidiaries, Complex Therapeutics Mezzanine LLC and Complex Therapeutics LLC, entered into a mortgage construction loan and mezzanine construction loan, or together, the Construction Loans, secured by Complex Therapeutics LLC's Tarzana, California land and building. Construction of the Tarzana facility was subsequently completed and in 2024 the facility was leased to AstraZeneca Pharmaceuticals LP, or Tenant. The initial base rent under the lease to Tenant was approximately $0.6 million per month (approximately $7.5 million annually) and the base rent escalates by 3% per annum. On December 20, 2024, or the Closing Date, Complex Therapeutics LLC entered into a Term Loan Agreement and related loan documents with Midland National Life Insurance Company, or Midland, pursuant to which Midland loaned Complex Therapeutics LLC a term loan in the principal amount of $85.6 million, or the 2024 Loan, to refinance the Construction Loans secured by the Tarzana facility. Substantially all of the 2024 Loan proceeds were used to repay in full the Construction Loans.

On November 13, 2024, we filed a shelf registration statement on Form S-3 with the SEC, which the SEC declared effective on November 21, 2024. Pursuant to our shelf registration statement we may, from time to time, sell up to an aggregate of $200 million of our common stock, preferred stock, debt securities or warrants.

In March 2025, we entered into an Open Market Sale Agreement[SM], with Jefferies LLC, or Jefferies, as sales agent, under which we may offer and sell, from time to time, shares of our common stock, through Jefferies, with an aggregate offering price of up to $100 million by methods deemed to be an "at the market offering," or the ATM Program.

As of September 30, 2026, we have sold an aggregate of 185,837 shares of our common stock under the ATM Program for net proceeds of $6.6 million after deducting commissions and expenses of approximately $0.3 million. The remaining availability under the ATM Program as of September 30, 2026 was approximately $93.1 million.

As of September 30, 2026, we had cash, cash equivalents, restricted cash, marketable securities and long-term investments of approximately $67.1 million, which consisted of $2.5 million in cash and cash equivalents, $0.4 million in restricted cash, $59.5 million in marketable securities and $4.6 million in long-term investments. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation.

Future Funding Requirements

In December 2024, Complex Therapeutics LLC entered into the 2024 Loan to refinance the Construction Loans secured by the Tarzana facility. As of September 30, 2026, the outstanding principal amount under the 2024 Loan was $85.6 million and unamortized debt issuance costs were $0.5 million. The 2024 Loan bears interest at a fixed rate of 6.35% per annum, with interest-only payments during the term of the 2024 Loan and the principal balance due in full at maturity. The 2024 Loan may be prepaid in whole but not in part. There is no prepayment fee due if the 2024 Loan is prepaid after the 12-month anniversary of the Closing Date. The 2024 Loan has a term of two years with a one-year extension option. During the three months ended September 30, 2026, Complex

Therapeutics LLC delivered irrevocable notice of its election to extend the maturity by one year to January 2028, satisfied the conditions required as of the notice date and paid an extension fee of $0.3 million. The extension fee was capitalized and included in unamortized debt issuance costs and is being amortized over the term of the 2024 Loan as extended. The extension will take effect upon satisfaction of the remaining conditions at the scheduled maturity date in January 2027, which we consider to be within our control.

Our obligations over the next twelve months include approximately $4.5 million of property taxes on the Tarzana facility due in December 2026 and April 2027. Of this amount, approximately $3.0 million is reimbursable by the Tenant under the lease, while approximately $1.5 million represents our share of reassessed property taxes attributable to periods prior to January 10, 2025. A portion of these tax obligations is expected to be funded through the tax escrow maintained under the 2024 Loan. See Note 2 to the condensed consolidated financial statements included in this Quarterly Report for additional information.

Based on our current operating plan, we believe our existing cash, cash equivalents, restricted cash, marketable securities and long-term investments will be sufficient to fund our operating expenses and capital expenditure requirements for the next twelve months from the issuance of the accompanying condensed financial statements.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We evaluated our ability to continue as a going concern for the twelve months following the issuance of the condensed consolidated financial statements. As discussed above and in Note 10 to the accompanying condensed consolidated financial statements, the 2024 Loan has a scheduled maturity date in January 2027 and, upon satisfaction of the remaining conditions to the extension, will mature in January 2028, for total principal of $85.6 million, which is in excess of cash, cash equivalents, marketable securities and long-term investments on hand as of September 30, 2026, which we concluded is an indicator of substantial doubt about our ability to continue as a going concern.

In September 2026, Complex Therapeutics LLC elected to extend the maturity of the 2024 Loan by one year to January 2028; the extension will take effect upon satisfaction of the remaining conditions at the scheduled maturity date, which we consider to be within our control (see Note 10 to the condensed consolidated financial statements included in this Quarterly Report). We concluded that this election alleviates the conditions that raise substantial doubt about our ability to continue as a going concern. In addition, we may seek to refinance or restructure the 2024 Loan, sell the Tarzana facility and use the proceeds to repay the 2024 Loan, or obtain additional financing through the issuance of equity or debt instruments. While we have recently resumed efforts to market the Tarzana facility, there can be no assurance that any refinancing, asset sale, additional financing or other source of funding will be available on favorable terms or at all.

We use our cash to fund operations, primarily to fund our business development, research and development expenditures and related personnel costs. We expect our expenses to continue to be significant as we invest in research and development activities, particularly if we in-license or acquire additional product candidates, advance one or more product candidates into later stages of development and conduct clinical trials, seek regulatory approvals for and commercialize any product candidates that successfully complete clinical trials, hire personnel and invest in and grow our business, expand and protect our intellectual property portfolio, and operate as a public company. Because of the numerous risks and uncertainties associated with acquiring product candidates, and the research, development and commercialization of product candidates, we are unable to estimate the exact timing and amount of our funding requirements. Our future operating expenditures will depend on many factors, including:

- the extent to which we acquire or in-license other companies' product candidates and technologies;
- the scope, rate of progress, costs and results of future clinical and preclinical development activities;
- the costs, timing and outcome of regulatory review of any product candidates, and the number of trials required for regulatory approval;
- the cost of manufacturing any product candidates, as well as any products we successfully commercialize;
- the cost of commercialization activities of any product candidates, if approved for sale, including marketing, sales and distribution costs;

- the timing, receipt and amount of sales of any product candidates, if approved;
- our ability to establish and maintain strategic collaborations, licensing or other arrangements and the financial terms of any such arrangements, including the timing and amount of any future milestone, royalty or other payments due under any such agreement;
- any product liability or other lawsuits or claims;
- the expenses needed to attract, hire and retain skilled personnel;
- our investments in our operational, financial and management information systems;
- the costs associated with operating as a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing any intellectual property portfolio we may acquire;
- our ability to complete a potential sale of costs related to the Tarzana facility; and
- any delays or issues resulting from the impact of adverse geopolitical and economic conditions.

Until we can generate substantial revenue from sales of a product candidate, if that occurs, we plan to fund our operations through equity offerings, debt financings, leasing income, or other capital sources. This may include strategic collaborations or other arrangements with third parties. Additional funds may not be available to us on acceptable terms or at all. If we raise additional funds by issuing equity or convertible debt securities, our stockholders will suffer dilution, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve restrictive covenants limiting our flexibility in conducting future business activities, and, in the event of insolvency, debt holders would be repaid before holders of our equity securities receive any distribution of our corporate assets. If we raise funds through collaborations or other similar arrangements with third parties, we may have to relinquish valuable rights to technologies, future revenue streams, product candidates or research programs or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. Our ability to raise additional funds may be adversely impacted by worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from, among other things, heightened inflation, fluctuations in interest rates, military conflicts, including in Ukraine and the Middle East, tariffs and recent and potential trade wars. If we fail to obtain necessary capital when needed on acceptable terms, or at all, it could force us to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations. See “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q and “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods set forth below (in thousands):

	Nine Months Ended September 30,	
	2026	**2025**
Net cash (used in) provided by :		
Cash used in operating activities	$ (8,384)	$ (29,543)
Cash provided by investing activities	4,819	17,658
Cash (used in) provided by financing activities	(300)	7,292
Net decrease in cash, cash equivalents, and restricted cash	$ (3,865)	$ (4,593)

Cash Flows from Operating Activities

Cash used in operating activities for the nine months ended September 30, 2026 was $8.4 million, which consisted of the net loss of $13.0 million, $0.5 million net change to our net operating assets and liabilities, and $5.1

million in non-cash charges and other adjustments to reconcile net loss to net cash used in operating activities. The non-cash charges primarily consisted of stock-based compensation expense of $3.0 million, non-cash interest expense of $0.6 million, depreciation expense of $1.0 million, amortization on invested securities of $0.3 million, impairment of property, plant and equipment and estimated cost to sell, net of $0.2 million, non-cash lease expense of $0.1 million and foreign exchange remeasurement loss of $0.1 million, partially offset by reversal of restructuring costs of $0.1 million. The net change in our operating assets and liabilities was primarily due to a decrease of $1.0 million in prepaid expenses and other current assets and a decrease of $0.2 million in other long-term assets, partially offset by an increase of $0.9 million in accrued rent receivable, a decrease of $0.4 million in accounts payable, a decrease of $0.2 million in accrued expenses and other current liabilities and a decrease of $0.2 million in operating lease liabilities.

Cash used in operating activities for the nine months ended September 30, 2025 was $29.5 million, which consisted of the net loss of $63.5 million and an approximately $0.4 million net change to our net operating assets and liabilities, partially offset by $34.3 million in non-cash charges and other adjustments to reconcile net loss to net cash used in operating activities. The non-cash charges primarily consisted of impairment of property, plant and equipment of $16.6 million, in-process research and development expenses of $10.0 million, stock-based compensation expense of $7.1 million, depreciation expense of $0.5 million, non-cash lease expense of $0.2 million and non-cash interest expense of $0.6 million, partially offset by a gain in foreign exchange remeasurement of $0.5 million, reversal of $0.1 million in restructuring costs and accretion on invested securities of $0.1 million. The net change in our operating assets and liabilities was primarily due to an increase of $3.1 million in accrued rent receivable, a decrease of $1.6 million in operating lease liabilities and a decrease of $0.8 million in accrued expenses and other current liabilities, partially offset by an increase of $0.3 million in accounts payable, a decrease of $0.3 million in other long-term assets and a decrease of $4.5 million in prepaid expenses and other current assets.

Cash Flows from Investing Activities

Cash provided by investing activities for the nine months ended September 30, 2026 consisted of $4.8 million of cash provided by marketable securities investments.

Cash provided by investing activities for the nine months ended September 30, 2025 was $17.7 million, consisting primarily of approximately $27.3 million of cash provided by marketable securities investments and $0.4 million of cash received from held for sale assets, offset by $10.0 million of acquired in-process research and development.

Cash Flows from Financing Activities

Cash used in financing activities for the nine months ended September 30, 2026 was $0.3 million from our loan extension closing costs.

Cash provided by financing activities for the nine months ended September 30, 2025 was $7.3 million, and primarily consisted of net proceeds from our ATM Program of $6.6 million and net proceeds from the exercise of stock options of $0.9 million, partially offset by loan agreement closing costs of $0.2 million.

Critical Accounting Policies and Estimates

This management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a description of critical accounting policies that require significant judgments and estimates during the preparation of our financial statements, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" and Note 2 to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2025 and Note 2 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. During the three months ended September 30, 2026, the recoverability of the carrying amount of the Tarzana facility became a critical accounting estimate. The recoverability test described in Note 3 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q depends on our estimates of the probability that the facility will be sold, the price and timing of a sale, and the cash flows from continuing to hold and lease the facility, including the Tenant's occupancy through the lease term.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements applicable to us is included in Note 2 to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Emerging Growth Company Status and Smaller Reporting Company Status

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. For so long as we remain an emerging growth company, we are permitted and intend to rely on certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

In addition, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to avail ourselves of this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) December 31, 2026, (ii) the last day of the fiscal year in which we have total annual gross revenue of at least $1.235 billion, (iii) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

We are also a "smaller reporting company," as defined in Rule 12b-2 under the Exchange Act. We may continue to be a smaller reporting company if either (i) the market value of our shares held by non-affiliates is less than $250.0 million or (ii) our annual revenue was less than $100.0 million during the most recently completed fiscal year and the market value of our shares held by non-affiliates is less than $700.0 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, because of the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of September 30, 2026 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of our condensed consolidated financial statements for the quarter ended September 30, 2026, management identified a material weakness in our internal control over financial reporting relating to the estimation and recording of property taxes on our Tarzana, California facility. Specifically, we did not appropriately design and maintain the controls for the (i) estimation and accrual of property taxes to consider the changes in the tax assessment after completion of the construction or (ii) evaluation for the recording and presentation of the Tenant's reimbursements of property taxes, insurance and operating costs of the facility as variable lease income.

These deficiencies, in the aggregate, resulted in errors in our previously issued financial statements related to the accrual of property taxes and the recognition and presentation of related Tenant reimbursements.

Notwithstanding the material weakness, our Chief Executive Officer and Chief Financial Officer performed additional analyses and procedures and have concluded that the condensed consolidated financial statements included in this Quarterly Report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles.

Remediation

Management, with oversight from the Audit Committee of our Board of Directors, is implementing a remediation plan that includes the following:

- implementing a quarterly property tax accrual review control under which the Company reviews the tax bill and also specifically considers changes to the property, municipality and tax rates in estimating the property tax; and
- implementing a review control over the accounting for Tenant reimbursements, including the recognition of amounts receivable and the classification and presentation of such reimbursements as variable lease income.

The material weakness will not be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that they are operating effectively. We expect to complete the remediation during the year ending December 31, 2027. We cannot assure that these measures will remediate the material weakness in a timely matter or at all, or that additional material weaknesses will not be identified in the future.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also 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 cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently subject to any material legal proceedings.

Item 1A. Risk Factors

RISK FACTORS

There are no material changes to the risk factors set forth in Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2025, except for the following.

We have incurred significant losses related to our Tarzana, California facility and may incur additional significant losses related to the facility in the future.

To date, we have recorded $58.4 million in impairment charges on long-lived assets related to the facility in Tarzana, California owned by our wholly owned subsidiary, Complex Therapeutics LLC. Significant impairment charges related to the Tarzana facility were recorded in the third quarter of 2023, the first quarter of 2025 and the second quarter of 2026. We may incur additional losses due to impairment charges related to the Tarzana facility. While we have recently resumed efforts to market the Tarzana facility, there can be no assurance that such efforts will be successful, and in the event the Tarzana facility is sold, we may not recover its carrying value and may suffer additional significant losses. Further, it is possible that we will not be able to sell the facility for an amount equal to or greater than the amount of secured debt encumbering the facility.

The Tarzana facility has been reassessed for property tax purposes, which has substantially increased the property taxes on the facility, and the outcome of the appeal of the reassessment is uncertain.

In June 2026, the Los Angeles County Assessor issued notices reassessing the Tarzana facility to reflect the construction completed in September 2023, which the County had not previously added to the property tax roll, and in August 2026 we received property tax bills totaling $4.5 million for tax years 2023-2024 through 2025-2026, together with the annual bill for tax year 2026-2027 at the reassessed value. Under its lease for the Tarzana facility, the Tenant is responsible for property taxes attributable to periods after the six-month abatement of operating and tax expenses that ended in January 2025, including the increase resulting from the reassessment, and we bear approximately $1.5 million of the back taxes attributable to earlier periods. In October 2026, we filed an appeal of the assessed values with the Los Angeles County Assessment Appeals Board. Property taxes must be paid while the appeal is pending, the appeals process may take up to two years, and we cannot predict whether the appeal will reduce the assessed values. If the appeal is unsuccessful, property taxes on the facility will remain at or above the reassessed level, which will increase the cost of occupying the facility for its Tenant and any future tenant or owner and could adversely affect the facility's value and marketability, making it more difficult for us to sell the Tarzana facility at an acceptable price or at all.

We have identified a material weakness in our internal control over financial reporting that, if not properly remediated, could result in us being unable to provide required financial information in a timely and reliable manner.

Our management has identified a material weakness in our internal control over financial reporting as of September 30, 2026 relating to the estimation and recording of property taxes on the Tarzana facility and the recognition and presentation of the Tenant's reimbursement of property taxes and other lessor costs under its lease, and concluded that our disclosure controls and procedures were not effective as of September 30, 2026.

The errors relating to property taxes on the Tarzana facility and the presentation of amounts reimbursed by the Tenant under its lease for the facility, together with certain other immaterial errors we corrected in our previously

issued financial statements, were not material to any previously issued financial statements, as described in Note 15 to the condensed consolidated financial statements in this Quarterly Report. We have begun implementing measures to remediate the material weakness, but the material weakness will not be considered remediated until the new controls have operated for a sufficient period and have been tested, which we expect to occur during the year ending December 31, 2027. We cannot assure you that our remediation plan will be successful in remediating the identified material weakness. For further discussion of our internal control over financial reporting, a description of the identified material weakness and a summary of the remediation efforts we are implementing, see Part I, Item 4, "Controls and Procedures," of this Quarterly Report.

We may in the future identify additional accounting errors relating to our Tarzana facility or otherwise, which could require further corrections to our financial statements. If we are required to further correct or restate our financial statements, or if we are not able to remediate the material weakness in a timely manner, or if additional material weaknesses in our internal control over financial reporting are discovered or occur in the future, we may be unable to provide holders of our securities with the required financial information in a timely and reliable manner, which could cause investors to lose confidence in our financial reporting, adversely affect the trading price of our common stock, and subject us to litigation and regulatory enforcement actions.

If Complex Therapeutics LLC is unable to sell the Tarzana facility and repay its term loan, or refinance the loan, or raise sufficient capital to repay the loan at maturity, or otherwise fails to comply with the terms of its loan agreement, including financial covenants, it could result in an event of default.

Complex Therapeutics LLC's $85.6 million term loan with Midland National Life Insurance Company, which is secured by the Tarzana facility, has a scheduled maturity date of January 2027. In September 2026, Complex Therapeutics LLC elected to extend the maturity by one year to January 2028, paid the extension fee and satisfied the conditions tested at the notice date; the extension will take effect only if the remaining conditions for the extension, principally the absence of any default or event of default, are satisfied on the scheduled maturity date in January 2027. If they are not, the loan will mature in January 2027. Complex Therapeutics LLC does not have, and we do not expect it to have, sufficient cash to repay the loan at maturity, and it will need to refinance the loan, sell the Tarzana facility in order to repay the loan, or otherwise obtain funds to repay it, and no such transaction may be available on acceptable terms or at all. Unless the loan has been refinanced or repaid before we file our Annual Report on Form 10-K for the year ending December 31, 2026, we expect that report to disclose substantial doubt about our ability to continue as a going concern, because the January 2028 maturity will fall within the period covered by that assessment.

If Complex Therapeutics LLC does not repay the loan at maturity or fails to comply with its loan agreement, including its financial covenants, the lender may declare all obligations immediately due and payable and foreclose on the Tarzana facility. The loan agreement also requires us, as guarantor, to maintain a consolidated net worth of at least $50 million, excluding our interest in the Tarzana facility, and liquidity of at least $17.1 million in cash and marketable securities, and our failure to do so would be an event of default under the loan. If we continue to expend our cash resources without raising additional funding, we may not be able to satisfy the applicable financial covenants, and we could face a default under, and acceleration of, the loan. We are not the primary obligor on the loan and have guaranteed it only in limited circumstances; however, if Complex Therapeutics LLC were to file a voluntary bankruptcy petition, if we or any affiliate, officer, director or representative of us or Complex Therapeutics LLC were to file an involuntary bankruptcy petition against it or acquiesce in the appointment of a custodian, receiver, trustee or examiner for it, or if Complex Therapeutics LLC were to make an assignment for the benefit of creditors, we would be fully liable for the loan. Any default could materially harm our financial position and prospects and cause the price of our common stock to decline.

Our current product candidates are discovery stage assets, and we may never advance them into the clinic. We have, and we may in the future, engage in strategic transactions to license or otherwise acquire new product candidates or technologies, and we may not be successful in developing or commercializing any such product candidates.

Our current product candidates are discovery-stage assets. None is in clinical development, and each will require substantial additional preclinical work, investigational new drug application-enabling studies, manufacturing development and regulatory clearance before any clinical trial could begin, which may take years and may not succeed. We do not have any products that are approved for commercial sale, and we may never be able to license or acquire, develop or commercialize any marketable products. We continue to seek to engage in strategic transactions to in-license or acquire and develop therapeutic assets for diseases with significant unmet need. We may not be able to identify, in-license or otherwise acquire, and subsequently develop, new product candidates. The licensing or acquisition of third-party intellectual property rights is a competitive area, and more established or more attractive companies may pursue strategies to license or acquire third-party intellectual property rights or assets that we may consider attractive for further development. These companies may have a competitive advantage over us due to their size, capital resources and/or greater clinical development, manufacturing and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us, and companies that do not perceive us to be a potential competitor may be reluctant to consider licensing to us given our lack of relevant meaningful experience. In addition, the process of identifying new product candidates and technologies that may be available to acquire or in-license and assessing their potential and value is difficult and time-consuming. Even if we identify suitable candidates to license or acquire, negotiating strategic transactions is time-consuming. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. Even if we are successful in in our efforts to license or acquire product candidates, the potential product candidates that we identify may not be suitable for clinical development. For example, product candidates may be shown to have harmful side effects or other characteristics that indicate that they are unlikely to be successfully developed, much less receive marketing approval and achieve market acceptance. We may not be successful in developing or commercializing any product candidate we may license or otherwise acquire and seek to develop. If we do not successfully develop and commercialize product candidates, we will not be able to obtain product revenue in future periods, which likely would result in significant harm to our financial position and adversely affect our stock price.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Director and Officer Trading Arrangements

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this report.

Item 6. Exhibits

The exhibits listed on the Exhibit Index are either filed or furnished with this report or incorporated herein by reference.

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation, as amended (incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K (File No. 001-40215), filed with the SEC on March 21, 2024).
3.2	Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-40215), filed with the SEC on March 23, 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 Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of 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 quarter ended September 30, 2026 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) the Condensed Consolidated Statements of Stockholders' Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

\# These certifications are being furnished solely to accompany this quarterly report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are 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 the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INSTIL BIO, INC.

November 16, 2026

By: /s/ Sandeep Laumas

Sandeep Laumas
Chief Financial Officer and Chief Business Officer
(On behalf of the registrant and in his capacity as Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Bronson Crouch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Instil Bio, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer 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: November 16, 2026

/s/ Bronson Crouch

Bronson Crouch

Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Sandeep Laumas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Instil Bio, Inc.;

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

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

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

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

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

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

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

5. The registrant's other certifying officer 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: November 16, 2026

/s/ Sandeep Laumas

Sandeep Laumas
Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Instil Bio, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bronson Crouch, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"); and

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

/s/ Bronson Crouch

Name: Bronson Crouch

Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 16, 2026

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

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

In connection with the quarterly report of Instil Bio, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sandeep Laumas, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"); and

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

/s/ Sandeep Laumas

Name: Sandeep Laumas

Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: November 16, 2026

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.